Regal Point
Condominium Association, Inc.

Financial Statements

June 30, 2022

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Trustees
Regal Point Condominium Association, Inc.
Monmouth Junction, New Jersey

Management is responsible for the accompanying financial statements of Regal Point Condominium Association, Inc., which comprise of the balance sheet as of June 30, 2022, 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 in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information on future major repairs and replacements on page 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have compiled the supplementary information from information that is the representation of management of Regal Point Condominium Association, Inc., without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Certified Public Accountant

Ambler, Pennsylvania
December 21, 2022

REGAL POINT CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

JUNE 30, 2022

	Operating Fund	*Replacement Fund*	*Total*
ASSETS			
Cash and Cash Equivalents	$32,554	$305,260	$337,814
Assessments Receivable	39,033	-	39,033
Allowance for Doubtful Accounts	(38,983)	-	(38,983)
Accounts Receivable	2,674	-	2,674
Prepaid Expenses	9,953	-	9,953
Interfund Receivable (Payable)	(690)	690	-
Total Assets	$44,541	$305,950	$350,491
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued Expenses	$6,584	$0	$6,584
Assessments Received In Advance	5,759	-	5,759
Total Liabilities	12,343	-	12,343
FUND BALANCES			
Fund Balances	18,689	305,950	324,639
Deferred Snow Removal Fund	13,509	-	13,509
Total Fund Balances	32,198	305,950	338,148
Total Liabilities and Fund Balances	$44,541	$305,950	$350,491

See Accountant's Compilation Report and Notes to Financial Statements

REGAL POINT CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	*Replacement Fund*	*Total*
REVENUES			
Maintenance Assessments	$118,908	$33,102	$152,010
Township Reimbursement	2,674	-	2,674
Miscellaneous Income	1,650	-	1,650
Capital Contributions	-	1,590	1,590
Interest Income	3	772	775
Late Fee Income	130	-	130
Total Revenues	123,365	35,464	158,829
EXPENSES			
Insurance	35,852	-	35,852
Landscaping Maintenance	34,949	-	34,949
General Maintenance	19,526	-	19,526
Snow Removal	6,723	-	6,723
Electric	5,414	-	5,414
Financial Service Fee	5,388	-	5,388
Landscape Improvements	4,868	-	4,868
Bad Debt Expense	2,155	-	2,155
Concrete Repair and Maintenance	2,000	-	2,000
Office Expense	1,736	-	1,736
Accounting Fees	1,000	-	1,000
Water	535	-	535
Social Committee Expenses	364	-	364
Total Expenses	120,510	-	120,510
EXCESS OF REVENUES OVER EXPENSES	2,855	35,464	38,319
FUND BALANCES - BEGINNING OF YEAR	19,767	270,486	290,253
Allocation from (to) Deferred Snow Removal Fund	(3,933)	-	(3,933)
FUND BALANCES - END OF YEAR	$18,689	$305,950	$324,639

See Accountant's Compilation Report and Notes to Financial Statements

REGAL POINT CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	*Replacement Fund*	*Total All Funds*
OPERATING ACTIVITIES			
Excess of revenues over expenses	$2,855	$35,464	$38,319
Adjustments to reconcile excess of revenues over expenses to net cash provided (used in) operating activities:			
(Increase) decrease in:			
Assessments receivable	630	-	630
Accounts receivable	(2,674)	-	(2,674)
Prepaid expenses	(184)	-	(184)
Increase (decrease) in:			
Accrued expenses	58	-	58
Assessments received in advance	1,992	-	1,992
Interfund balances	549	(549)	-
Net cash provided by operating activities	3,226	34,915	38,141
INVESTING ACTIVITIES			
Change of Certificates of Deposit, net	-	199,338	199,338
Net cash provided by investing activities	-	199,338	199,338
INCREASE IN CASH	3,226	234,253	237,479
CASH AND CASH EQUIVALENTS, Beginning of Year	29,328	71,007	100,335
CASH AND CASH EQUIVALENTS, End of Year	$32,554	$305,260	$337,814
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income taxes paid	$0	$0	$0

See Accountant's Compilation Report and Notes to Financial Statements

Note 1. Nature of the organization

The Regal Point Condominium Association Inc (the Association), is incorporated as a not-for-profit corporation in the state of New Jersey. The purposes of the Association are to provide for the maintenance of the common property. The Association does not contemplate pecuniary gain or profit to its members. The Association consists of 53 residential units located in Monmouth Junction, Middlesex County, New Jersey.

