

To: Hunter's Brook Homeowners Association, Inc. c/o Elisabeth Burghoffer  
From: Karen P. Sackstein, CPA  
Re: Final Financial Statements, Year ended 9/30/20  
Date: 7/21/21

Enclosed please find the signed copy of your final financial statements suitable for reproduction and distribution. It has been a pleasure working with your organization. Please feel free to contact our office should you have any questions or concerns during the year. Thank you.

Sincerely,

*Karen P. Sackstein, CPA*

Karen P. Sackstein  
Certified Public Accountant

**HUNTER'S BROOK  
HOMEOWNERS ASSOCIATION, INC.  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Karen D. Sackstein**

Certified Public Accountant  
38-63 Taylor Road, Fair Lawn, NJ 07410  
Tel: (201) 794-1649 Fax: (201) 794-3926

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
TABLE OF CONTENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-9
Supplementary Information	10-11

**K a r e n P. S a c k s t e i n**  
C e r t i f i e d P u b l i c A c c o u n t a n t

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors:  
Hunter's Brook Homeowners Association, Inc.  
c/o Associa - Community Management Corp.  
55 Lane Road, Suite 440  
Fairfield, NJ 07004

**Report on the Financial Statements**

We have audited the accompanying balance sheet of Hunter's Brook Homeowners Association, Inc. as of September 30, 2020 and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunter's Brook Homeowners Association, Inc. as of September 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Comparison of Budget to Actual supplementary information on page 11, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Karen P. Sackstein, CPA*

Fair Lawn, New Jersey  
July 20, 2021

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
SEPTEMBER 30, 2020

	Operating Fund	Reserve Fund	Working Capital Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 27,876	\$ 11,113	\$ 24,563	\$ 63,552
Maintenance fees receivable, net of allowance for doubtful accounts of \$ 3,700	2,875	-	-	2,875
Prepaid insurance	4,323	-	-	4,323
Land	10,000	-	-	10,000
Due to/from other funds	(482)	150	332	-
	<u>\$ 44,592</u>	<u>\$ 11,263</u>	<u>\$ 24,895</u>	<u>\$ 80,750</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable and accrued expenses	\$ 4,421	\$ -	\$ -	\$ 4,421
Prepaid maintenance fees	2,478	-	-	2,478
	6,899	-	-	6,899
Fund balances	37,693	11,263	24,895	73,851
	<u>\$ 44,592</u>	<u>\$ 11,263</u>	<u>\$ 24,895</u>	<u>\$ 80,750</u>

The accompanying notes are an integral part of the financial statements.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Operating Fund	Reserve Fund	Working Capital Fund	Total
<b><u>REVENUES</u></b>				
Maintenance fees	\$ 33,651	\$ 1,800	\$ -	\$ 35,451
Late fees	1,080	-	-	1,080
Income from closings	-	-	261	261
Interest income	-	30	25	55
	<u>34,731</u>	<u>1,830</u>	<u>286</u>	<u>36,847</u>
<b><u>EXPENSES</u></b>				
Accounting fees	2,800	-	-	2,800
Bad debt expense	1,747	-	-	1,747
Detention basin maintenance	1,589	-	-	1,589
Insurance	4,301	-	-	4,301
Landscaping	8,687	-	-	8,687
Management fees	4,200	-	-	4,200
Miscellaneous expense	1,163	-	-	1,163
Real estate taxes	313	-	-	313
Snow removal	3,300	-	-	3,300
Water	99	-	-	99
Website maintenance	288	-	-	288
	<u>28,487</u>	<u>-</u>	<u>-</u>	<u>28,487</u>
Excess of Revenues Over Expenses	6,244	1,830	286	8,360
Beginning Fund Balances	51,449	9,433	4,609	65,491
Permanent Fund Balance Transfer	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Ending Fund Balances	<u>\$ 37,693</u>	<u>\$ 11,263</u>	<u>\$ 24,895</u>	<u>\$ 73,851</u>

