

OLD TAUNTON COLONY CLUB

ANNUAL MEETING AGENDA MAY 5, 2019

- 7:00 p.m. Member sign-in and receive ballots – ballot box open
- Welcome President
- Announcement President: Based upon nominations to be made during the meeting, additional nominees beyond those whose names already appear on the ballot at the start of the meeting may become candidates. The nominations for Trustees process will immediately follow the Voting Overview segment. Voters wishing to wait and consider all of the candidates up for election will have the opportunity to hear candidate presentations at that time.
- Treasurer's Report (See attached for written report)
- Committee Reports
- Comments
- Voting Overview 1. Review printed ballot and procedure
- Nominations
From Floor 1. Accept nominations and seconds from floor
2. Motion to close nominations and second
- Candidates
Address (3 Minute
Limit) (Necessary if there have been nominations from the floor)
1. Nominees
2. Candidates on Ballot
- 10 Minute Break 1. Ballot counters chosen (if necessary)

2. Call to order – Ballot Box Closed

Announce Election
Results

Adjourn Meeting

Refreshments Served

Distribution of Beach Tags and Boat Stickers

Treasurer's Report

for the 2019 Annual Meeting - May 5, 2019

The OTCC finished 2018 with a total deficit of \$6,448 and an operating deficit of \$22,941. These deficits were due entirely to the fact that OTCC was required to defend, in 2017 and 2018, a lawsuit brought against it by a property owner whose good standing was revoked for having cut down numerous trees without permission, as required by its deed restrictions, and refusing to cooperate with OTCC in developing a replanting plan. The lawsuit was decided emphatically in OTCC's favor in August, 2018. (The judge's decision is available on the club's website, www.tauntonlake.org.) Without the expenses of that lawsuit, we would have had an operating surplus in 2018 of \$6,069 and a total surplus of \$22,942. Over the two-year period, the suit forced the Board to spend more than \$41,000 defending against it.

There were minimal expenses (\$5,160) associated with the dam construction in 2018, as final work has proceeded slowly. We hope to have final figures on the total cost some time in 2019. So far, we have drawn down \$386,285 from the \$433,000 20-year low interest loan provided by the State to help finance the dam construction. There were no draw-downs in 2017 or 2018. The remaining costs of construction should be relatively modest, so the entire project should come in well below budget. Payments on the loan are likely to begin this year or next, following completion of the work. We currently (May 1, 2019) have \$279,783 in our reserve account, so we are well positioned to be able to make the loan payments without difficulty. Once final figures are in, we will be looking in to the possibility of accelerating our loan payments to minimize the amount of interest expense over the nominal life of the loan.

Dues for 2019 are again unchanged from the last several years, at \$400. Of that, \$150 is placed in the reserve fund that was established 13 years ago to build up a reserve to pay down the loan financing the State-mandated upgrades to our dam. The current reserve balance, \$279,783, is 72% of the amount we'll need to pay off the current loan balance (\$386,285), not counting interest.

The remaining \$250 of your annual dues payment funds the club's operations and provides for monitoring and maintaining the quality of the lake, upkeep of the beach and other common areas, underwriting of the annual picnic and other member events, and payment of taxes, insurance premiums, accounting and legal fees, and other administrative costs.

Frank April, CPA, of Marlton, has conducted the annual independent audit of the OTCC's financials for the 2018 calendar year. A copy of his report is attached. The breakdown of expenses for 2018 is shown on page 4 of the report.

Respectfully submitted,
Jerry Klein, Treasurer

OLD TAUNTON COLONY CLUB, INC.

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Old Taunton Colony Club Inc

I have audited the accompanying financial statements of Old Taunton Colony Club Inc, which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Old Taunton Colony Club Inc as of December 31, 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Francis J April CPA LLC

Marlton, New Jersey

February 4, 2019

Francis J April CPA LLC

OLD TAUNTON COLONY CLUB, INC.

BALANCE SHEET

DECEMBER 31,

	<u>2018</u>		
<u>ASSETS</u>	Operating Fund	Reserve Fund	Total
<u>Current Assets</u>			
Cash and Cash Equivalents	23,471	279,611	303,082
Assessments Receivable, Net	-	-	-
Land, Lakes, Open Areas	15,400	-	15,400
Interfund Balance	(6,203)	6,203	-
<u>TOTAL ASSETS</u>	<u>32,668</u>	<u>285,814</u>	<u>318,482</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Current Liabilities</u>			
Accrued Expenses	3,052	-	3,052
Prepaid Assessments	150	-	150
Loan - NJDEP	-	386,285	386,285
<u>TOTAL LIABILITIES</u>	<u>3,202</u>	<u>386,285</u>	<u>389,487</u>
 <u>Fund Balances</u>			
Operating Fund	29,466	-	29,466
Reserve Fund (Deficit)	-	(100,471)	(100,471)
<u>TOTAL FUND BALANCES (DEFICITS)</u>	<u>29,466</u>	<u>(100,471)</u>	<u>(71,005)</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>32,668</u>	<u>285,814</u>	<u>318,482</u>

See accompanying notes to financial statements.

