

SEP 21 2010

VILLAGE MEWS ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

SYNKOWSKI & NORMANN

Certified Public Accountants

A Limited Liability Partnership

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Freehold, New Jersey 07728

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INDEPENDENT AUDITOR'S REPORT

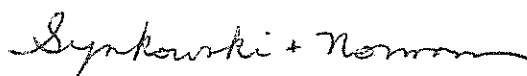
May 28, 2010

TO THE MEMBERS
VILLAGE MEWS ASSOCIATION, INC.

We have audited the accompanying balance sheet of Village Mews Association, Inc. as of December 31, 2009 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 management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Mews Association, Inc. as of December 31, 2009 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.



SYNKOWSKI & NORMANN
Certified Public Accountants

VILLAGE MEWS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2009

	OPERATING FUND	DEFERRED MAINTENANCE FUND	CAPITAL REPLACEMENT FUND	TOTAL
ASSETS				
Cash & Interest-Bearing Deposits	\$ 123,422	\$ 16,201	\$ 423,434	\$ 563,057
Assessments Receivable	3,842			3,842
Prepaid Insurance	2,501			2,501
Municipal Reimbursement Receivable	7,336			7,336
Other Prepaid Expenses	5,601			5,601
Federal Income Tax Receivable	5,500			5,500
Interfund Balance	53,332	-	(53,332)	-
TOTAL ASSETS	\$ 201,534	\$ 16,201	\$ 370,102	\$ 587,837
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 14,650	\$ -	\$ -	\$ 14,650
Deferred Insurance Claim Payable	15,627			15,627
Assessments Received in Advance	18,503			18,503
Bank Loan Payable	-	-	186,350	186,350
TOTAL LIABILITIES	48,780	-	186,350	235,130
 FUND BALANCES	 152,754	 16,201	 183,752	 352,707
TOTAL LIABILITIES AND FUND BALANCES	\$ 201,534	\$ 16,201	\$ 370,102	\$ 587,837

The accompanying notes are an integral part of these financial statements

EXHIBIT A

VILLAGE MEWS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES:				
Maintenance Assessments	\$ 180,160	\$ 10,000	\$ 25,840	\$ 216,000
Interest Income	1	165	499	665
Special Assessment			100,800	100,800
Late Fees	1,015			1,015
Capital Contributions	5,040		1,680	6,720
Miscellaneous Income	3,892			3,892
Insurance Claim Income	12,512			12,512
Municipal Reimbursement	14,273	-	-	14,273
TOTAL REVENUES	<u>216,893</u>	<u>10,165</u>	<u>128,819</u>	<u>355,877</u>
EXPENSES:				
General & Administrative	69,996			69,996
Operating	84,725			84,725
Insurance Claim Expenses	20,473			20,473
Painting		19,937	59,810	79,747
Wood Replacement		1,922	27,991	29,913
Interest Expense			17,037	17,037
Deck Replacement			728	728
Asphalt Repairs	-	-	2,741	2,741
TOTAL EXPENSES	<u>175,194</u>	<u>21,859</u>	<u>108,307</u>	<u>305,360</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	41,699	(11,694)	20,512	50,517
FUND BALANCES - JANUARY 1, 2009	<u>111,055</u>	<u>27,895</u>	<u>163,240</u>	<u>302,190</u>
FUND BALANCES - DECEMBER 31, 2009	<u>\$ 152,754</u>	<u>\$ 16,201</u>	<u>\$ 183,752</u>	<u>\$ 352,707</u>

The accompanying notes are an integral part of these financial statements

EXHIBIT B

VILLAGE MEWS ASSOCIATION, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL AND ADMINISTRATIVE EXPENSES:

Insurance	\$ 24,773
Management Fees	26,500
Auditing Fee	2,000
NJ Transit Lease	1,668
Legal Fees	11,378
Engineering Fees	1,352
Storage	84
Photocopies	900
Postage	428
Annual Report	25
Holiday Activities	253
Miscellaneous Administrative	635
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$ 69,996</u>

OPERATING:

