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W&G PRESENTS 2003 ASSOCIATION FINANCIAL SURVEY RESULTS

Answers to Your Questions About Comparative Financial Positions

By Jules C. Frankel, CPA, MBA and Donna L. Peskin

As industry leaders, we are frequently asked by our Association Board Members, "How do our finances compare with other Associations?" Often, their specific questions include:

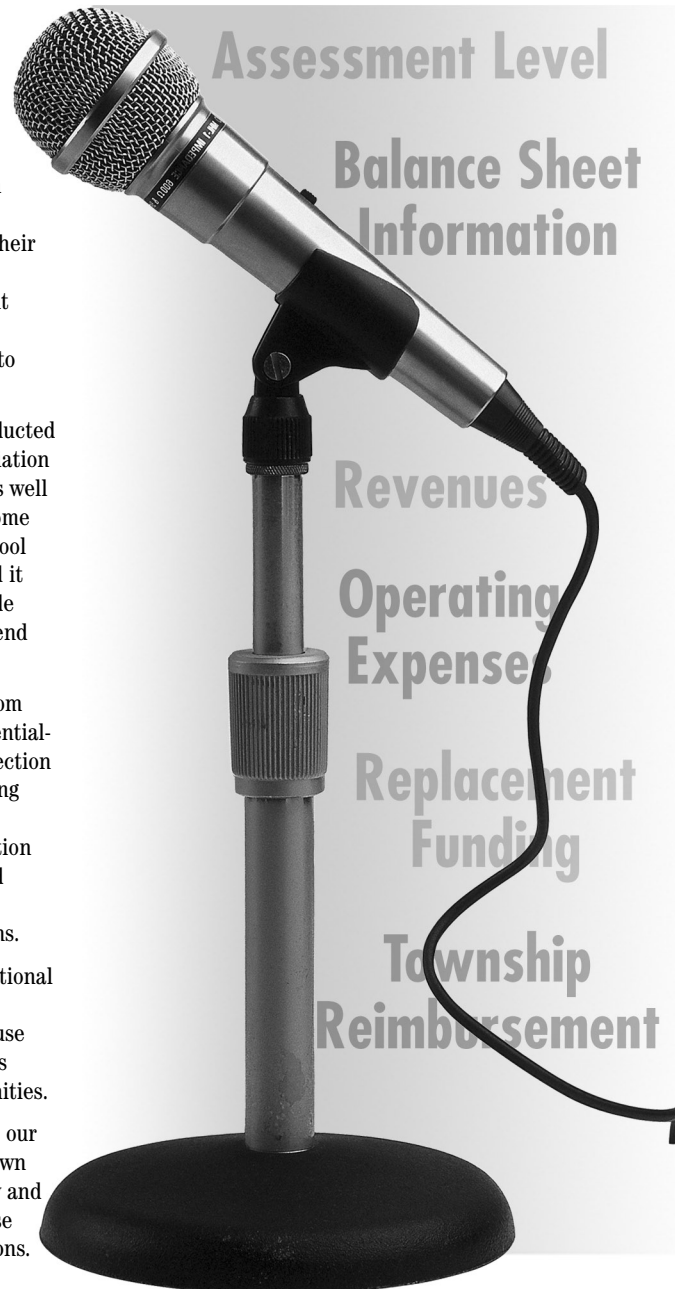
- ◆ Are our assessments higher or lower than other similar Communities?
- ◆ How often do other Associations update their engineering studies?
- ◆ Is our township reimbursement consistent with Associations of comparable size?
- ◆ How do our operating expenses compare to other Associations?

To respond to this need, in 1996, we conducted the first-ever comprehensive survey of Association finances to address these client questions, as well as, to provide our industry colleagues with some helpful financial benchmarks. Because this tool proved to be a valuable resource, we updated it in 1999. Once again, we are pleased to provide an update of this survey, utilizing 2002 year-end data, with some enhancements.

To generate our results, financial data from more than 400 Associations has been confidentially gathered. Participants represent a cross-section of type, size, age and geography. In quantifying the results, we have made some "judgement calls" based on our experience and appreciation for the fact that Associations are unique, and there are inevitably legitimate variations in financial statement formats and presentations.

With this survey, we introduce some additional information regarding replacement funding. We encourage you to review this survey and use it as a tool to compare your own Association's financial situation with comparable Communities.

We would be remiss if we did not express our gratitude to W&G staff members Desiree Brown and Meredith Latham, who worked diligently and tirelessly to compile the survey results. Please feel free to contact us if you have any questions.





WILKIN & GUTTENPLAN'S 2003 ASSOCIATION FINANCIAL SURVEY RESULTS

To use this chart, identify the group with which your Association should be classified. Then, read down the column.

COMMENTS

Cooperatives

HOAs

Condominiums Type/Size

THE PARTICIPANTS:

Who Participated?

