

HIGHVIEW CONDOMINIUM II

Financial Statements

December 31, 2015

AND

December 31, 2014

HIGHVIEW CONDOMINIUM II

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INDEPENDENT AUDITOR'S REPORT

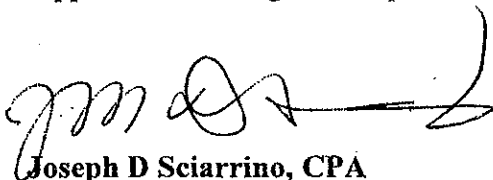
The Board of Directors HIGHVIEW CONDOMINIUM II

We have audited the accompanying balance sheets of **HIGHVIEW CONDOMINIUM II**, as of December 31, 2015 and 2014, and the related statements of income (loss) and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 **HIGHVIEW CONDOMINIUM II**, as of December 31, 2015 and 2014, 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.

As discussed in note 4, Highview Condominium II, has estimated the remaining lives and replacement costs of the common property and, therefore, has presented the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.



Joseph D Sciarrino, CPA
August 5th, 2016

**Highview Condominium II
Comperative Balance Sheet
At December 31,**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 154,218	\$ 269,195
Unit owners' receivables, net of allowance for doubtful accounts	31,932	16,357
Prepaid insurance	8,187	8,566
Prepaid expenses	1,240	-
Other receivables	9,564	-
Total Asset	<u>\$ 205,141</u>	<u>\$ 294,118</u>
 <u>Liabilities and Stockholder's Equity</u>		
<u>Liabilities</u>		
Accounts payable & Accrued expenses	\$ 36,138	\$ 30,378
Common charges received in advance	3,344	8,873
Income taxes payable	-	1,486
Payroll tax liabilities	798	-
Other current liabilities	-	550
Total Liabilities	<u>\$ 40,280</u>	<u>\$ 41,287</u>
 Fund Balances	 \$ 164,861	 \$ 252,831
 Total Liabilities and Capital	 <u>\$ 205,141</u>	 <u>\$ 294,118</u>

Highview Condominium II
Statement of Revenue and Expenses
At December 31,

	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
Common charges	\$ 286,800	\$ 286,431
Antenna income	35,677	35,105
Laundry income	20,034	32,539
Other income	19,947	8,431
Reduction in the allowance for doubtful accounts	-	3,400
Fines income	1,500	800
Investment income	370	508
Total Revenue	<u>\$ 364,328</u>	<u>\$ 367,214</u>
<u>Expenses</u>		
Wages and employee benefits	31,496	57,602
Utilities	81,134	74,544
Water and sewer charges	41,908	29,069
repairs and maintenance	176,953	91,698
insurance	25,963	26,565
Managing agent fees	16,243	15,366
Supplies	4,735	8,086
Professional fees	13,008	8,664
Engineering fees	15,432	-
Administrative and other	13,785	6,997
Licenses, permits and fees	2,209	-
Violations	5,969	-
State, local and other taxes	11,027	14,531
Total Expenses	<u>\$ 439,862</u>	<u>\$ 333,122</u>
Excess of revenue over (under) expenses before capital improvements	\$ (75,534)	\$ 34,092
<u>Expenses from capital replacements</u>		
Mailboxes	3,441	-
security cameras	4,866	-
fire doors	4,129	-
Total expenses from capital replacements	<u>12,436</u>	<u>-</u>
Net income (loss)	\$ (87,970)	\$ 34,092
Capital Balance - Beginning	<u>252,831</u>	<u>218,739</u>
Capital Balance - Ending	<u>\$ 164,861</u>	<u>\$ 252,831</u>