Landscaping & Lawn Care	\$ 24,795
Sprinkler System	637
Snow Removal	13,964
Electric	16,600
Water & Sewer	2,789
Repairs and Maintenance	12,928
Trash Removal	11,915
Pest Control	1,097
TOTAL OPERATING	<u>\$ 84,725</u>

VILLAGE MEWS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>OPERATING FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess (Deficiency) of Revenues Over Expenses	\$ 41,699	\$ (11,694)	\$ 20,512	\$ 50,517
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Interfund Borrowings	(325)	80	245	-
(Increase) Decrease in:				
Assessments Receivable	(1,030)			(1,030)
Prepaid Insurance	(43)			(43)
Municipal Reimbursement Receivable	(7,336)			(7,336)
Other Prepaid Expenses	(226)			(226)
Increase (Decrease) in:				
Accounts Payable	4,012			4,012
Deferred Insurance Claim Payable	15,627			15,627
Assessments Received in Advance	1,402	-	-	1,402
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	53,780	(11,614)	20,757	62,923
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loan Principal Payments	-	-	(83,596)	(83,596)
NET INCREASE (DECREASE) IN CASH	53,780	(11,614)	(62,839)	(20,673)
CASH & INTEREST-BEARING DEPOSITS AT JANUARY 1, 2009	69,642	27,815	486,273	583,730
CASH & INTEREST-BEARING DEPOSITS AT DECEMBER 31, 2009	<u>\$ 123,422</u>	<u>\$ 16,201</u>	<u>\$ 423,434</u>	<u>\$ 563,057</u>

The accompanying notes are integral part of these financial statements

EXHIBIT C

VILLAGE MEWS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: ORGANIZATION:

Village Mews Association, Inc. was incorporated in New Jersey on May 30, 1986. The Association consists of 75 residential units and a clubhouse and is located in South Orange, Essex County, New Jersey. The purpose of the Association is to provide for the maintenance, preservation and control of the common areas and to promote the health, safety and welfare of the owners of these units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Village Mews Association, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader:

Fund Accounting: The Association's legal documents provide certain guidelines to govern the Association's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association by such documents, the accounts of the Association are maintained in accordance with the principles of fund accounting. The assets, liabilities, and fund balances of the Association are reported in the following three fund groups:

Operating Fund: This fund represents the portion of expendable funds available for the general operations of the Association

Deferred Maintenance Fund: The purpose of this fund is to accumulate monies so that resources are available to pay for maintenance expenses which occur less frequently than annually

Capital Replacement Fund: The purpose of this fund is to accumulate funds over the lives of capital assets which are part of the common elements so that at the time of their replacement sufficient amounts are available to pay for their replacement.

Interest Earned: Interest income is allocated to each fund in proportion to the interest-bearing deposits of that fund.

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.

VILLAGE MEWS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. On a periodic basis, the Board and management evaluate the receivables and establish an allowance for doubtful accounts, based on a history of past write-offs and collections and current legal status of past due accounts.

The annual budget and assessments of owners are determined 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.

Recognition of Assets: Real property and common elements are owned by the unit owners in condominium form pursuant to the Master Deed wherein each of the individual unit owners hold legal title to an undivided interest in property constituting the common elements. Accordingly, no amounts related to these common elements are included on the accompanying balance sheet of the Association. The common elements generally consist of sidewalks, roadways, and open areas and portions of the buildings not comprising the individual units.

NOTE 3: TAXATION:

Under the Internal Revenue Code, Associations may be taxed as a Condominium Management Association at their election, or as a regular corporation. The Association may elect either method in any year and will generally select the method that results in the lowest tax due. A method selected in one year affects only that year and the Association is free to select either method in future years.

For the year ended December 31, 2009, the Association has elected to be taxed as a Condominium Management Association. No provision for income taxes was necessary since there was sufficient non-membership related expenses to offset non-membership type income.

The Association was incorporated under Title 15A of the New Jersey Statutes; therefore, it is not liable for New Jersey corporation income taxes.

VILLAGE MEWS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4: WORKING CAPITAL CONTRIBUTIONS:

Upon the sale or resale of a unit, the buyer is required to pay to the Association a non-refundable and non-transferable contribution of four month's maintenance fee. Three month's are recorded as working capital in the operating fund and one month is recorded as a contribution to the capital replacement fund.

