

**KINGS COVE
NEIGHBORHOOD ASSOCIATION, INC.
COMPILATON REPORT
FOR THE YEAR ENDED
FEBRUARY 28, 2023**

MURRAY & BECKER LLC

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To the Board of Directors
Kings Cove Neighborhood Association, Inc.
P.O. Box 57
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Management is responsible for the accompanying financial statements of **Kings Cove Neighborhood Association, Inc.**, which comprise the statement of assets, liabilities, and fund balance-tax basis as of **February 28, 2023**, and the related statements of revenue, expenses and changes in fund balance-tax basis and cash flows-tax basis for the year then ended in accordance with the tax basis of accounting, and for determining that the tax basis of accounting is an acceptable financial reporting framework. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The supplementary information included Schedule 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the representation of management. The supplementary information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Murray & Becker, LLC

Murray and Becker LLC
Pleasantville, NJ
April 26, 2023

KINGS COVE NEIGHBORHOOD ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
TAX BASIS
FEBRUARY 28, 2023

	Operating Fund	Reserve Fund	Total
<u>ASSETS</u>			
Cash in Bank-Checking-TD Bank	\$ 1,214.98	\$ -	\$ 1,214.98
Cash in Bank-Reserve-Parke Bank	<u>-</u>	<u>71,948.68</u>	<u>71,948.68</u>
 TOTAL CASH & EQUIVALENTS	 <u>1,214.98</u>	 <u>71,948.68</u>	 <u>73,163.66</u>
 Prepaid Insurance	 2,341.04	 -	 2,341.04
Association Dues Receivable	1,230.00	-	1,230.00
Capital Expenditures	79,656.52	-	79,656.52
Less: Accumulated Depreciation	<u>(74,290.52)</u>	<u>-</u>	<u>(74,290.52)</u>
 TOTAL ASSETS	 \$ <u>10,152.02</u>	 \$ <u>71,948.68</u>	 \$ <u>82,100.70</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ <u>1,397.13</u>	\$ -	\$ <u>1,397.13</u>
 TOTAL LIABILITIES	 1,397.13	 -	 1,397.13
 FUND BALANCE	 <u>8,754.89</u>	 <u>71,948.68</u>	 <u>80,703.57</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>10,152.02</u>	 \$ <u>71,948.68</u>	 \$ <u>82,100.70</u>

See Independent accountant's compilation report and accompanying notes

KINGS COVE NEIGHBORHOOD ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE -
TAX BASIS
FOR THE YEAR ENDED FEBRUARY 28, 2023

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>Total</u>
<u>REVENUE:</u>			
Association Dues	\$ 133,476.92	\$ 12,043.08	\$ 145,520.00
Interest Income	-	276.60	276.60
Late Charges	264.00	-	264.00
TOTAL REVENUE	<u>133,740.92</u>	<u>12,319.68</u>	<u>146,060.60</u>
<u>EXPENSES:</u>			
Accounting Service	1,500.00	-	1,500.00
Bank Charges	35.00	-	35.00
Depreciation	1,215.00	-	1,215.00
Electric	611.06	-	611.06
Grounds Maintenance	1,626.03	-	1,626.03
Insurance	10,063.93	-	10,063.93
Lawn Care/Landscaping	76,279.99	-	76,279.99
Legal Services	500.50	-	500.50
Management Fees	12,000.00	-	12,000.00
Meetings	775.00	-	775.00
Postage	793.76	-	793.76
Office Expense	765.72	-	765.72
Sprinkler System	22,776.00	-	22,776.00
Tree Trimming	3,412.00	-	3,412.00
Water	20,112.70	-	20,112.70
Website	613.00	-	613.00
TOTAL EXPENSES	<u>153,079.69</u>	<u>-</u>	<u>153,079.69</u>
EXCESS OF REVENUE OVER EXPENSES			
BEFORE INCOME TAX	(19,338.77)	12,319.68	(7,019.09)
FEDERAL INCOME TAX	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES	(19,338.77)	12,319.68	(7,019.09)
BEGINNING FUND BALANCE	9,093.66	78,629.00	87,722.66
Transfer Between Funds	19,000.00	(19,000.00)	-
ENDING FUND BALANCE	<u>\$ 8,754.89</u>	<u>\$ 71,948.68</u>	<u>\$ 80,703.57</u>