The accompanying notes are an integral part of the financial statements.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Operating Fund	Reserve Fund	Working Capital Fund	Total
Cash flows from operating activities:				
Excess of revenues over expenses	\$ 6,244	\$ 1,830	\$ 286	\$ 8,360
Adjustments to reconcile excess of revenues over expenses to cash provided by (used for) operating activities:				
Permanent fund balance transfer	(20,000)		20,000	-
(Increase) decrease in:				
Maintenance fees receivable	(491)	-	-	(491)
Prepaid insurance	(3,615)	-	-	(3,615)
Due to/from other funds	(328)	(150)	478	-
Increase (decrease) in:				
Accounts payable and accrued expenses	248	-	-	248
Prepaid maintenance fees	(20)	-	-	(20)
Net cash provided by (used for) operating activities	<u>(17,962)</u>	<u>1,680</u>	<u>20,764</u>	<u>4,482</u>
Net increase (decrease) in cash and cash equivalents	(17,962)	1,680	20,764	4,482
Cash and cash equivalents, beginning of year	<u>45,838</u>	<u>9,433</u>	<u>3,799</u>	<u>59,070</u>
Cash and cash equivalents, end of year	<u>\$ 27,876</u>	<u>\$ 11,113</u>	<u>\$ 24,563</u>	<u>\$ 63,552</u>
Supplemental disclosures:				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	-	-	-	-

The accompanying notes are an integral part of the financial statements.



HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - PROPERTY DESCRIPTION

Hunter's Brook Homeowners Association, Inc. is a statutory association incorporated in the State of New Jersey in 2003. The Association is responsible for the operation and maintenance of the common property of the Hunter's Brook Homeowners Association, which consists of common property at the entrance of the Association and a detention basin on the grounds of the Association. The Association consists of one hundred and one residential units in Hackettstown, New Jersey.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 20, 2021, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUND ACCOUNTING

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund and working capital fund are generally at the discretion of the board of directors. Disbursements from the reserve fund generally may be made only for designated purposes.

INTEREST EARNED

It is the Association's policy that interest earned on all accounts is allocated to the proper restricted or unrestricted funds.

PROPERTY AND EQUIPMENT

Real property and common areas acquired from the Developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTNUED)

REVENUE RECOGNITION

The Association has adopted the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"). This guidance requires that an entity depict the consideration by applying a five-step analysis in determining when and how revenue is recognized. The Association has evaluated the effects of ASC 606 as it relates to the various revenue streams generated by the Association and has determined that member assessments, special assessments and other membership income to be contract revenue. The Association's position is that due to the nature of the revenue streams, the performance obligation to maintain the common property through assessments to owners is satisfied over time on an ongoing basis throughout the year, and hence satisfies the standard's guidelines to recognize the revenue as billed. In addition, the Association contends that, by definition, there is a responsibility to bill and collect funds to satisfy current operating needs, and to accumulate funds for the Association's future needs as set forth in the governing documents. Therefore, the Association's position is that the performance obligation for recording the portion of assessments applicable to contract revenue attributable to the reserve fund is also met and satisfied over time on an ongoing basis throughout the year.

The Association has also determined that income from agreements with outside parties generated by the Association to be contract revenue. The Association has determined that performance obligations related to agreements with outside parties are satisfied over time on an ongoing basis throughout the duration of the contract relationship and are recognized on an ongoing basis over the life of the contract.

The adopted guidance also requires an entity to determine if amounts recognized are collectible prior to recording revenue. The Association assumes that all revenue recognized, including the portion earmarked for future projects, is generally collectible at the time of recognition.

The Association has taken the approach to present accumulated reserves on its balance sheet as a component of its reserve fund balance rather than presenting a reserve fund contract liability. This presentation has been selected as it is a clearer depiction for the intended users of the financial statements. Also, the net accumulated reserve funds would be equal to the contract liability. Additionally, the amounts are clearly segregated on the face of the balance sheet and the footnotes to the financial statements detail the fund's intended and restricted future use.

