

THE HIGHVIEW CONDOMINIUM II

Financial Statements  
for the years ended  
December 31, 2023 and 2022



**Cesarano & Khan, PC**  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Managers and Unit Owners of  
The Highview Condominium II:

***Opinion***

We have audited the accompanying financial statements of The Highview Condominium II (the Condominium), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Condominium as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Condominium and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Condominium's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Condominium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Condominium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Cesarano & Khan, CPAs, PC*

Floral Park, New York  
June 9, 2024

THE HIGHVIEW CONDOMINIUM II

BALANCE SHEETS

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash:		
Operating - Empire State Bank - checking accounts	\$ 37,557	\$ 87,877
Reserve - Empire State Bank - savings	-0-	9,999
Reserve - Empire State Bank - checking	-0-	101,493
Reserve - Citibank, N.A. - checking	-0-	5,438
Reserve - Citibank, N.A. - savings	-0-	17,967
Reserve - Citizens Bank - checking	500	-0-
Reserve - Citizens Bank - money market	94,555	-0-
Common charges and fees receivable	100,085	95,114
Prepaid expenses	9,781	6,135
Total assets	<u>\$ 242,478</u>	<u>\$ 324,023</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued expenses	\$ 38,918	\$180,414
Deferred revenue	10,132	14,167
Security deposit payable	3,000	2,500
NYC Water Board payable	60,561	77,864
Income tax payable	-0-	1,500
Total liabilities	<u>112,611</u>	<u>276,445</u>
Members' equity	129,867	47,578
Total liabilities and members' equity	<u>\$ 242,478</u>	<u>\$ 324,023</u>

The accompanying notes are an integral part of these financial statements.

THE HIGHVIEW CONDOMINIUM II

STATEMENTS OF OPERATIONS

for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Common charges	\$316,203	\$313,694
Antenna income	45,428	44,214
Laundry	3,931	7,267
Late fees	1,725	2,925
Interest	322	19
Other	<u>23,208</u>	<u>35,972</u>
Total revenues	<u>390,817</u>	<u>404,091</u>
EXPENSES:		
Wages and related costs	77,589	75,165
Utilities	61,992	96,753
Water and sewer	39,161	36,407
Interest expense	1,217	1,258
Repairs, maintenance and supplies	101,876	63,570
Insurance	40,457	33,146
Management fees	24,522	26,497
Professional fees	17,078	15,212
License, permit and other NYC charges	6,777	2,733
Telecommunications	3,469	3,879
Administrative	2,375	6,125
Income taxes	<u>500</u>	<u>1,500</u>
Total expenses before other items	<u>377,013</u>	<u>362,245</u>
Excess of revenues over expenses before other items	13,804	41,846
OTHER ITEMS:		
Capital assessments	199,508	271,666
Major repairs	<u>(131,023)</u>	<u>(294,195)</u>
Excess of revenues over expenses	<u>\$ 82,289</u>	<u>\$ 19,317</u>

The accompanying notes are an integral part of these financial statements.

THE HIGHVIEW CONDOMINIUM II  
STATEMENTS OF MEMBERS' EQUITY  
for the years ended December 31, 2023 and 2022

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Balance at December 31, 2021	\$ 159,397
Prior period adjustments	(131,136)
Excess of revenues over expenses	19,317
Balance at December 31, 2022	<u>47,578</u>
Excess of revenues over expenses	82,289
Balance at December 31, 2023	<u><u>\$ 129,867</u></u>

The accompanying notes are an integral  
part of these financial statements.

THE HIGHVIEW CONDOMINIUM II

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 82,289	\$ 19,317
Changes in operating assets and liabilities:		
Common charges and fees receivable	(4,971)	(47,031)
Prepaid expenses	(3,646)	1,626
Accounts payable and accrued expenses	(141,496)	174,192
Deferred revenue	(4,035)	12,351
Security deposit payable	500	2,500
Income tax payable	(1,500)	1,500
Prior period adjustments	-0-	(131,136)
Net cash (used in) provided by operating activities	<u>(72,859)</u>	<u>33,319</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
NYC Water Board payable	<u>(17,303)</u>	<u>77,864</u>
Net cash (used in) provided by financing activities	<u>(17,303)</u>	<u>77,864</u>
Net (decrease) increase in cash	(90,162)	111,183
Cash, beginning of year	<u>222,774</u>	<u>111,591</u>
Cash, end of year	<u>\$ 132,612</u>	<u>\$ 222,774</u>
<b>SUMMARY OF CASH:</b>		
Operating - Empire State Bank - checking accounts	\$ 37,557	\$ 87,877
Reserve - Empire State Bank - savings	-0-	9,999
Reserve - Empire State Bank - checking	-0-	101,493
Reserve - Citibank, N.A. - checking	-0-	5,438
Reserve - Citibank, N.A. - savings	-0-	17,967
Reserve - Citizens Bank - checking	500	-0-
Reserve - Citizens Bank - money market	94,555	-0-
Total cash	<u>\$ 132,612</u>	<u>\$ 222,774</u>
<b>SUPPLEMENTARY INFORMATION:</b>		
Income taxes paid	\$ 745	\$ -0-
Interest paid	\$ 950	\$ 1,258

The accompanying notes are an integral part of these financial statements.