NOTE 5: RESERVES:

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

A reserve study was prepared by Gartenberg Associates, LLC in April 2008 to estimate the useful lives and replacement costs of the components of common property. The estimates were based on the estimated current replacement costs at the date of the study. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. The annual reserve requirement per the study is \$64,553; however, the Association only contributed a budgeted amount of \$25,840 plus interest earned in the amount of \$499 as well as capital contributions of \$1,680.

Actual expenditures may vary from estimated amounts and the variation may be material. Therefore, amounts accumulated may not be adequate to meet all future needs. If additional amounts are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments can not be determined at the present time.

NOTE 6: NEW JERSEY TRANSIT LEASE:

Village Mews Association, Inc. entered into a lease agreement with New Jersey Transit Corporation on January 1, 2002 and lasting until December 31, 2016. The Association leases a 4,800 square foot parcel of vacant land containing 550 linear feet of fence line in the Township of South Orange Village, County of Essex. This property adjoins the Association's common area. The payments under this lease obligation are as follows:

January 1, 2002 to December 31, 2006	\$1,043 per year
January 1, 2007 to December 31, 2011	\$1,668 per year
January 1, 2012 to December 31, 2016	\$2,418 per year

VILLAGE MEWS SSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7: BANK LOAN PAYABLE:

On October 3, 2006, the Board authorized with member approval a loan from Somerset Hills Bank in the amount of \$420,000. The proceeds of the loan were used for major roadway, sidewalk, and drainage improvement projects located in the Association common areas. The loan carries an interest rate of 7.25%. Monthly payments of principal and interest in the amount of \$8,386.09 are to be made by the first of each month commencing February 1, 2007 and ending January 1, 2012.

Principal maturities of the note are as follows:

For Year Ending:	December 31, 2010	\$81,863
	December 31, 2011	96,153
	December 31, 2012	8,334

The Association has levied a special assessment in the amount of \$100,800 per year, starting with the year ended December 31, 2007, through December 31, 2011 in order to repay the bank loan.

NOTE 8: CONCENTRATION OF CREDIT RISK:

The Association maintains money market accounts at AXA Advisors, LLC. Accounts at this institution are not insured or secured. The uninsured interest bearing investment balance at December 31, 2009 totaled \$424,700.

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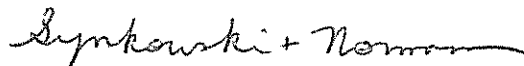
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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY
INFORMATION**

May 28, 2010

TO THE MEMBERS
VILLAGE MEWS ASSOCIATION, INC.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements of Village Mews Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



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Certified Public Accountants

VILLAGE MEWS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)**

DECEMBER 31, 2009

Gartenberg Associates, LLC, conducted a study in April 2008 to estimate the remaining useful lives and replacement costs of the common property. Replacement costs were based on the estimated costs to repair 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 or replacement.

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

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING LIFE (YEARS)</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>
PAVEMENT - MEWS LANE	19	\$ 70,000
PAVEMENT - AUX. LOT	2	59,800
SEAL COAT - ROADS & PARKING	7	9,410
CURB REPLACEMENT (5%)	19	9,000
CONCRETE DRIVEWAYS	29	78,000
CONCRETE PAVER SIDEWALKS	29	97,300
RR TIE RETAINING WALLS	10	23,800
STREET LIGHTS	5	70,000
WOOD FENCE	10	24,000
ROOFING	17 to 19	204,400
GUTTERS & LEADERS	25	38,330
T1-11 SIDING	5	13,500
VINYL SIDING	24	8,500
DOOR RAILINGS	10	7,000
BALCONIES	10	186,000
PATIOS	5	70,560
CONCRETE STOOPS	10	56,350
BRICK RE-POINTING	7	25,000
CLOCK TOWER	5	15,000
GREAT ROOM/KITCHENETTE	10	12,000
HEALTH EQUIPMENT	8	12,000
REST ROOMS	10	20,000
		<u>\$ 1,109,950</u>

CAPITAL REPLACEMENT FUND BALANCE AT DECEMBER 31, 2009 IS \$183,752.

See Independent Auditor's Report on Supplementary Information