NOTE 4 - MAINTENANCE FEES

Monthly maintenance fees billed to owners were \$ 27 for the three months ended December 2019 and \$ 30 for the nine months ended September 30, 2020. Of these amounts, \$ 1,800 was budgeted to the reserve fund.

All unit owners are subject to a one time non-refundable contribution equal to three months' maintenance fees collected at closing. This amount is contributed to the working capital fund.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The annual budget and assessments of owners are approved by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Developer presented a schedule of the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the schedule.

For the year ended September 30, 2020, the study recommended an annual contribution of \$ 250. The board is funding for major repairs and replacements over the remaining useful lives of the components based on an annual funding of \$ 1,800. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

There were no reserve expenditures we during the year ended September 30, 2020.

NOTE 6 - FEDERAL INCOME TAXES

The Association has the option of being taxed as a regular corporation on the amount by which total non-membership revenues exceed total non-membership expenses pursuant to Internal Revenue Code Section 277, or it can elect to file as a homeowner's association under Section 528 of the Internal Revenue Code, which provides that the Association is exempt from taxation on amounts received as exempt function income, which generally consists of uniform assessments to members.

For the year ended September 30, 2020, the Association has elected to be taxed as a homeowner's association under Internal Revenue Code Section 528. There was no federal income tax expense for the year ended September 30, 2020.

Since the Association was incorporated pursuant to Title 15 of the New Jersey Statutes, it is not liable for New Jersey Corporation Business Tax.

Under federal income tax laws, an entity's income tax returns are subject to examination by the Internal Revenue Service. The time period during which a return may be selected for examination generally ends at the later of three years after initial due date of the return or three years after the return is filed. At September 30, 2020, the Association's tax years that remained subject to examination were the years ended September 30, 2020, 2019, 2018, and 2017.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 7 - MAINTENANCE FEES RECEIVABLE

It is the Association's policy to retain legal counsel and commence collection proceedings on the properties of members whose assessments are delinquent as determined by the board of directors. At September 30, 2020 it was estimated that \$ 3,700 of billed fees may not be collected, and therefore, an allowance for that amount has been established. If and when a portion of the allowance is collected, it will be recognized as income in the year it is received.

NOTE 8 - PERMANENT FUND BALANCE TRANSFER

The Association recorded a permanent fund balance transfer totaling \$ 20,000 during the year ended September 30, 2020 to reflect a transfer of monies from the operating fund to the working capital fund.

NOTE 9 - ONGOING UNCERTAINTY

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its owners and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may negatively impact the Association's financial condition or results of operations is uncertain.

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION (UNAUDITED)  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Developer presented a schedule estimating the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair and/or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair and replacement.

Component	Estimated Useful Life (Years)	Estimated Replacement Cost	Calculated Annual Contribution
Basin outlet structure	20	\$ 5,000	\$ 250

HUNTER'S BROOK HOMEOWNERS ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION (UNAUDITED)  
 COMPARISON OF BUDGET TO ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>			
Maintenance fees	\$ 32,724	\$ 35,451	\$ 2,727
Transfer to reserve fund	(1,800)	(1,800)	-
Late fees	100	1,080	980
Other income	100	-	(100)
	<u>31,124</u>	<u>34,731</u>	<u>3,607</u>
 <u>EXPENSES</u>			
Accounting fees	2,600	2,800	(200)
Bad debt expense	1,500	1,747	(247)
Detention basin maintenance	800	1,589	(789)
Insurance	4,300	4,301	(1)
Landscaping	9,110	8,687	423
Legal fees	3,000	-	3,000
Management fees	4,200	4,200	-
Miscellaneous expense	1,288	1,163	125
Real estate taxes	300	313	(13)
Snow removal	3,500	3,300	200
Sprinkler maintenance	400	-	400
Water	110	99	11
Website maintenance	16	288	(272)
	<u>31,124</u>	<u>28,487</u>	<u>2,637</u>
 Excess of Revenues Over Expenses	 <u>\$ -</u>	 <u>\$ 6,244</u>	 <u>\$ 6,244</u>