Note 2. Date of Management Review

In preparing the financial statements, the Association has evaluated events and transactions for the potential recognition or disclosure through October 31, 2022, and the date that the financial statements were available to be issued.

Note 3. Summary of Significant Accounting Policies

Fund Accounting

The Association uses fund accounting with the accrual basis, which requires that funds, such as Operating Fund and Replacement Fund, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Trustees. Disbursements from the Replacement Fund generally may be made only for designated purposes.

Annual Budget

The annual budget and assessments of the homeowners are determined by the Board of Trustees based on an estimate of the total cost to service and maintain the common elements during the succeeding fiscal year, along with an amount estimated by the Board of Trustees for the reserves for major repairs and replacements of the common property.

Unit Owners' Assessments and Common Expenses

Revenue from unit owners' assessments is recognized when the assessments are due. Amounts billed but not collected are recorded as assessments receivable. Amounts collected but not earned until a subsequent period recorded as assessments received in advance. Common expenses are recognized when incurred and may not be in proportion of revenues recognized on a monthly basis due to the seasonal nature of some expenses.

Note 3. Summary of Significant Accounting Policies - Continued

Allowance for Doubtful Accounts

An allowance for doubtful assessment balances of $38,983 is required as of June 30, 2022 based on experience and evaluation of the outstanding assessment receivables. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are significantly in arrears.

Interest Earned

Interest income is allocated to the *Operating* Fund *and Replacement* Fund in proportion to the interest-bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 4. Capital Contribution Assessment

At the time of conveyance with a homeowner, a contribution to the Association in the amount equal to two months of the current maintenance assessment is collected. Capital contributions are non - refundable and are not an advance towards other maintenance assessments.

Note 5. Township Reimbursement

The Association is reimbursed by the township for a portion of the snow removal, leaf removal and lighting. Township reimbursements are recorded as income in the accompanying financial statements when, and if, it is received.

Note 6. Federal Income Taxes

Under the Internal Revenue Code, condominium associations may be taxed as a Homeowners Association at their election, or as a regular corporation. The Association may select either method in any year and will generally select the method that results in the lowest tax due. A method selected in one-year effects only that year and the Association is free to select either method in future years. For the year ended in June 30, 2022, the Association filed its federal income tax return as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal corporate rates. For the 2022 tax year, the Association's interest income was subject to tax at the rate of 21%.

The Association has adopted the new accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken and expected to be taken in its income tax returns. The Association's tax filings are subject to audit by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

The Association is incorporated pursuant to Title 15A : 1 of the New Jersey Statues and, therefore, is not liable for New Jersey corporation business taxes.

Note 7. Concentration of Credit Risk

Association financial instruments exposed to concentrations of credit risk consists primary of cash balances and assessments receivable. Cash balances at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2022, Association cash balances did not exceed FDIC limits. The Association's Board of Trustees believes that it is not exposed to any significant credit risk on its cash accounts.

Assessments receivable are dispersed among several unit owners and vendors; therefore, concentrations of credit risk are limited. The Board of Trustees carefully monitors the assessment roll for delinquent unit owners and takes appropriate action to limit the Association's exposure.

Note 8. Future Majors Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately $305,260 at June 30, 2022, are held in separate accounts and are generally not available for operating purposes. For the fiscal year ended June 30, 2022, the Association allocated $33,102 of maintenance assessments to the Replacement Fund. There were no charges against the Replacement Fund during the year ended June 30, 2022.

To ensure that the accumulated funds in our replacement fund were adequate, the Board hired Kipcon, Inc., an independent engineer, to conduct a study in 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on replacement costs at the time of the study. Funding requirements of the study did not consider the effects of inflation, or investment earnings that would increase replacement fund accounts.

The Board had continuously updated these estimates and time lines of the replacement costs from the 2014 Kipcon study. More recently, the Board invested in software specifically designed for condominium reserve analyses, to gain a better understanding of whether our reserves were adequately funded. Using current cost estimates from vendors and re-evaluating the timing of certain capital projects, the software determined the amounts needed in the upcoming few years.

