

**Financial Statements and Notes
of the Board of Trustees for**

**RIVERBEND TOWNHOUSE
OWNERS' ASSOCIATION, INC.**

**Report of Independent Auditor
December 31, 2008**

RIVERBEND TOWNHOUSE OWNERS' ASSOCIATION, INC.

DECEMBER 31, 2008

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JAMES M. McFADDEN
Certified Public Accountant



REPORT OF INDEPENDENT AUDITOR

**Board of Trustees and Members
Riverbend Townhouse Owners' Association
North Brunswick, New Jersey**

I have audited the accompanying balance sheet of **Riverbend Townhouse Owners' Association** as of December 31, 2008, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's Board and management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Riverbend Townhouse Owners' Association** as of December 31, 2008, 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.

The Supplemental Information on Estimated Future Major Repairs and Replacements on Pages 10 is not a required part of the basic financial statements but is supplemental information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of the Board of Directors of **Riverbend Townhouse Owners' Association** without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information. I have not applied procedures to determine whether the estimated replacement costs, estimated useful life, estimated remaining useful life in the engineer's report or the funds designated for future major repairs and replacements are adequate to meet future costs because that determination is outside the scope of my audit.

James M. McFadden, CPA

James M. McFadden, CPA
March 12, 2009

RIVERBEND TOWNHOUSE OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2008

	OPERATING FUND	RESERVE FOR REPLACEMENT FUND	DEFERRED MAINTENANCE FUND	TOTAL ALL ALL FUNDS
ASSETS				
Cash and equivalents	\$ 140,250	\$ 46,443	\$ 5,684	\$ 192,377
Certificates of Deposit	40,000	125,000	-	165,000
Assessments receivable	25,375	-	-	25,375
Less: Allowance for estimated uncollectible assessments	(21,000)	-	-	(21,000)
Prepaid expenses	2,628	-	-	2,628
Interfund balances	81	-	(81)	-
TOTAL ASSETS	<u>\$ 187,334</u>	<u>\$ 171,443</u>	<u>\$ 5,603</u>	<u>\$ 364,380</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and Accrued expenses	\$ 404	\$ -	\$ -	\$ 404
Assessments received in advance	11,498	-	-	11,498
Escrow deposits	17,650	-	-	17,650
Income taxes payable	-	-	-	-
TOTAL LIABILITIES	<u>29,552</u>	<u>-</u>	<u>-</u>	<u>29,552</u>
FUND BALANCES	<u>157,782</u>	<u>171,443</u>	<u>5,603</u>	<u>334,828</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 187,334</u>	<u>\$ 171,443</u>	<u>\$ 5,603</u>	<u>\$ 364,380</u>

See Notes to Financial Statements.

RIVERBEND TOWNHOUSE OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	BUDGET (UNAUDITED)	OPERATING FUND	RESERVE FOR REPLACEMENT FUND	DEFERRED MAINTENANCE FUND	TOTAL ALL FUNDS
REVENUES					
Assessment fee income	\$ 244,320	\$ 244,320	\$ 55,920	\$ 15,000	\$ 315,240
Capital contributions	-	-	3,500	-	3,500
Late fee income	2,000	2,580	-	-	2,580
Interest income	3,155	2,153	1,867	-	4,020
Lease and fine income	-	200	-	-	200
TOTAL REVENUES	<u>249,475</u>	<u>249,253</u>	<u>61,287</u>	<u>15,000</u>	<u>325,540</u>
EXPENSES					
Lawn care	37,000	38,590	-	-	38,590
Property enhancement	5,000	131	-	-	131
Snow removal	45,000	14,315	-	-	14,315
Sprinkler maintenance	7,500	8,009	-	-	8,009
Street sweeper	1,040	-	-	-	-
Tree care	10,000	16,839	-	-	16,839
Common property management	10,000	8,544	-	-	8,544
Municipal services	2,000	2,523	-	-	2,523
Sewer line maintenance	50,000	9,908	-	-	9,908
Electric	5,700	5,785	-	-	5,785
Water	10,000	6,222	-	-	6,222
Insurance	8,900	8,167	-	-	8,167
Management fees	34,200	34,200	-	-	34,200
Legal fees (net of collections)	3,500	2,196	-	-	2,196
Audit fee	2,600	2,350	-	-	2,350
Engineering fees	2,000	-	-	-	-
Office expenses	6,600	5,695	-	-	5,695
Income taxes (refund)	1,400	-	-	-	-
Real estate taxes	450	52	-	-	52
Bad debts expense (recoveries)	3,152	15,015	-	-	15,015
Contingency-catch basins	6,500	11,345	-	-	11,345
Deferred maintenance expenses	-	-	-	25,546	25,546
Major repairs and replacements	-	-	14,102	-	14,102
TOTAL EXPENSES	<u>252,542</u>	<u>189,886</u>	<u>14,102</u>	<u>25,546</u>	<u>229,534</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u><u>\$ (3,067)</u></u>	59,367	47,185	(10,546)	96,006
FUND BALANCES, JANUARY 1,		<u>98,415</u>	<u>124,258</u>	<u>16,149</u>	<u>238,822</u>
FUND BALANCES, DECEMBER 31,		<u><u>\$ 157,782</u></u>	<u><u>\$ 171,443</u></u>	<u><u>\$ 5,603</u></u>	<u><u>\$ 334,828</u></u>

