



# COMMUNITY PROPERTY ADVISOR

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## W&G Presents 2006 Financial Survey Results

### Key Comparative Financial Position Information

By Daniel Manning, CPA and Donna L. Peskin, CPA

At Wilkin & Guttenplan we are often asked by Association Boards, "How does our Association compare with other Associations?" Often, some of the answers they're interested in knowing are:

- How do our assessments compare with communities of similar size?
- How frequently do other Associations update their reserve studies?
- Is our municipal reimbursement similar to other Associations of comparable size?
- Are our operating expenses higher or lower than other comparable Associations?

In 1996, we responded to this need by creating our first comprehensive industry-wide survey of the financial data for New Jersey Associations. In doing this, we were able to provide answers to our clients' questions, and at the same time provide industry colleagues with useful financial benchmarks. Based on the overwhelmingly positive feedback we received in response to the survey, we updated it in 1999 and 2003. Now, in Fall 2006, we are pleased to provide the 4th edition of the survey which is based on 2005 year-end financial data.

The aggregated results are based on financial data from more than 400 Associations. Participants represent a full spectrum of Associations, in terms of type, age, size and region. In a few circumstances, where appropriate, we have used our insight and expertise to make some "judgement calls" in order to provide a reasonable basis for comparisons.

In keeping with the changes in the industry, we have created a new section of the survey regarding Associations with outstanding



loans. An increasing number of Associations have been using bank financing for a variety of purposes. We felt it would be appropriate to include some relevant data on this subject.

We encourage you to use this survey as a comparative tool to assess your Association's position relative to similar communities. As we have mentioned when publishing prior surveys, these numbers should be used as reference points—they are not recommendations or strict guidelines that an Association should follow. Every Association is unique, with its own particular set of financial and operating circumstances. This survey is meant to provide Associations with benchmarks and a frame of reference that may be helpful in future planning and decision making.

We would be remiss if we didn't recognize the diligent and tireless efforts of Anita Argenzio and Sam Schneider, who assisted us in compiling and organizing the survey data. We hope you find the survey informative and useful.

### UPCOMING ISSUES:

- Community Association Financial Trends
- Your John Hancock Please?



# WILKIN & GUTTENPLAN'S 2006 ASSOCIATION FINANCIAL SURVEY RESULTS

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

Condominiums  
Type/Size

HOAs

Cooperatives

COMMENTS

1-50 Units    51-125 Units    126-200 Units    201-500 Units    Over 500 Units    Highrise    1-100 Units    Over 100 Units

### THE PARTICIPANTS: Who Participated?

# of Ciras	28	69	54	71	14	16	26	82	21
# of Units	868	6,035	8,852	22,989	15,804	2,554	1,849	30,301	6,150

### REVENUES:

#### Monthly Assessments

Average	\$298	\$278	\$219	\$238	\$190	\$516	\$200	\$131	\$852
Highest	\$600	\$974	\$558	\$1,088	\$301	\$907	\$630	\$382	\$2,865
Lowest	\$140	\$73	\$104	\$55	\$133	\$215	\$17	\$15	\$325
<b>Average Township Reimbursement</b>									
Amount	\$1,509	\$4,574	\$7,131	\$13,905	\$50,293	\$3,135	\$4,089	\$15,927	\$7,703

Allows you to compare your assessment levels with similar Associations

### Operating Expenses:

#### Average Operating Expenses by Percentage

Administrative	34.52%	32.04%	26.21%	25.85%	17.98%	22.91%	24.22%	22.05%	9.53%
Operating	49.28%	43.00%	42.41%	39.08%	39.09%	24.90%	60.43%	50.51%	9.46%
Recreation	1.53%	2.85%	2.73%	2.82%	8.95%	1.66%	2.66%	10.21%	0.77%
Payroll	1.04%	6.17%	5.57%	12.11%	19.82%	28.20%	1.91%	6.46%	13.84%
Utilities	12.15%	12.80%	13.76%	14.97%	6.73%	20.52%	5.01%	4.22%	12.42%
Other	1.48%	3.14%	9.33%	5.17%	7.43%	1.81%	5.76%	6.55%	53.98%

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

#### Income Tax Return Information

Filed 1120	24	62	53	68	14	15	20	71	21
Filed 1120H	4	7	1	3	0	1	6	11	n/a
Federal Income Tax Expense	\$310	\$570	\$1,507	\$3,624	\$4,038	\$6,268	\$166	\$2,668	\$1,872

Allows you to compare tax filing approaches & expenses

### BALANCE SHEET INFORMATION:

#### Average Total Assets

Amount	\$111,104	\$352,249	\$609,648	\$949,823	\$3,049,908	\$848,349	\$166,142	\$743,379	\$14,449,960
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Provides data for average assets, receivable and fund balances

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	\$7,002	\$10,341	\$13,081	\$36,524	\$79,890	\$34,097	\$3,133	\$9,961	\$57,534
Allowance	\$2,258	\$5,223	\$3,581	\$10,889	\$9,319	\$5,480	\$943	\$3,700	\$0
Net	\$4,743	\$5,118	\$9,500	\$25,634	\$70,570	\$28,618	\$2,190	\$6,261	\$57,534

**Average Cumulative Operating Fund Balance**

Amount	(\$977)	\$14,945	\$32,163	\$16,686	\$705,641	\$56,891	\$15,552	\$91,765	(\$9,198,101)
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**Average Deferred Maintenance Fund Balance**