See independent accountant's compilation report and accompanying notes

KINGS COVE NEIGHBORHOOD ASSOCIATION
STATEMENT OF CASH FLOWS -
TAX BASIS
FOR THE YEAR ENDED FEBRUARY 28, 2023

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>Total</u>
CASH FLOWS - OPERATING ACTIVITIES			
Excess of Revenue over Expenses	\$ (19,338.77)	\$ 12,319.68	\$ (7,019.09)
Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Depreciation	1,215.00		1,215.00
(Increase) Decrease in:			
Association Dues Receivable	(680.00)		(680.00)
Prepaid Insurance	(200.34)		(200.34)
Increase (Decrease) in:			
Accounts Payable	115.58		115.58
Prepaid Association Dues	<u>(705.00)</u>		<u>(705.00)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 (19,593.53)	 12,319.68	 (7,273.85)
 CASH FLOWS - INVESTING ACTIVITIES			
Purchase of furn. & equip	-	-	-
 CASH FLOWS - FINANCING ACTIVITIES			
Interfund transfers	19,000.00	(19,000.00)	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>
 NET INCREASE (DECREASE) IN CASH	 (593.53)	 (6,680.32)	 (7,273.85)
 CASH AT BEGINNING OF YEAR	 <u>1,808.51</u>	 <u>78,629.00</u>	 <u>80,437.51</u>
 CASH AT END OF YEAR	 \$ <u>1,214.98</u>	 \$ <u>71,948.68</u>	 \$ <u>73,163.66</u>
 SUPPLEMENTAL DISCLOSURES			
Interest Paid	\$ -		
Income Taxes Paid	\$ -		

See independent accountant's compilation report and accompanying notes

KINGS COVE NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

The Kings Cove Neighborhood Association was formed on March 5, 1984. The Association is responsible for the operation and maintenance of the common property within the development. The association consists of 214 completed residential units located in Brigantine, New Jersey.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines 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. 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.

Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the association are recorded at cost.

Estimates

The preparation of financial statements in conformity with the tax basis of accounting 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 reported period. Actual results could differ from those estimates.

Cash and Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to cash equivalents for purposes of disclosure in the statement of cash flows.

KINGS COVE NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Assessments

Association members are subject to annual 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. The Association's policy is to retain legal counsel and pursue collection from the homeowner's whose assessments are considered to be delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Basis of Accounting

The Association's policy is to prepare its financial statements on the income tax basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when disbursed rather than when the obligation is incurred.

NOTE C - INCOME TAXES

The Association is a non-profit organization exempt from income tax under section 501(c)(4).

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds aggregating \$71,948.68 are held or due to the reserve fund account and are generally not available for operating purposes. The Association had a reserve study prepared which was finalized in January of 2022. This study enables the Association to more accurately fund the cost of future major repairs and replacements.

NOTE E - EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the balance sheet date through the date of April 26, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Association has determined that no subsequent events have occurred which require disclosure in the financial statements.

KINGS COVE NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – FAIR VALUE DISCLOSURES

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The Statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. Fair value is the price that would be received to sell an asset for paid to transfer a liability in an orderly transaction between parties at a specific date. As a basis for considering the assumptions used in measuring fair value, FASB ASC 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions and (2) the reporting entity's own assumptions. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad levels:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical liabilities that the reporting entity can assess at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for the asset or liability.

At February 28, 2023, the Association had no assets or liabilities that required disclosure under FASB ASC 820.

KINGS COVE NEIGHBORHOOD ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES, AND CAPITAL TRANSACTIONS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2023

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavor.)
<u>REVENUE:</u>			
Association Dues	\$ 145,520.00	\$ 145,520.00	\$ -
Interest Income	-	276.60	276.60
	<u>145,520.00</u>	<u>146,060.60</u>	<u>540.60</u>
<u>EXPENSES (EXCLUDING DEPRECIATION):</u>			
Accounting Service	1,500.00	1,500.00	-
Bank Charges	-	35.00	(35.00)
Electric	600.00	611.06	(11.06)
Grounds Maintenance	2,560.00	1,626.03	933.97
Insurance	9,400.00	10,063.93	(663.93)
Lawn Care/Landscaping	74,917.00	76,279.99	(1,362.99)
Legal Services	300.00	500.50	(200.50)
Management Fees	12,000.00	12,000.00	-
Meetings	600.00	775.00	(175.00)
Postage	750.00	793.76	(43.76)
Office Expense	750.00	765.72	(15.72)
Sprinkler System	10,000.00	22,776.00	(12,776.00)
Tree Trimming	4,000.00	3,412.00	588.00
Water	15,500.00	20,112.70	(4,612.70)
Website	600.00	613.00	(13.00)
Reserve	12,043.00	12,043.08	(0.08)
TOTAL EXPENSES	<u>145,520.00</u>	<u>163,907.77</u>	<u>(18,387.77)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (17,847.17)</u>	<u>\$ (17,847.17)</u>

See independent accountant's compilation report and accompanying notes

KINGS COVE NEIGHBORHOOD ASSOCIATION
SUPPLEMENTARY INFORMATION ON MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2023

The Association's board of directors conducted a study effective January 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Replacement Fund Balance 02/28/23
Controllers	0	\$ 9,000.00	\$ 5,182.38
Controllers-2017	0-10	\$ 3,000.00	\$ 1,727.46
Timers	0	\$ 1,000.00	\$ 575.82
Zone Valves-over 10 years	0	\$ 105,000.00	\$ 60,461.08
Zone Valve-2017	0-10	\$ 2,100.00	\$ 1,209.22
Zone Valve-2020	0-13	\$ 2,100.00	\$ 1,209.22
Backflow Preventers	0	\$ 1,750.00	\$ 1,007.68
Wiring Allowance	0	\$ <u>1,000.00</u>	\$ <u>575.82</u>
Total		\$ <u>124,950.00</u>	\$ <u>71,948.68</u>