

**HIGHVIEW CONDOMINIUM II**

Financial Statements

December 31, 2018

and

December 31, 2017

**HIGHVIEW CONDOMINIUM II**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and Board of Directors  
Highview Condominium II.

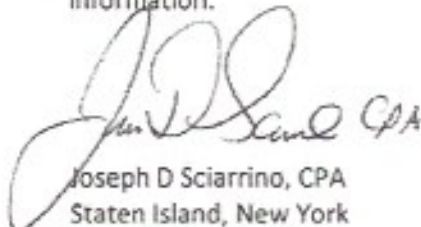
We have reviewed the accompanying of Highview Condominium II as of December 31, 2018 and 2017, and the related statements of operations, and cash flows for the years then ended. A review included primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



Joseph D Sciarrino, CPA  
Staten Island, New York  
September 10, 2019

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

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 344,568	\$ 336,554
Unit owners' receivables, net of allowance for doubtful accounts	42,064	63,266
Prepaid insurance	8,381	8,363
Prepaid expenses	-	-
Owner's loan receivable	127,145	173,175
Other receivables	-	-
<b>Total Asset</b>	<b><u>\$ 522,158</u></b>	<b><u>\$ 581,358</u></b>
 <u>Liabilities and Stockholder's Equity</u>		
<u>Liabilities</u>		
Accounts payable & accrued expenses	\$ 25,569	\$ 11,032
Common charges received in advance	2,607	5,747
Empire state bank loan	114,331	151,179
Payroll tax liabilities	344	183
<b>Total Liabilities</b>	<b><u>\$ 142,851</u></b>	<b><u>\$ 168,141</u></b>
 <b>Fund Balances</b>	 <b>\$ 379,307</b>	 <b>\$ 413,217</b>
 <b>Total Liabilities and Capital</b>	 <b><u>\$ 522,158</u></b>	 <b><u>\$ 581,358</u></b>

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

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Common charges	\$ 286,800	\$ 286,800
Assessment fee income	-	41,127
Antenna income	39,227	38,085
Other income	6,114	24,035
Laundry income	6,039	7,157
Fines / Late fee income	2,400	3,150
Investment income	885	544
<b>Total Revenue</b>	<b>\$ 341,465</b>	<b>\$ 400,898</b>
<b>Expenses</b>		
Wages and employee benefits	60,341	57,200
Repairs & Maintenance	101,606	108,234
Utilities	65,467	56,629
Bad debt	33,212	-
Insurance	32,563	35,561
Water and sewer charges	29,934	30,906
Professional fees	20,502	7,259
Managing agent fees	16,920	17,550
Interest expense	8,960	11,611
Administrative and other	5,130	6,101
Violations	740	3,500
State, local and other taxes	-	2,356
<b>Total Expenses</b>	<b>\$ 375,375</b>	<b>\$ 336,907</b>
<b>Excess of revenue over (under) expenses before capital improvements</b>	<b>\$ (33,910)</b>	<b>\$ 63,991</b>
<b>Expenses from capital replacements</b>		
Interior design & lighting	-	3,224
Sidewalks	-	2,500
Plumbing and electrical	-	900
Mailboxes	-	-
Security cameras & upgrades	-	-
Doors and windows	-	-
Exterior remodel & waterproofing	-	-
Parking lot repairs	-	-
Garage floor repairs	-	-
<b>Total expenses from capital replacements</b>	<b>-</b>	<b>6,624</b>
<b>Net income (loss)</b>	<b>\$ (33,910)</b>	<b>\$ 57,367</b>
<b>Capital Balance - Beginning</b>	<b>413,217</b>	<b>355,850</b>
<b>Capital Balance - Ending</b>	<b>\$ 379,307</b>	<b>\$ 413,217</b>

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

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Excess of Revenue over / (under) Expenses	\$ (33,910)	\$ 57,367
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	-	-
(Decrease) Increase in		
Unit Owners' receivables	21,202	(16,330)
Other receivables	0	3,116
Owner's loan receivable	46,030	5,053
Prepaid insurance	(18)	1,764
Accounts payable & Accrued expenses	14,537	(5,460)
Common charges received in advance	(3,140)	4,309
Empire State bank loan	(36,848)	(34,196)
Payroll tax liabilities	161	(780)
<b>Net Cash flows (used in) / provided by operating activities</b>	<u>\$ 8,014</u>	<u>\$ 14,843</u>
<b>Net Increase in cash</b>	\$ 8,014	\$ 14,843
<b>Cash - Beginning of the year</b>	<u>336,554</u>	<u>321,711</u>
<b>Cash - End of the year</b>	<u>\$ 344,568</u>	<u>\$ 336,554</u>
Supplemental Disclosure		
Cash paid during the year for		
Income taxes	<u>\$ -</u>	<u>\$ 2,356</u>

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 2018, per institution are not covered by the Federal Deposit Insurance Company. At December 31, 2018 the interest bearing deposits which exceeded the federal depository coverage were approximately \$35,175

**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

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 2      Summary of Significant Accounting Policies (continued):**

**Common Charges and Unit Owners' Receivables (Continued)**

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.