OLD TAUNTON COLONY CLUB, INC.
STATEMENT OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31,

	2018		
	Operating Fund	Reserve Fund	Total
<u>REVENUES</u>			
Owner Assessments	38,956	21,094	60,050
Interest Income	22	539	561
Miscellaneous	500	-	500
<u>TOTAL REVENUES</u>	<u>39,478</u>	<u>21,633</u>	<u>61,111</u>
 <u>EXPENSES</u>			
Administration Expenses	3,087	-	3,087
Annual Picnic and Community Events	4,025	-	4,025
Bad Debt Expense (Recovery)	4,000	-	4,000
Beach Expenses	3,606	-	3,606
Dam Project Expenses	-	5,160	5,160
Insurance	11,078	-	11,078
Lake Expenses	1,624	-	1,624
Legal	28,990	-	28,990
Meeting Room Rental	665	-	665
Outside Accounting	2,472	-	2,472
Repairs	75	-	75
Taxes - Real Estate	1,022	-	1,022
Telephone - Beach	509	-	509
Utilities - Beach	1,246	-	1,246
<u>TOTAL EXPENSES</u>	<u>62,399</u>	<u>5,160</u>	<u>67,559</u>
 <u>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</u>			
	<u>(22,921)</u>	<u>16,473</u>	<u>(6,448)</u>

See accompanying notes to financial statements.

OLD TAUNTON COLONY CLUB, INC.
 STATEMENT OF CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Reserve Fund	Totals
Balance (Deficit) - January 1, 2017	52,387	(116,944)	(64,557)
Excess (Deficit) of Revenues Over Expenses	(22,921)	16,473	(6,448)
Balance (Deficit) - December 31, 2018	29,466	(100,471)	(71,005)

See accompanying notes to financial statements.

OLD TAUNTON COLONY CLUB, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31,

	2018		
	Operating Fund	Reserve Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Excess (Deficit) of Revenues Over Expenses	(22,921)	16,473	(6,448)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities			
<u>(Increase) Decrease In:</u>			
Assessments Receivable	-	-	-
Interfund Balance	(1,763)	1,763	-
<u>Increase (Decrease) In:</u>			
Accrued Expenses	(6,632)	-	(6,632)
Prepaid Assessments	100	-	100
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>(31,216)</u>	<u>18,236</u>	<u>(12,980)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Proceeds from Loan - NJDEP	-	-	0
<u>Net Cash Provided By Financing Activities</u>	<u>-</u>	<u>0</u>	<u>0</u>
<u>Net Increase (Decrease) In Cash and Cash Equivalents</u>	<u>(31,216)</u>	<u>18,236</u>	<u>(12,980)</u>
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>54,687</u>	<u>261,375</u>	<u>316,062</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>23,471</u>	<u>279,611</u>	<u>303,082</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid For Income Taxes	-	-	-
Cash Paid For Interest Expense	-	-	-

See accompanying notes to financial statements

OLD TAUNTON COLONY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Old Taunton Colony Club is a New Jersey not-for-profit organization incorporated in 1939 in compliance with the requirements of Title 15, Chapter 1 of the revised statutes of New Jersey. The Club's members include all the residential unit owners of Taunton Lake, Burlington County, New Jersey. Taunton Lake is defined as all that area encompassed by the Taunton Lake sides of Breakneck Road, Hinchman Road, Centennial Dam, Centennial Avenue and Hopewell Road and in addition, all real estate formerly the property of the Taunton Lakes Company and the house and property owned by the Larsen family that was granted use of Taunton Lake in their deed. The purpose of the Club is to provide for the maintenance, preservation and enhancement of the common facilities. At December 31, 2018 there are 149 members in the Club.

NOTE 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 4, 2019, the date that the financial statements were available to be issued.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Association maintains its books and records on the accrual basis of accounting. The accompanying financial statements have been prepared on that basis, in which revenue and gains are recognized when earned and expenses and losses are recognized when incurred.

Fund Accounting

The Club's governing documents provide certain guidelines for governing its financial activities. To ensure observance of the limitations and restrictions on the use of financial resources, the Club 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 and its related cash accounts are used to account for financial resources available for the general operation of the Club.

OLD TAUNTON COLONY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Reserve Fund

This fund and its related cash accounts will be used to accumulate financial resources designated for repairs and upgrades to the Club's dam, as required by NJ DEP.