Amount	\$15,588	\$18,017	\$2,110	\$62,803	(\$213,003)	\$3,450	\$14,183	\$62,728	\$16,274
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**Financing Information**

# of CIRAs with Loans at Year End	0	8	7	12	4	4	1	4	20
Average Loan Balance at Year End	n/a	\$442,742	\$145,191	\$227,318	\$1,557,443	\$738,734	\$83,020	\$396,038	\$9,878,506
Average Term of Loan	n/a	85	77	70	104	90	120	120	254

For the first time, information on association loan activity is available

**Replacement Funding:**

**Age of Latest Replacement Study**

One Year Old or Less	5	9	9	13	3	1	3	22	3
Two Years Old	5	7	8	10	6	2	1	19	1
Three Years Old	2	10	9	14	1	3	4	17	1
Four Years Old	1	11	12	12	3	3	4	13	3
Five Years Old	5	9	4	3	1	2	2	2	1
Older than Five Years	10	23	12	19	0	5	12	9	12

Provides average frequency of replacement study updates, funding approaches, comparative funding and fund balance information

**Type of Replacement Funding**

Baseline Funding	0	0	2	1	0	0	1	1	0
Threshold Funding	1	12	11	13	4	0	3	12	1
Full Funding	22	49	39	55	9	12	17	68	10
Not Available	5	8	2	0	1	4	5	1	10

This provides a distribution of Associations using these various replacement funding approaches

**Average Replacement Funding**

Budgeted Amount	\$15,387	\$42,873	\$65,807	\$130,326	\$280,431	\$108,462	\$28,226	\$84,506	\$118,500
Actual Amount	\$13,625	\$42,485	\$64,327	\$136,365	\$300,302	\$110,819	\$27,021	\$78,818	\$139,577

**Average Replacement Fund Balance**

Year-End Fund Balance	\$72,474	\$182,287	\$395,874	\$643,250	\$1,777,175	\$376,378	\$94,017	\$487,257	\$963,035
Study's Full Replacement	\$324,332	\$897,794	\$1,485,441	\$2,983,481	\$7,402,713	\$2,345,071	\$548,353	\$2,031,944	\$3,088,916
Percentage	22.35%	20.30%	26.65%	21.56%	24.01%	16.05%	17.15%	23.98%	31.18%

**Average Replacement Fund Interfund Balances**

Over (Under) Funded	(\$18,006)	(\$31,239)	(\$20,917)	(\$44,340)	(\$15,660)	(\$8,737)	(\$8,402)	(\$13,350)	(\$43,641)
Percentage	(24.84%)	(17.14%)	(5.28%)	(6.89%)	(0.88%)	(2.32%)	(8.94%)	(2.74%)	(4.53%)

\* Based on 2005 year-end financial data



## NEWS AT THE FIRM

### EMPLOYEE ANNIVERSARIES (September–December)

23 years	<b>Ed Guttenplan</b>	10 years	<b>Carol Rosenvinge</b>
	<b>Ed Wilkin</b>	8 years	<b>Dan Manning</b>
22 years	<b>Annette Murray</b>		<b>Donna Peskin</b>
21 years	<b>Janine Zirrieth</b>		<b>Vinay Navani</b>
20 years	<b>Jules Frankel</b>	7 years	<b>Jill Carnevalera</b>
	<b>Margot Julis</b>	6 years	<b>Cristina McLaren</b>
	<b>Susan Klimcsak</b>		

### APPOINTMENTS, COMMITTEES, PRESENTATIONS, PUBLICATIONS...

**Jules C. Frankel, Shareholder**, spoke on the “Fifteen Financial Issues Associations Should Consider” at the Rossmoor Senior Summit on October 17.

Accounting guidelines was the topic when **Edward I. Guttenplan, Managing Shareholder** spoke at a Reserve Study Seminar in Edison on October 4.

On October 17, **Annette Murray, Principal** and **Edward I. Guttenplan, Managing Shareholder** spoke about “Opportunities in Today’s Real Estate Market: Mixed-Use Developments” in Edison.

**Gary B. Rosen, Shareholder** took part in a seminar on “How to Exercise Fiduciary Responsibility as Board Members or Managers” on October 24 in Mount Laurel.

### WELCOME TO OUR NEW STAFF

**Daniel Fiorentino**—The College of New Jersey  
**Nick Haralambopoulos**—The College of New Jersey

**Stephanie Holston**—The College of New Jersey  
**Christine Hrycenko**—Rutgers University  
**Matthew Rubinson**—Monmouth University

Welcome back to **Elizabeth Simon**, a returning W&G staff member.

### CONGRATULATIONS

Several W&G staffers have reached milestones in their careers. We congratulate them and wish them continued success. It is with great pleasure that we announce the following promotions:

<b>Brian Geissler, Sr. Mgr.</b>	<b>Kristen Hardy, Advanced</b>
<b>Len Nitti, Manager</b>	<b>Twinkal Shah, Advanced</b>
<b>Joe Chorba, Supervisor</b>	<b>Kim Fuhr, Intermediate</b>
<b>Lisa Hoover, Supervisor</b>	<b>Laura LaVecchia, Intermediate</b>
<b>Sarah Lilley, Senior</b>	<b>Jennifer Villa, Intermediate</b>
<b>Maureen Mulherin, Senior</b>	<b>Katie Vivencio, Intermediate</b>
<b>Tom Pedersen, Senior</b>	

Congratulations to **Tom Pedersen** on passing the CPA Exam.

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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