

HIGHVIEW CONDOMINIUM II

Financial Statements

December 31, 2019

and

December 31, 2018

HIGHVIEW CONDOMINIUM II

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

| <u>Assets</u> | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| Cash | \$ 65,772 | \$ 344,568 |
| Unit owners' receivables, net of allowance for doubtful accounts | 52,701 | 42,064 |
| Prepaid insurance | 8,554 | 8,381 |
| Prepaid expenses | - | - |
| Owner's loan receivable | 90,145 | 127,145 |
| Other receivables | - | - |
| Total Asset | <u>\$ 217,172</u> | <u>\$ 522,158</u> |
| <u>Liabilities and Stockholder's Equity</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable & accrued expenses | \$ 7,375 | \$ 25,569 |
| Common charges received in advance | 8,655 | 2,607 |
| Empire state bank loan | 74,996 | 114,331 |
| Payroll tax liabilities | 12 | 344 |
| Total Liabilities | <u>\$ 91,038</u> | <u>\$ 142,851</u> |
| Fund Balances | \$ 126,134 | \$ 379,307 |
| Total Liabilities and Capital | <u>\$ 217,172</u> | <u>\$ 522,158</u> |

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

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| <u>Revenues</u> | | |
| Common charges | \$ 286,800 | \$ 286,800 |
| Assessment fee income | - | - |
| Antenna income | 40,013 | 39,227 |
| Other income | 5,212 | 6,114 |
| Laundry income | 5,957 | 6,039 |
| Fines / Late fee income | 2,775 | 2,400 |
| Investment income | 538 | 885 |
| Total Revenue | <u>\$ 341,295</u> | <u>\$ 341,465</u> |
| <u>Expenses</u> | | |
| Wages and employee benefits | 64,018 | 60,341 |
| Repairs & Maintenance | 216,284 | 101,606 |
| Utilities | 55,729 | 65,467 |
| Bad debt | - | 33,212 |
| Insurance | 28,605 | 32,563 |
| Water and sewer charges | 32,299 | 29,934 |
| Professional fees | 6,808 | 20,502 |
| Managing agent fees | 17,973 | 16,920 |
| Interest expense | 6,512 | 8,960 |
| Administrative and other | 5,037 | 5,130 |
| Violations | 3,904 | 740 |
| State, local and other taxes | - | - |
| Total Expenses | <u>\$ 437,169</u> | <u>\$ 375,375</u> |
| Excess of revenue over (under) expenses before capital improvements | \$ (95,874) | \$ (33,910) |
| <u>Expenses from capital replacements</u> | | |
| Interior design & lighting | - | - |
| Doors and windows | - | - |
| Exterior remodel & waterproofing | 157,299 | - |
| Parking lot repairs | - | - |
| Garage floor repairs | - | - |
| Total expenses from capital replacements | <u>157,299</u> | <u>-</u> |
| Net income (loss) | \$ (253,173) | \$ (33,910) |
| Capital Balance - Beginning | <u>379,307</u> | <u>413,217</u> |
| Capital Balance - Ending | <u>\$ 126,134</u> | <u>\$ 379,307</u> |

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

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Excess of Revenue over / (under) Expenses | \$ (253,173) | \$ (33,910) |
| 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 | (10,637) | 21,202 |
| Other receivables | 0 | - |
| Owner's loan receivable | 37,000 | 46,030 |
| Prepaid insurance | (173) | (18) |
| Accounts payable & Accrued expenses | (18,194) | 14,537 |
| Common charges received in advance | 6,048 | (3,140) |
| Empire State bank loan | (39,335) | (36,848) |
| Payroll tax liabilities | (332) | 161 |
| | | |
| Net Cash flows (used in) / provided by operating activities | <u>\$ (278,796)</u> | <u>\$ 8,014</u> |
| | | |
| Net Increase in cash | \$ (278,796) | \$ 8,014 |
| | | |
| Cash - Beginning of the year | <u>344,568</u> | <u>336,554</u> |
| | | |
| Cash - End of the year | <u>\$ 65,772</u> | <u>\$ 344,568</u> |
| | | |
| Supplemental Disclosure | | |
| Cash paid during the year for | | |
| Income taxes | <u>\$ -</u> | <u>\$ -</u> |

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 2019, per institution are not covered by the Federal Deposit Insurance Company. At December 31, 2019 the interest bearing deposits which exceeded the federal depository coverage were zero.

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, 2019

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>2019</u> | <u>2018</u> |
|------------------------|-----------------|-----------------|
| Prepaid insurance | \$8,554 | \$ 8,381 |
| Other prepaid expenses | <u>-</u> | <u>-</u> |
| Total | <u>\$ 8,554</u> | <u>\$ 8,381</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 \$3,405 with escalations at each anniversary of the commencement date (May) at 3 %.

Other Receivables

There are no outstanding receivables as of December 31, 2019

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, 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, 2019.

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 \$592,879 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, 2019 is \$449,943.

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.

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Cash Reserve Fund:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|-------------------|
| Balance - beginning of year | \$ 344,568 | \$ 336,554 |
| Add: Interest earned | 538 | 885 |
| Funds transferred from (to) operating acct. | (279,334) | 7,129 |
| Balance - end of year | <u>\$ 65,772</u> | <u>\$ 344,568</u> |

Balance consists of:

| | | |
|-----------------------------------|------------------|-------------------|
| Citibank checking account | \$ 5,438 | \$ 5,438 |
| Citibank savings account | 38,619 | 285,175 |
| JP Morgan Chase operating account | - | 3,324 |
| JP Morgan Chase savings account | - | 19,071 |
| Empire State Bank operating | 21,715 | 31,560 |
| Total | <u>\$ 65,772</u> | <u>\$ 344,568</u> |

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

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Replacement Fund (Continued)

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.

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, 2019 | | <u>\$..... 44,057</u> |

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|----------------|-----------------|
| Repairs & Maintenance | \$ 1,875 | \$ 14,850 |
| Capital replacements | - | - |
| Professional fees | 5,500 | 5,500 |
| Gas | - | 4,189 |
| Electric | - | 1,030 |
| Total | <u>\$7,375</u> | <u>\$25,569</u> |

Note 6 Common charges and Other income:

Consists of the following:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|-------------------|
| Common charges | \$286,800 | \$286,800 |
| Assessment fee income | - | - |
| Antenna income | 40,013 | 39,227 |
| Laundry | 5,212 | 6,039 |
| Other income | 5,957 | 6,114 |
| Fines/Late fee income | 2,775 | 2,400 |
| Investment income | 538 | 885 |
| Total | <u>\$ 341,295</u> | <u>\$ 341,465</u> |

Note 7 Repairs and Maintenance:

Consists of the following:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|------------------|------------------|
| R&M (general) | \$16,937 | \$13,556 |
| Landscaping & Snow removal | 8,710 | 10,212 |
| Compactor | - | - |
| Plumbing | 2,183 | 15,633 |
| Electrical repairs | 3,186 | 15,300 |
| Elevator repairs | 168,375 | 30,788 |
| Supplies | 7,265 | 5,514 |
| Exterminator | 7,120 | 5,444 |
| Boiler | 2,508 | 5,159 |
| Total | <u>\$216,284</u> | <u>\$101,606</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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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 October 2021.

Note 9 Common charges and Assessments:

In 2019, there was no increase to the common charges.

Note 10 Pending Litigation:

As of December 31, 2019 there was one pending litigation:

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, 2019 the outstanding amount was \$33,054.

Note 11 Subsequent events:

A maintenance increase of 3% was approved by the Board of Directors and commenced on March 2020.