

HIGHVIEW CONDOMINIUM II

Financial Statements

December 31, 2020

and

December 31, 2019

HIGHVIEW CONDOMINIUM II

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and Board of Directors
Highview Condominium II.

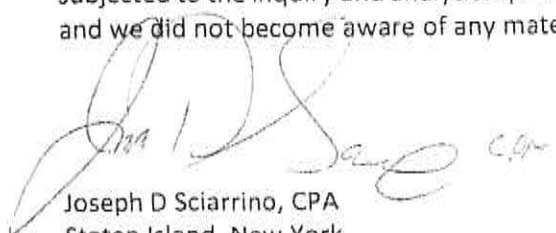
We have reviewed the accompanying of Highview Condominium II as of December 31, 2020 and 2019, and the related statements of operations, and cash flows for the years then ended. A review included primarily applying analytical procedures to management's financial data and making inquiries of Company management. 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
December 22, 2021

Highview Condominium II
Comperative Balance Sheet
At December 31,

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 115,221	\$ 65,772
Unit owners' receivables, net of allowance for doubtful accounts	40,720	52,701
Prepaid insurance	9,778	8,554
Prepaid expenses	-	-
Owner's loan receivable	43,965	90,145
Other receivables	-	-
Total Asset	<u>\$ 209,684</u>	<u>\$ 217,172</u>
 <u>Liabilities and Stockholder's Equity</u>		
<u>Liabilities</u>		
Accounts payable & accrued expenses	\$ 15,516	\$ 7,375
Common charges received in advance	8,158	8,655
Empire state bank loan	32,978	74,996
Payroll tax liabilities	697	12
Total Liabilities	<u>\$ 57,349</u>	<u>\$ 91,038</u>
 Fund Balances	 \$ 152,335	 \$ 126,134
 Total Liabilities and Capital	 <u>\$ 209,684</u>	 <u>\$ 217,172</u>

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

	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
Common charges	\$ 293,970	\$ 286,800
Assessment fee income	-	-
Antenna income	41,618	40,013
Other income	6,893	5,212
Laundry income	4,723	5,957
Fines / Late fee income	1,350	2,775
Investment income	35	538
Total Revenue	<u>\$ 348,589</u>	<u>\$ 341,295</u>
<u>Expenses</u>		
Wages and employee benefits	64,585	64,018
Utilities	69,804	55,729
Repairs & Maintenance	63,748	216,284
Insurance	33,081	28,605
Professional fees	26,369	6,808
Water and sewer charges	25,815	32,299
Managing agent fees	21,110	17,973
Administrative and other	13,990	5,037
Interest expense	3,797	6,512
State, local and other taxes	89	-
Violations	-	3,904
Total Expenses	<u>\$ 322,388</u>	<u>\$ 437,169</u>
Excess of revenue over (under) expenses before capital improvements	\$ 26,201	\$ (95,874)
Expenses from capital replacements	<u>-</u>	<u>-</u>
Interior design & lighting	-	-
Doors and windows	-	-
Exterior remodel & waterproofing	-	157,299
Parking lot repairs	-	-
Garage floor repairs	-	-
Total expenses from capital replacements	<u>-</u>	<u>157,299</u>
Net income (loss)	\$ 26,201	\$ (253,173)
Capital Balance - Beginning	<u>126,134</u>	<u>379,307</u>
Capital Balance - Ending	<u>\$ 152,335</u>	<u>\$ 126,134</u>

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

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Excess of Revenue over / (under) Expenses	\$ 26,201	\$ (253,173)
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	11,981	(10,637)
Other receivables	-	-
Owner's loan receivable	46,180	37,000
Prepaid insurance	(1,224)	(173)
Accounts payable & Accrued expenses	8,141	(18,194)
Common charges received in advance	(497)	6,048
Empire State bank loan	(42,018)	(39,335)
Payroll tax liabilities	685	(332)
Net Cash flows (used in) / provided by operating activities	<u>\$ 49,449</u>	<u>\$ (278,796)</u>
Net Increase in cash	\$ 49,449	\$ (278,796)
Cash - Beginning of the year	<u>65,772</u>	<u>344,568</u>
Cash - End of the year	<u>\$ 115,221</u>	<u>\$ 65,772</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, 2020

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 2020, per institution are not covered by the Federal Deposit Insurance Company. At December 31, 2020 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, 2020

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>2020</u>	<u>2019</u>
Prepaid insurance	\$9,778	\$ 8,554
Other prepaid expenses	-	-
Total	<u>\$ 9,778</u>	<u>\$ 8,554</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 \$3,507 with escalations at each anniversary of the commencement date (May) at 3 %.

Other Receivables

There is \$40,720 in outstanding receivables as of December 31, 2020

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, 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, 2020.

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 \$566,678 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, 2020 is \$423,742.

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, 2020

Note 4 Cash Reserve Fund:

	<u>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 65,772	\$ 344,568
Add: Interest earned	35	538
Funds transferred from (to) operating acct.	49,414	(279,334)
Balance - end of year	<u>\$ 115,221</u>	<u>\$ 65,772</u>

Balance consists of:

Citibank checking account	\$ 5,438	\$ 5,438
Citibank savings account	38,655	38,619
JP Morgan Chase operating account	-	-
JP Morgan Chase savings account	-	-
Empire State Bank operating	71,128	21,715
Total	<u>\$ 115,221</u>	<u>\$ 65,772</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

HIGHVIEW CONDOMINIUM II
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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, 2020		<u>\$..... 44,093</u>

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 5 Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of:

	<u>2020</u>	<u>2019</u>
Repairs & Maintenance	-	\$ 1,875
Insurance	\$ 7,541	-
Professional fees	5,500	5,500
Gas	-	-
Electric	<u>2,475</u>	<u>-</u>
Total	<u>\$15,516</u>	<u>\$25,569</u>

Note 6 Common charges and Other income:

Consists of the following:

	<u>2020</u>	<u>2019</u>
Common charges	\$293,970	\$286,800
Assessment fee income	-	-
Antenna income	41,618	40,013
Laundry	4,723	5,212
Other income	6,893	5,957
Fines/Late fee income	1,350	2,775
Investment income	<u>35</u>	<u>538</u>
Total	<u>\$ 348,589</u>	<u>\$ 341,295</u>

Note 7 Repairs and Maintenance:

Consists of the following:

	<u>2020</u>	<u>2019</u>
R&M (general)	\$ 8,745	\$16,937
Landscaping & Snow removal	7,153	8,710
Compactor	-	-
Plumbing	12,183	2,183
Electrical repairs	2,884	3,186
Elevator repairs	7,576	168,375
Supplies	10,478	7,265
Exterminator	9,189	7,120
Boiler	<u>5,540</u>	<u>2,508</u>
Total	<u>\$ 63,748</u>	<u>\$216,284</u>

HIGHVIEW CONDOMINIUM II
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 the remaining principal balance was \$32,978, the loan matures on October 2021.

Note 9 Common charges and Assessments:

A maintenance increase of 5% was approved by the Board of Directors and commenced on April 2020.

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. In 2020, the Plotch unpaid common charges were written off as uncollectable as the cost of litigation was equal to or great than that amount of the receivable.

Note 11 Subsequent events:

There were no subsequent events to report.