THE HIGHVIEW CONDOMINIUM II

NOTES to FINANCIAL STATEMENTS

December 31, 2023 and 2022

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1. Organization:

The Highview Condominium II (the Condominium), was organized on October 30, 1981, pursuant to Article 9-B of the Real Property Law of the State of New York, for the purposes of maintaining and preserving the common property of the Condominium. The Condominium consists of 67 residential units, 1 superintendent's unit, 20 indoor parking units and 14 outdoor parking units, located at 850 Howard Avenue, Staten Island, New York.

A Board of Managers, elected by the unit owners, governs the affairs of the Condominium. Managers, as such, receive no compensation for their services. The Board of Managers retains a management agent to operate the day-to-day activities of the property including certain administrative and bookkeeping services.

2. Date of Management Review:

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through June 9, 2024, the date the financial statements were available to be issued.

3. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Pervasiveness of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

The Condominium considers all highly liquid investments with little to no exposure to credit, market and liquidity risks, with original maturities of three months or less to be classified as cash.

Concentration of Credit Risk:

The Condominium maintains its cash with major financial institutions. Balances, at times, may exceed Federal Deposit Insurance Corporation limits currently \$250,000 per financial institution. The Condominium performs periodic evaluations of the relative credit standing of these financial institutions and also evaluates its balance with each institution in order to limit the amount of credit exposure. The Condominium has not experienced any losses in such accounts as of the date of the auditors' report.

Common Charges and Fees Receivable:

The Condominium's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are 90 days in arrears. It is the opinion of the Board of Managers that the Condominium will ultimately prevail against the unit owners whose assessments are delinquent, and accordingly, no allowance for uncollectible accounts was deemed necessary. As of December 31, 2023 and 2022, the Condominium had unit owner receivables of \$100,085 and \$95,114.

Recognition of Assets:

The Condominium capitalizes all personal property assets to which it holds title or has other evidence of ownership. Real property, common areas and related improvements to such property are not capitalized in the financial statements. Those properties are owned by the individual unit owners in common.

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THE HIGHVIEW CONDOMINIUM II

NOTES to FINANCIAL STATEMENTS, Continued

December 31, 2023 and 2022

Common Charges:

Common charges are based on an annual budget determined by the Board of Managers. Unit owners are billed monthly in accordance with the common interest appurtenant to the unit. The purpose of common charges are to provide funds for operating expenses. Monthly common charges represent multiple performance obligations, which, on a standalone basis are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for common charges are satisfied over time on a daily pro-rata basis using the input method in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606).

Deferred Revenue:

Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. Deferred revenue consists of prepaid monthly common charges and other unit holder fees and has been recorded as the Condominium has the right to receive payment in advance for the satisfaction of performance obligations in accordance with ASC 606.

Lease Income:

The Condominium has adopted the Accounting Standards Codification Topic 842, Leases (ASC 842), which requires the Condominium to establish a comprehensive policy for lease accounting.

The Condominium classifies its lease agreements into short-term and long-term operating leases. Short-term leases are those with a term of 12 months or less, and lease income from these is recognized based on the contractual amounts billed each month.

For long-term leases, lease income is recognized on straight-line basis over the lease term. This method evenly spreads the total lease payments, including any fixed escalations, incentives, and other lease modifications, across the lease duration, regardless of the actual timing of lease payments, as required by ASC 842.

Reclassifications:

Certain reclassifications have been made to 2022 financial statements for comparative purposes. Such reclassifications had no effect on previously reported members' equity.

4. Prepaid Expenses:

Prepaid expenses comprised of the following:

	2023	2022
Prepaid insurance	\$ 9,489	\$ 6,135
Prepaid income taxes	292	0
	<u>\$ 9,781</u>	<u>\$ 6,135</u>

5. Account Payable and Accrued Expenses:

Account payable and accrued expenses comprised of the following:

	2023	2022
Professional fees	\$ 15,600	\$ 10,536
Repairs and maintenance	10,546	1,750
Utilities	6,827	10,985
Water and sewer	3,118	4,436
Wages and related costs	2,827	2,570
Major repairs	0	150,137
	<u>\$ 38,918</u>	<u>\$ 180,414</u>

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THE HIGHVIEW CONDOMINIUM II

NOTES to FINANCIAL STATEMENTS, Continued

December 31, 2023 and 2022

6. New York City Water Board Payment Agreement:

On May 17, 2022, the Condominium entered into a payment agreement with New York City Water Board (the Water Board) to pay \$86,516 past due water and wastewater charges. The Condominium agreed to pay the due on 60 monthly installments of \$1,442 with interest amount based on interest rate of 3% per year, compounded monthly. The Water Board charges interest on any outstanding balances at the rate set by the New York City Council each Fiscal Year. The actual amount of interest may change based upon changes to the interest rate. There is no penalty for making overpayments or paying off the entire balance in full at any time. There was \$60,561 and \$77,864 balance outstanding as on December 31, 2023 and 2022.