**Highview Condominium II
Statement of Cash Flows
At December 31,**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Excess of Revenue over / (under) Expenses	\$ (87,970)	\$ 34,092
Adjustments needed to reconcile excess of expenses over revenues to net cash provided by operating activities:		
(Increase) Decrease in		
Reduction in allowance for doubtful accounts	-	(3,400)
(Decrease) Increase in		
Unit Owners' receivables	(15,575)	(5,710)
Other receivables	(9,564)	-
Prepaid insurance	(861)	(5,526)
Accounts payable & Accrued expenses	5,760	(3,257)
Common charges received in advance	(5,529)	(15,305)
Taxes payable	(1,486)	-
Payroll tax liabilities	798	-
Other current liabilities	(550)	1,220
Net Cash flows (used in) / provided by operating activities	<u>\$ (114,977)</u>	<u>\$ 2,114</u>
Net Increase in cash	\$ (114,977)	\$ 2,114
Cash Beginning of the year	<u>269,195</u>	<u>267,081</u>
Cash end of the year	<u>\$ 154,218</u>	<u>\$ 269,195</u>
Supplemental Disclosure		
Cash paid during the year for		
Income taxes	<u>\$ 2,601</u>	<u>\$ 5,739</u>

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 Nature of Organization:

Highview Condominium II (the "Condominium"), located in Staten Island, New York, is a condominium pursuant to Article 9-b of the Real Property Law of the State of New York. The purposes of the Condominium are to provide for the preservation of the values in the community and for the maintenance of the common facilities. The Condominium consists of 67 residential units.

Note 2 Summary of Significant Accounting Policies:

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Managers (the "Board") 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in the bank deposits and money market accounts. Cash and cash equivalents may, at times, exceed the federally insured limits.

Uninsured Cash Balances

The cooperative maintains several accounts at local banks which comprise the cash reserve fund. Cumulative balances in excess of \$250,000 for 2015, per institution are not covered by the Federal Deposit Insurance Company. At December 31, 2015, there were no interest bearing deposits which exceeded the federal depository coverage.

Common Charges and Unit Owners' Receivables

The Condominium's members are subject to monthly common charges based upon the annual budget and as determined by the Board. The Condominium retains excess operating funds at the end of the operating year, if any, for use in future operating periods, or as otherwise specified by the Condominium's governing documents. A portion of the monthly common charges are allocated to the replacement fund.

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2 Summary of Significant Accounting Policies (continued):

Common Charges and Unit Owners' Receivables (Continued)

On a periodic basis, the Board evaluates the assessments receivable and estimate an allowance for doubtful accounts, based on the history of past write-offs and collections and the current legal status of past due accounts.

Prepaid Expenses

Prepaid expenses reflect advance payment of insurance premiums as well as other prepaid expenses.

	<u>2015</u>
Prepaid insurance	\$ 8,187
Other prepaid expenses	<u>1,240</u>
Total	<u>\$ 9,427</u>

Investment Income Earned

The Board's policy is to retain investment income earned on all replacement fund interest bearing cash accounts in the replacement fund.

Antenna Income

The Condominium records antenna income as it becomes due under the terms of the lease agreement, which is currently month to month at \$3,025 with escalations at each anniversary of the commencement date (May) at 3 %.

Other Receivables

As at December 31, 2015 other receivable consists of amounts due from two vendors per vending agreements (CSC Serviceworks and T-Mobile). No provision for bad debts has been provided for as no uncollectible accounts are anticipated.

Note 3 Corporate Taxes:

Under the Internal revenue Code, condominiums may be taxed as a regular corporation or as a condominium management association, which is based on an annual election and meeting certain criteria. The Condominium may select either method in any year. A method selected in one year affects only the year and the Condominium is free to select either method in future years.

**HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 3 Corporate Taxes (Continued):

For the year ended December 31, 2015, the Condominium expects to be taxed as a regular corporation and, therefore, will not be taxed as a condominium management association. Federal income taxes have been provided based on the excess of non-membership income over non-membership expenses.

The Condominium was formed pursuant to article 9-B of the Real Property Law of the state of New York and is liable for New York State corporation business income tax. New York State corporate taxes have been provided for the year ended December 31, 2015.

The Condominium evaluates its tax provisions and accruals, and believes that they are appropriate based on current facts and circumstances. The prior three years tax returns as filed remain open for examination by the respective taxing authorities.

For federal tax purposes, the Condominium has incurred net operating losses (NOL's) of approximately \$293,983 utilizable to offset future taxable income, if any, and will pay no current federal taxes. These losses begin to expire in 2028, the balance unexpired at December 31, 2015 is \$214,786.