See Notes to Financial Statements.

RIVERBEND TOWNHOUSE OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>TOTAL ALL FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess (Deficit) of Revenues over Expenses	\$ 96,006
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for losses on accounts receivable	12,000
(Increase) decrease in assessments receivable	(9,650)
(Increase) decrease in other receivable	240
Increase (decrease) in accrued expenses	(13,737)
Increase (decrease) in prepaid assessments	4,258
Increase (decrease) in income taxes payable	(164)
Total adjustments	(7,053)
Net cash provided (used) by operating activities	<u>88,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of certificates of deposit	(165,000)
Net cash provided (used) by investing activities	<u>(165,000)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(76,047)
CASH AND EQUIVALENTS, JANUARY 1,	268,424
CASH AND EQUIVALENTS, DECEMBER 31,	\$ <u>192,377</u>
Supplemental Information on Cash Flows:	
Cash paid during the year for the following:	
Income taxes	<u>\$ 275</u>

RIVERBEND TOWNHOUSE OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. PURPOSE AND ORGANIZATION

The Riverbend Townhouse Owners' Association, Inc., located in North Brunswick, New Jersey is an incorporated association pursuant to the Corporations and Associations Not for Profit Act of the State of New Jersey under Title 15A. The purpose of the Association is to maintain, regulate and administer certain community facilities and to maintain the common areas for the use, benefit and enjoyment of the owners and lawful occupiers of the units in the property. In addition, the Association is to provide for the collection of such revenue as may be necessary to effectuate the foregoing. The Association does not contemplate pecuniary gain or profit to its members. The Association consists of 142 residential units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's governing documents provide for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting on the accrual basis. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund- This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund- This fund is used to accumulate financial resources designated for future major repairs and replacements of the common areas.

Deferred Maintenance Fund - The purposes of this fund is to accumulate sufficient amounts which will allow the Association to have the necessary resources to perform various maintenance services such as painting which may occur less frequently than annually.

Member Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in future years. Past due or delinquent fees may be secured by a lien on the homeowner's unit with the power of foreclosure.

Allowance for Doubtful Accounts - An allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of the receivables is provided. The provision is based upon a review of the current status of the existing receivables. As of December 31, 2008, the Association has recognized \$21,000 as uncollectible assessments.

RIVERBEND TOWNHOUSE OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes - The Association has elected to be taxed as a regular corporation for the year ended December 31, 2008. Under this election, the Association is generally taxed only on nonmembership income, such as interest earnings, at regular corporate rates. Membership income is exempt from taxation if certain elections are made. Since the Association is incorporated pursuant to Title 15A of the New Jersey statutes, it is not liable for state corporate income taxes and therefore, no provision was made for such.

The Association's tax returns are subject to examination by federal, state and local taxing authorities. Because transactions are susceptible to varying interpretations under various income and tax laws and regulations, the amounts reported in the accompanying financial statements may be subject to change upon final determination by the respective taxing authorities.