7. Other Income:

Other income comprised of the following:

	<u>2023</u>	<u>2022</u>
Electric chargebacks	\$ 14,320	\$ 0
Other unit owner charges	6,135	13,726
Sublease fees	1,400	4,008
Violation charges	953	18,138
Key	400	100
	<u>\$ 23,208</u>	<u>\$ 35,972</u>

8. Repairs and Maintenance:

Repairs and maintenance comprised of the following:

	<u>2023</u>	<u>2022</u>
Boiler	\$ 34,285	\$ 5,893
Plumbing	18,983	4,910
General repairs	18,281	13,422
Landscaping	10,506	12,494
Elevator	7,827	8,900
Exterminating	7,708	11,873
Supplies	4,286	6,078
	<u>\$ 101,876</u>	<u>\$ 63,570</u>

9. Professional Fees:

Professional fees comprised of the following:

	<u>2023</u>	<u>2022</u>
Accounting	\$ 7,000	\$ 7,000
Other professional fees	6,650	4,676
Legal	3,428	3,536
	<u>\$ 17,078</u>	<u>\$ 15,212</u>

10. Major Repairs:

Major repairs comprised of the following:

	<u>2023</u>	<u>2022</u>
Local Law 11 - façade project	\$ 117,393	\$ 273,245
Security camera	13,630	0
Garage repair	0	20,950
	<u>\$ 131,023</u>	<u>\$ 294,195</u>

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## THE HIGHVIEW CONDOMINIUM II

### NOTES to FINANCIAL STATEMENTS, Continued

December 31, 2023 and 2022

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#### 11. Management Agreement:

The Condominium had retained The Andrews Organization to serve as managing agent for the Condominium. The agreement was terminated on January 31, 2022. The management fee for the year ended December 31, 2022 was \$1,975.

On January 1, 2022, the Condominium retained CRM Management Services, LLC, to act as the managing agent of the property with \$2,043.50 monthly fees. The agreement will expire on December 31, 2023. The agreement may be terminated by either party without cause by providing at least 30 days prior written notice to the other party. The management fees for the years ended December 31, 2023 and 2022 were \$24,522, in each year.

#### 12. Income Taxes:

For Federal tax purposes the Condominium may annually elect to be taxed as homeowners' association under Section 528 of the Internal Revenue Code, or as a regular corporation. Under Section 528, the Condominium is taxed on its non-exempt function income, such as interest earnings, at a flat rate of 30% and the use of net operating loss deduction is not permitted. For the years ended December 31, 2023 and 2022, the Condominium elected to be taxed as homeowners' association. New York State (NYS) and New York City (NYC) generally treat condominiums as a regular corporation subject to NYS and NYC corporation tax.

Generally accepted accounting principles requires evaluation of the tax positions taken or expected to be taken in the course of preparing the Condominium's tax returns to determine whether the tax positions are more likely than not sustainable upon examination by the applicable taxing authorities, based on the technical merits of the tax position, and then recognizing the tax benefit that is more likely than not realizable. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax expense in the current reporting period. Management believes any such position would be immaterial to the overall financial statements.

With few exceptions, the Condominium is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2020.

#### 13. Capital Assessments:

The Condominium implemented two capital assessments during the year 2023 and 2022: 1) A capital assessment of approximately \$113,509 and \$200,000 was levied in 2023 and 2022, respectively, to fund the Local Law 11 - facade project. For the years ended December 31, 2023 and 2022, \$113,509 and \$200,000 was recognized from this assessment. 2) Starting March 2022, a capital assessment was established to restore previously utilized reserve funds. This assessment will remain in place until the emergency savings account reaches a targeted balance of \$250,000, estimated to be achieved over 30 months. For the years ended December 31, 2023 and 2022, \$85,999 and \$71,666 was recognized from this assessment.

#### 14. Roof Antenna Lease Agreement:

The Condominium entered into a lease agreement with Omnipoint Communications, Inc. (Omnipoint) on May 8, 2000 to lease approximately 100 square feet of space on the rooftop to house radio equipment and space on the roof of the building for associated antennas. The initial term of the agreement was for a period of 10 years. After the initial term, the agreement was renewed for 3 successive 5-year periods. The rent for the initial term was \$1,500 per month with 3% increase in each year. In 2001, Omnipoint agreed to pay an additional rent of \$455 per month upon the installation of the modified equipment. The rooftop antenna income for the years ended December 31, 2023 and 2022 were \$45,428 and \$44,214, respectively.

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THE HIGHVIEW CONDOMINIUM II

NOTES to FINANCIAL STATEMENTS, Continued

December 31, 2023 and 2022

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15. Future Major Repairs and Replacements:

The Condominium omitted a study to determine the remaining useful lives of the components of property and estimates of the costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. When replacement funds are required for major repairs and replacements, the Condominium has the right to increase regular maintenance, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.