Due to the nature of the Condominium, the likelihood of utilization of NOL as a tax benefit is remote. Accordingly, no deferred tax asset has been recognized.

Note 4 Cash Reserve Fund:

	<u>2015</u>
Balance - beginning of year	\$ 269,195
Add: Interest earned	370
Funds transferred from (to) operating acct.	<u>(115,347)</u>
Balance - end of year	<u>\$ 154,218</u>

Balance consists of:

Citibank checking account	\$ 5,000
Citibank savings account	119,309
JP Morgan Chase operating account	15,005
JP Morgan Chase savings account	<u>14,904</u>
Total	<u>\$ 154,218</u>

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Replacement Fund

The Condominium's governing documents do not require that funds be accumulated for future major repairs and replacements. However, a replacement fund has been established and accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations.

Becht Engineering, P.C., professional engineering consultants, prepared a study in October 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. The study includes those components with an estimated remaining useful life within the Board-determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were based on the then current estimated replacement costs. The type of study was an updated with site visit. The table included in the unaudited supplementary information on future major repairs and replacements is based on the updated study.

The Board is funding for the estimated costs of future major repairs and replacements over the remaining useful lives of the components as described below. The engineering study is recommending funding utilizing the threshold funding methodology. Threshold funding, based upon a 30 year cash flow analysis, sets a replacement funding goal of keeping the replacement fund balance above a specified dollar amount at its lowest accumulated amount, as specified by the Board, but below the full funding determined level. The funding requirement per the 2010 study is \$66,347 using a threshold level of \$46,264 which is approximately 5% of the estimated replacement cost of the common property. The study uses an interest rate of 3% and an inflation rate of 2%. The Board has not provided for replacement funding in the 2015 budget. Investment income earned on the replacement fund cash accounts of \$370 has been allocated to the replacement fund.

Funds are being accumulated in the replacement fund based upon estimated costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Additionally, replacement fund cash balances may, at times, be less than or more than the fund balance resulting in an interfund balance.

**HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
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Replacement Fund (Continued)

Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Condominium has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available, if possible.

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

<u>Components</u>	<u>As of 2010 Study (Unaudited)</u>	<u>Estimated Current Replacement Costs</u>
	<u>Estimated Remaining Useful Lives (Years)</u>	
Architectural	0-15	\$ 215,386
Electrical	2-23	220,869
Mechanical	3-22	319,325
Site	3-10	94,701
Interior	1-12	<u>75,000</u>
Total		<u>\$ 925,281</u>
Replacement fund balance as of December 31, 2015		<u>\$ 134,212</u>

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5 Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of:

	<u>2015</u>
Repairs & Maintenance	20,278
Professional fees	5,500
Water	5,450
Gas	3,713
Electric	<u>1,197</u>
Total	<u>\$16,380</u>

Note 6 Common charges and Other income:

Consists of the following:

	<u>2015</u>
Common charges	\$286,800
Antenna income	35,677
Laundry	20,034
Other income	19,947
Fines income	1,500
Investment income	<u>370</u>
Total	<u>\$ 364,328</u>

Note 7 Repairs and Maintenance:

Consists of the following:

	<u>2015</u>
Repairs & Maintenance (includes capital replacements)	121,304
Landscaping & Snow removal	10,643
Compactor	5,166
Plumbing	12,878
Electrical repairs	7,474
Elevator repairs	5,353
Supplies	7,170
Exterminator	5,444
Boiler	<u>1,521</u>
Total	<u>\$176,953</u>

**HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 8 Common charges and Assessments:

In 2015, there was no increase to the common charges.

Note 9 Pending Litigation:

As of December 31, 2015 there is no pending litigation.

Note 10 Subsequent events:

On July 30, 2016 a lien for unpaid common charges in the amount of \$17,178.40 was filed (Highview vs. Russo). The owner is deceased. A notice of claim was served on the executor. Foreclosure proceeding is to be commenced where the first mortgage exceeds the value of the property.