Budgeted Revenues and Expenses - Budgeted revenues and expenses included in the financial statements are unaudited and are provided for informational purposes only.

NOTE 3. ESTIMATES

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

NOTE 4. DEFERRED MAINTENANCE FUND

During 2002 the Association established a Deferred Maintenance Fund to collect funds for the periodic maintenance of certain common elements. The Board allocated \$15,000 of assessments to this fund for the year ended December 31, 2008. During the year ended December 31, 2008 the Board charged \$25,546 for mulch expenditures to the Deferred Maintenance Fund.

NOTE 5. FINANCIAL CONCENTRATIONS

A substantial amount of the Association's revenue is derived primarily from the unit owners and the Association is dependent upon this source of income. Collection of member assessments is vital to the ongoing financial support of the Association.

RIVERBEND TOWNHOUSE OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 6. ESCROW DEPOSITS

Each member of the Association must contribute the equivalent of two month's maintenance fees as a non-refundable escrow deposit at the initial time of closing, which is transferred between buyer and seller, to be used in the event of non-payment of monthly assessments.

NOTE 7. REPLACEMENT FUND

The 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. Interest earned on Replacement Fund assets are recorded in the Replacement Fund.

In April 2007 the Board of Trustees engaged an engineer, Kipcon, Inc., to conduct a study 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 without regards to inflation. The table included in the unaudited supplementary information on Estimated Future Major Repairs and Replacements is based on this study. All data in the supplementary information is as of the date of the study and has not been updated for changes in estimates, inflation or work performed in the interim.

The Board of Trustees is funding for major repairs and replacement over the remaining useful lives of the components based on the 2007 engineer's report. Accordingly, the Board budgeted and funded \$55,920 for the year ended December 31, 2008 as assessments for the Replacement Fund. The following expenditures were charged against the Replacement Fund for the year ended December 31, 2008:

Pavement sealcoat roadway	\$ 13,995
Bank service charges	<u>107</u>
Total Replacement Fund expenses	<u>\$ 14,102</u>

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 8. CAPITAL CONTRIBUTIONS

Upon acquisition of title to a unit, each new member of the Association must contribute a one-time, non-refundable membership fee of \$500 to be treated as an additional contribution to the Replacement Fund.

RIVERSBEND TOWNHOUSE OWNERS' ASSOCIATION, INC.
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2007
UNAUDITED

An independent engineering firm, Kipcon, Inc., completed an updated of an earlier study in April 2007 to estimate the remaining useful lives and the replacement cost of the components of common property. The estimates were based on their current replacement costs and do not take into consideration inflation and interest earnings on replacement funds. The following table, which is highly summarized, is taken directly from the study dated April 2007 and presents significant information about the components of common property. All data in the supplementary information is as of the date of the study and has not been updated for changes in estimates, inflation or work performed in the interim.

<u>COMPONENT:</u>	<u>RESERVE</u> <u>REQUIREMENT</u> <u>PRESENT</u> <u>DOLLARS</u>	<u>EXISTING</u> <u>RESERVE</u> <u>FUNDS</u>	<u>ESTIMATED</u> <u>USEFUL</u> <u>LIFE</u>	<u>ESTIMATED</u> <u>REMAINING</u> <u>LIFE</u>	<u>ANNUAL</u> <u>RESERVE</u> <u>FUNDING</u> <u>REQUIRED*</u>
Sitework:					
Pavement Sealcoating	\$ 13,992	\$ 3,116	5	1	\$10,876
Pavement cap	343,824	15,926	20	15-18	19,791
Concrete Sidewalks	251,102	34,946	30	15	14,410
Sprinkler system	240,354	50,845	25	6	31,585
Mailbox and shed	7,674	214	30	27	276
Contingency	25,000	278	25	24	1,030
Other areas:					
Alien Block Retaining Wall	17,741	3,950	20	4	3,448
Walkway lights	119,726	16,662	20	10	10,306
Playground equipment	20,000	278	20	19	1,038
	<u>\$1,039,412</u>				<u>\$ 92,760</u>

* The Kipcon Engineering report presents several funding options.
 See Auditor's Report and Notes to Financial Statements.