Note 8. Future Majors Repairs and Replacements - Continued

Board analyzed the results and decided that the timing of some major repairs/replacements needed to be accelerated. It was also determined that the reserves are underfunded based on current estimated costs and need to be dramatically increased over the next few years.

The Bylaws state that if additional funds are needed in the replacement fund, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until such funds are available.

During the fiscal year ended June 30, 2022, regular assessments were increased due to rising operating costs and inadequate funding of the replacement fund. It was also decided that, going forward, a combination of increased regular assessments and two potential special assessments would be needed to adequately fund the upcoming repairs and replacements that will be required both short and long term.

The table below about Future Major Repairs and Replacements is based on the June 30, 2022 estimate prepared by the Board.

Regal Point Budget Extended Plan B							
		FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Dues Rate	1-Jul	265	350	375	400	400	400
Dues Rate	1-Sep	295					
Dues Rate	1-Jan	325	350	375	400	400	400
Special Assessment	1-Jul		3000	2000			
Total of Dues & Special Assessment		181,820	357,612	322,847	238,416	238,416	238,416
Resale Contribution		590	720	900	900	850	800
Late Fee Income		100	100	100	100	100	100
Interest Income		10	10	10	10	10	10
Township Reimbursements		2,750	2,900	3,100	3,200	3,300	3,400
Total Income		185,210	361,342	326,957	242,626	242,676	242,726
Total Operating (FY2023 Estimate)		137,780					
% Increase in operating expense			10	7	5	5	5
Potential Operating Expense		137,780	151,558	162,167	170,275	178,789	187,729
Yearly New Reserves Contribution		47,430	209,784	164,790	72,351	63,887	54,997
Cumulative New Reserves Contribution		47,430	257,214	422,004	494,355	558,241	613,239
Cumulative Total Reserves	305,000	352,430	562,214	727,004	799,355	863,241	918,239
Projected Project Costs		290,000	230,000	140,000	38,000		
		roofs 3-8	privacy fence	stain/paint	neighbor fence sealcoat		
Cumulative Net Reserves		62,430	42,214	67,004	101,355	165,241	220,239

Note 9. Deferred Snow Removal Fund

During the fiscal year ended June 30, 2022, the Board of Trustees contributed $3,933 to the Deferred Snow Removal Fund for snow removal expenses less than the current year snow removal budget. The differed snow removal fund is shown as a separate component of fund balances on the Balance Sheet, page 2 of these financial statements.

REGAL POINT CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

JUNE 30, 2022

(UNAUDITED)

Kipcon, Inc., an independent engineer, conducted a study in 2014 to estimate the remaining useful lives and the replacement cost of the components of common property. The estimates were based on their current replacement cost. Estimated replacement costs have not been professionally revised by an independent engineering firm 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 or replacement. However, the Association's Board, using the Kipcon, Inc. study as a guide, internally revises a working reserve fund study on an annual basis. The following table is based on the study and presents significant information about the components of common property.

Reserve Component Name	Last or Scheduled Service Year	Remaining Useful Life Life (yrs)	Replacement Frequency (years)	Next Service Year	Estimated Cost at Next Service	Fund Balance at Year End
Pavement Sealcoating	2026	3	6	2025	$15,000	
2" Pavement Overlay	2020	28	30	2050	$275,000	
Gazebo	2006	9	25	2031	$20,000	
Stockade Fence	2001	0	20	2026	$25,000	
Playground Equipment	2006	9	25	2031	$23,000	
Signage	2007	10	25	2032	$6,500	
Concrete Rear Patios (7 Units)	2016	24	30	2046	$24,500	
Concrete Dumpster Pads	1999	17	40	2039	$28,000	
Roof Shingles (Buildings 1-2)	2011	11	20	2033	$135,500	
Roof Shingles (Buildings 3-8)	2022	25	25	2047	$300,000	
Rear Privacy Fencing	2001	2	20	2024	$230,000	
Vinyl Lattice (Front)	2018	11	6	2025	$2,500	
Staining & Painting	2018	3	6	2025	$140,000	
TOTAL						$305,950

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