	1 - 50 Units	51 - 125 Units	126 - 200 Units	201 - 500 Units	Over 500 Units	Highrise	1 - 100 Units	Over 100 Units
# of CIRAs	37	68	49	81	14	16	24	69
# of Units	1,084	6,011	7,961	27,563	14,302	2,589	1,507	27,365

REVENUES:

Monthly Assessments

Average	\$269	\$283	\$195	\$173	\$191	\$468	\$197	\$126	\$575
Highest	\$1,015	\$1,735	\$478	\$700	\$336	\$2,865	\$875	\$338	\$2,424
Lowest	\$104	\$65	\$27	\$18	\$96	\$116	\$15	\$7	\$170

Average Township Reimbursement

Amount	\$2,646	\$5,728	\$26,801	\$14,123	\$42,311	\$8,269	\$4,912	\$21,502	\$22,091
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Note: Does not reflect any services provided directly by the township.

Allows you to compare your assessment levels with similar Associations.

Allows you to compare dollars expended from your operating and deferred maintenance funds.

One major driver of increased expenses is insurance costs. In the past few years, Associations have seen their premiums rise substantially.

Allows you to compare tax filing approaches & payments.

Provides data for average total assets, receivables, comparisons of fund types, as well as, fund balances.

OPERATING EXPENSES:

Average Operating Expenses By Percentage

Administrative	28.90%	26.97%	25.83%	27.02%	14.98%	14.83%	22.90%	21.81%	12.47%
Operating	49.05%	49.76%	44.73%	41.34%	42.10%	37.72%	55.32%	41.40%	10.58%
Recreation	0.00%	0.92%	1.82%	1.61%	9.78%	0.48%	0.83%	6.88%	0.14%
Payroll	4.04%	3.18%	3.19%	5.61%	9.90%	17.71%	3.83%	1.30%	7.50%
Utilities	10.51%	8.74%	8.21%	8.60%	3.72%	15.30%	4.63%	1.96%	10.14%
Other	7.50%	10.43%	16.22%	15.82%	19.52%	13.96%	12.49%	26.65%	59.17%

Note: "Other" includes deferred maintenance expenses.

Federal Tax Return Information

Filed 1120	33	63	49	80	12	15	19	65	18
Filed 1120H	4	5	0	1	1	1	5	3	0
Taxes Paid	\$285	\$1,208	\$2,115	\$3,711	\$9,854	\$4,482	\$599	\$3,531	\$5,706

BALANCE SHEET INFORMATION:

Average Total Assets

Amount	\$97,578	\$373,791	\$567,634	\$861,876	\$3,708,012	\$1,082,032	\$173,313	\$856,179	\$11,140,299
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1 - 50 Units 51 - 125 Units 126 - 200 Units 201 - 500 Units Over 500 Units Highrise 1 - 100 Units Over 100 Units

BALANCE SHEET INFORMATION (continued):

Average Year-End Receivable Balances

Total	\$5,935	\$9,786	\$9,798	\$36,983	\$58,979	\$11,212	\$2,842	\$13,961	\$38,964
Allowance	\$2,903	\$4,898	\$3,597	\$17,991	\$23,744	\$3,030	\$1,603	\$6,368	\$3,664
Net	\$3,031	\$4,888	\$6,200	\$18,992	\$35,236	\$8,182	\$1,239	\$7,593	\$35,300

Comparison to prior studies indicates that on average, Associations have improved receivables collections.

Fund Types Other Than Operating and Replacement

FRTP	0	6	4	4	1	0	1	2	0
Deferred Maintenance	11	51	41	55	10	5	9	46	1
Other	4	16	12	25	11	4	5	28	1

Average Cumulative Operating Fund Balance

Amount	\$6,678	\$33,569	\$67,101	\$47,778	\$922,549	\$79,598	\$26,614	\$101,512	(\$7,043,307)
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Note: Operating Fund balance includes working capital funds.

Average Deferred Maintenance Fund Balance

Amount	\$6,941	\$35,740	\$5,362	\$52,105	\$202,038	\$17,812	\$9,600	\$38,226	\$756
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REPLACEMENT FUNDING:

Age Of Latest Replacement Study Update

One Year Old or Less	5	12	8	17	5	5	3	17	1
Two Years Old	4	15	10	12	7	1	4	10	3
Three Years Old	1	17	6	18	1	5	2	10	0
Four Years Old	1	11	12	10	1	1	5	10	1
Five Years Old	6	4	5	9	0	0	2	10	2
Older Than Five Years	9	9	7	14	0	3	4	9	3

Provides average frequency of replacing average frequency, as well as, comparative funding and fund balance information.