Member Assessments

Members are subject to annual assessments of \$400 in 2018 to provide for the Club's operating expenses and accumulate funds for the reserve fund. Assessments receivable at the balance sheet date represent fees due from members. Any assessments received in advance at the balance sheet date are deferred until due and recorded as advance assessments on the balance sheet.

The Club's policy is to retain legal counsel and place liens on the properties of members whose assessments are deemed delinquent by the board. Any excess assessments at the year end are retained by the Association for use in future years. Assessments receivable are shown net of an allowance for uncollectible assessments of \$15,355 at December 31, 2018.

Interest Income

Interest income earned on cash balances of each fund are allocated directly to the operating and reserve funds.

Statement of Cash Flow

The Club considers all certificate of deposits to be cash equivalents. At December 31, 2018 cash consists of amounts held in checking and savings accounts at banks.

Use of 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 reported period. Actual results could differ from those estimates.

OLD TAUNTON COLONY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Income Taxes

Homeowners associations may be taxed either as associations or as regular corporations. For the year ended December 31, 2018 the Association was taxed as an association. Under that election, the Association is taxed on its non-exempt function income, such as interest income, at a rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended December 31, 2018, there was no income tax expense. The Association is considered a tax exempt entity for New Jersey corporate taxes.

The Association's federal tax returns for years before 2015 are no longer subject to examination by the Internal Revenue Service.

NOTE 4 Concentrations of Credit Risks

The Club does not utilize any specialized vendors, materials or equipment in the normal course of operations that would not be available from other sources at reasonably the same market price as the Association is currently paying.

A majority of the Club's revenue is derived primarily from members and the Club is dependent upon this source of income for its ongoing operations. Collection of members assessments is vital to the ongoing financial support and stability of the Club.

The Club has, in the normal course of its business, non-collateralized assessments due from members. If members fail to make payment to the Club, the amount of loss incurred would be charged to operations in the year of write-of. Management has determined that the full collection of assessments is not realizable and therefore assessments receivable have been recorded net of uncollectible amounts at December 31, 2018 of \$15,355.

The Club maintains cash account balances at financial institutions. Cash accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018, the Association had approximately \$30,000 in excess of FDIC limit of \$250,000 at one of the financial institutions.

OLD TAUNTON COLONY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 Loan - NJDEP

The Club has entered into a loan with the State of NJ DEP for restoration work on the Taunton Lake Dam. Total loan commitment is for \$433,440, payable over 20 years bearing interest at 2% per annum on the unpaid principal balance from the date of the initial loan disbursement by the state to the Club until payment of the entire principal balance. Interest accrued against each interim drawdown of the loan, from the date of the first drawdown to a date three months following the last project drawdown, must be paid to the state three months after the final drawdown.

During the year ended December 31, 2018 the Club did not take any drawdowns from the loan.

At December 31, 2018 the Club has been advanced \$386,285 from the state.

NOTE 6 Litigation

The lender holding the mortgage on a property has initiated legal proceedings to foreclose on the property and seek possession and also cancel the Association's claim for unpaid dues. Even if the lender is successful in the legal actions the Association would not be obligated to pay any damages, instead the claim would be erased, therefore there is no need to accrue any liabilities on the accompany balance sheet.

The Association had previously revoked a member's good standing as a result of cutting down numerous trees without the Board's approval. Said member initiated a lawsuit seeking to compel the Association to restore the member's good standing status. This legal action was decided in the Association's favor in August 2018 by the Superior Court of New Jersey. The decision has not been appealed. As a result of this litigation, the Association incurred legal fees totaling approximately \$42,000 during the course of litigation from 2017 through 2018.

INSURANCE COMMITTEE REPORT - May 2019

The OTCC is covered by “A+” rated insurance companies with several types of insurance. The amount of coverage and the premiums for 2018 to 2019 are listed below. We continue to be able to get an endorsement for our Special Events (picnic, liquor & bon fire) coverage added to our Commercial Liability policy at no cost. This eliminates the need for a stand-alone policy for Special Events and saves over \$500.

We are not expecting any significant increase in cost of the 2019 – 2020 insurance policies. Exact figures are not yet available.

There are currently no claims made against these policies.

2018 to 2019

	<u>Premium</u>	<u>Limits of coverage</u>
Commercial Liability	\$8,172.25	\$1,000,000/\$2,000,000
Umbrella liability	\$1,575.00	\$1,000,000
Directors and Officers	\$1,553.26	\$1,000,000
Special Event (picnic)	No Charge	\$1,000,000
Total for 2018-2019: \$11,300.51		

Respectfully submitted,

Bill Walsh, Chair
Insurance Committee