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>2018</u>	<u>2017</u>
Prepaid insurance	\$8,381	\$ 8,363
Other prepaid expenses	<u>-</u>	<u>-</u>
Total	<u>\$ 8,381</u>	<u>\$ 8,363</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 \$3,305 with escalations at each anniversary of the commencement date (May) at 3 %.

**Other Receivables**

There are no outstanding receivables as of December 31, 2017

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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.

For the year ended December 31, 2018, 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, 2018.

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 \$339,705 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, 2018 is \$196,769.

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>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 336,554	\$ 321,711
Add: Interest earned	885	544
Funds transferred from (to) operating acct.	7,129	14,299
Balance - end of year	<u>\$ 344,568</u>	<u>\$ 336,554</u>

Balance consists of:

Citibank checking account	\$ 5,438	\$ 5,438
Citibank savings account	285,175	257,243
JP Morgan Chase operating account	3,324	4,265
JP Morgan Chase savings account	19,071	19,070
Eprrie State Bank operating	31,560	50,538
Total	<u>\$ 344,568</u>	<u>\$ 336,554</u>

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 provided for replacement funding in the 2016 budget. A loan was obtained from Empire State Bank in the amount of \$400,000 to cover such replacements. Investment income earned on the replacement fund cash accounts of \$885 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</u> <u>(Unaudited)</u>	
	<u>Estimated</u> <u>Remaining Useful</u> <u>Lives (Years)</u>	<u>Estimated</u> <u>Current</u> <u>Replacement</u> <u>Costs</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, 2018		<u>\$.....304,246</u>

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 5 Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consist of:

	<u>2018</u>	<u>2017</u>
Repairs & Maintenance	\$14,850	\$ -
Capital replacements	-	-
Professional fees	5,500	5,500
Gas	4,189	-
Electric	<u>1,030</u>	<u>5,531</u>
Total	<u>\$25,569</u>	<u>\$11,031</u>

**Note 6 Common charges and Other income:**

Consists of the following:

	<u>2018</u>	<u>2017</u>
Common charges	\$286,800	\$286,800
Assessment fee income	-	41,127
Antenna income	39,227	38,085
Laundry	6,039	7,157
Other income	6,114	24,035
Fines/Late fee income	2,400	3,150
Investment income	<u>885</u>	<u>544</u>
Total	<u>\$ 341,465</u>	<u>\$ 400,898</u>

**Note 7 Repairs and Maintenance:**

Consists of the following:

	<u>2018</u>	<u>2017</u>
R&M (general)	\$13,556	\$24,987
Landscaping & Snow removal	10,212	18,051
Compactor	-	1,154
Plumbing	15,633	3,801
Electrical repairs	15,300	24,702
Elevator repairs	30,788	14,119
Supplies	5,514	8,569
Exterminator	5,444	8,373
Boiler	<u>5,159</u>	<u>4,478</u>
Total	<u>\$101,606</u>	<u>\$108,234</u>

**HIGHVIEW CONDOMINIUM II**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 8 Capital Replacements:**

In April 2016, the board approved an assessment in the amount of \$400,000. About 52% of the owners paid the assessment in full (May 2016), the remaining 48% of owners entered into a loan agreement with Empire State Bank in the amount of \$193,620 plus interest for a cumulative monthly payment of \$3,811 (divided proportionately). The loan is self-liquidating with a 5 year term and a fixed interest rate of 6.75% per annum. As at December 31, 2018 the remaining principal balance was \$114,331, the loan matures on September 2021.

**Note 9 Common charges and Assessments:**

In 2018, there was no increase to the common charges.

**Note 10 Pending Litigation:**

As of December 31, 2017 there two pending litigations:

Highview vs. Plotch, A lien for unpaid common charges in the amount of \$7,975 was filed on May 10, 2016. As of December 31, 2017 the outstanding amount was \$19,820.

On July 30, 2016 a lien for unpaid common charges in the amount of \$17,178.40 was filed (Federal National Mortgage Association v. Anthony Russo & Highview Condominium II). 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. As of December 31, 2017 the outstanding amount was \$33,212.

Highview vs. Russo was settled on January 11<sup>th</sup> 2018, there were no excess funds from the sale of the unit to pay Highview Condominium II's open receivable. The open amount was written off to bad debt in 2018.

**Note 11 Subsequent events:**

No subsequent events as of September 5<sup>th</sup>, 2019.