Type of Replacement Funding

Baseline Funding	0	2	0	0	0	0	2	1	1
Threshold Funding	0	12	8	12	3	1	2	6	0
Full Funding	20	49	38	63	11	11	13	46	9
Not Available	17	5	3	6	0	4	7	16	8

This new survey category provides a distribution of Associations using these various replacement funding approaches.

Average Replacement Funding

Budgeted Amount	\$11,818	\$46,776	\$58,134	\$101,136	\$294,278	\$129,378	\$27,687	\$82,902	\$136,113
Actual Amount	\$11,521	\$49,231	\$57,329	\$101,909	\$302,314	\$129,732	\$27,869	\$79,807	\$126,055

Average Replacement Fund Balances

Year-End Fund Balance	\$66,312	\$244,137	\$357,615	\$594,865	\$1,646,412	\$887,288	\$116,077	\$541,830	\$368,883
Study's Full Replacement	\$341,998	\$950,045	\$1,187,876	\$2,232,593	\$7,900,010	\$2,432,596	\$425,658	\$1,792,407	\$2,235,790
Percentage	19.39%	25.70%	30.11%	26.64%	20.84%	36.47%	27.27%	30.23%	16.50%

Consistent with expectations, the trend from prior studies reflects a positive correlation and an increase in average replacement fund balances.

Average Replacement Fund Interfund Balances

Year-End Fund Balance	\$66,312	\$244,137	\$357,615	\$594,865	\$1,646,412	\$887,288	\$116,077	\$541,830	\$368,883
Over (Under) Funded	(\$3,716)	(\$15,256)	(\$4,524)	(\$29,692)	(\$9,529)	\$3,920	\$1,110	(\$14,064)	\$122,748
Percentage	(5.60%)	(6.25%)	(1.26%)	(4.99%)	(0.58%)	0.44%	0.96%	(2.60%)	33.28%

A positive number indicates that more money has been segregated than allocated by the Association's budget; a negative number indicates a shortfall.

*Survey data based on fiscal 2002 year-ends.



W&G "WRITES" THE BOOK ON CIRAs-AGAIN!

Recently, the American Institute of Certified Public Accountants (AICPA) published the latest edition of its *Audit and Accounting Guide for Common Interest Realty Associations-with Conforming Changes as of 5/1/03*. The publication provides guidance on the application of "generally accepted auditing standards to audited financial statements of common interest realty associations... as well as... recommendations on and descriptions of financial accounting, reporting principles and standards for CIRAs."

Because of his expertise, reputation and prior editorial credentials in the field of CIRA accounting standards and practices, W&G Shareholder Jules C. Frankel, CPA, MBA, was asked to participate in the preparation and review of the conforming changes in this most recent version of the publication.

UPCOMING ISSUES:

- How Associations Should Invest Their Funds
- Audits: The W&G Way

This publication is prepared quarterly by Wilkin & Guttenplan, P.C. For further information or for complimentary copies or subscriptions, you may contact Jules C. Frankel at:

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Information contained in this publication should not be construed as accounting advice. It is not intended, and should not be used, as a substitute for consultation with an accounting professional.

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NEWS AT THE FIRM

The following individuals have reached milestones in their careers. We congratulate them and wish them continued success towards achievement of their professional aspirations. It is with great pleasure that we announce the following promotions.

- | | |
|---|--|
| Annette Murray , <i>Principal</i> | Mohammad Salyani , <i>Supervisor</i> |
| Vinay Navani , <i>Principal</i> | Joseph Chorba , <i>Senior</i> |
| Debbie Norwicke , <i>Senior Mgr.</i> | Cristina Czerwinski , <i>Senior</i> |
| Carol Koransky , <i>Manager</i> | Nick Scerbo , <i>Senior</i> |
| Amanda Brady , <i>Supervisor</i> | Desiree Brown , <i>Advanced</i> |
| Daisy Horstman , <i>Supervisor</i> | Patty Falck , <i>Advanced</i> |
| Dan Manning , <i>Supervisor</i> | Meredith Latham , <i>Intermediate</i> |
| Len Nitti , <i>Supervisor</i> | Daphne Milosky , <i>Intermediate</i> |
| Donna Peskin , <i>Supervisor</i> | |

WELCOME TO OUR NEW STAFF

- Tom Pedersen**—The College of New Jersey
Mario Duca—The College of New Jersey
Sarah Lilley—Rutgers University
Maureen Mulherin—Rutgers University

ANNIVERSARIES (October–December)

Congratulations to the following W&G staffers celebrating anniversaries:

- | | | | |
|----------|-----------------------|----------|-------------------------|
| 19 years | Annette Murray | 14 years | Carol Rosenvinge |
| | | | Suzanne Hughes |
| 18 years | Janine Zirrit | | |
| 17 years | Margot Julis | 6 years | Victoria Foody |
| | Susan Klimcsak | 5 years | Daniel Manning |
| | | | Vinay Navani |
| | | | Donna Peskin |



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