

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021 and 2020**



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INDEPENDENT AUDITOR'S REPORT

Board of Managers

Heritage Hills of Westchester Condominium 16

Opinion

We have audited the accompanying financial statements of Heritage Hills of Westchester Condominium 16, which comprise the comparative balance sheets as of December 31, 2021 and 2020, and the related comparative statements of revenues, expenses, and changes in fund balances 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 Heritage Hills of Westchester Condominium 16 as of December 31, 2021 and 2020, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heritage Hills of Westchester Condominium 16 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Heritage Hills of Westchester Condominium 16's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 judgement 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 Heritage Hills of Westchester Condominium 16'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 Heritage Hills of Westchester Condominium 16'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Heller & Filippone, LLP

White Plains, NY

February 11, 2022

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2021 and 2020

ASSETS

	Operating Fund	Replacement Fund	Total 2021	Total 2020
Cash -- regular checking	\$ 32,818	\$	\$ 32,818	\$ 74,358
-- savings		336,138	336,138	272,751
Total cash	32,818	336,138	368,956	347,109
Certificates of deposit		236,635	236,635	235,273
Common charges receivable	4,142		4,142	2,603
Prepaid insurance	11,445		11,445	8,109
Prepaid taxes	1,991		1,991	2,000
Total assets	<u>\$ 50,396</u>	<u>\$ 572,773</u>	<u>\$ 623,169</u>	<u>\$ 595,094</u>

LIABILITIES AND FUND BALANCES

Liabilities				
Common charges paid in advance	\$ 8,103	\$	\$ 8,103	\$ 1,092
Accounts payable and accrued expenses	15,175		15,175	2,200
Income taxes payable	674		674	1,608
Contract liabilities (assessments received in advance - replacement fund)		572,773	572,773	561,961
Total liabilities	23,952	572,773	596,725	566,861
Fund balances				
Operating fund	26,444		26,444	22,170
Replacement fund				6,063
Total fund balances	26,444		26,444	28,233
Total liabilities and fund balances	<u>\$ 50,396</u>	<u>\$ 572,773</u>	<u>\$ 623,169</u>	<u>\$ 595,094</u>

See accompanying notes to financial statements.

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEARS ENDING DECEMBER 31, 2021 and 2020

	Operating Fund	Replacement Fund	Total 2021	Total 2020
Income				
Common charges	\$ 529,110	\$	\$ 529,110	\$ 513,439
Contract liabilities recognized		134,269	134,269	109,789
Interest		2,349	2,349	6,063
Miscellaneous income				962
Total income	<u>529,110</u>	<u>136,618</u>	<u>665,728</u>	<u>630,253</u>
Expenses				
Contract maintenance				
Summer and winter programs	135,250		135,250	142,971
Rubbish removal	22,047		22,047	20,997
Property management/Financial services	26,877		26,877	26,010
Roof repairs		38,264	38,264	33,060
Drainage	22,742		22,742	34,054
Repairs and maintenance	69,718		69,718	44,189
Tree service and landscaping	28,779		28,779	28,251
Painting		20,591	20,591	17,557
Wood replacement		83,826	83,826	59,172
Insurance	43,939		43,939	41,467
Legal and auditing	26,963		26,963	2,370
Office supplies, stationary, postage, etc.	2,765		2,765	6,962
Income taxes	675		675	1,580
Total expenses	<u>379,755</u>	<u>142,681</u>	<u>522,436</u>	<u>458,640</u>
Excess (deficiency) of revenues over expenses	149,355	(6,063)	143,292	171,613
Transfers to contract liabilities	(145,081)		(145,081)	(162,006)
Net change in fund balances	4,274	(6,063)	(1,789)	9,607
Fund balances				
Beginning of year	22,170	6,063	28,233	18,626
End of year	<u>\$ 26,444</u>	<u>\$</u>	<u>\$ 26,444</u>	<u>\$ 28,233</u>

See accompanying notes to financial statements

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2021 and 2020

	Operating Fund	Replacement Fund	Total 2021	Total 2020
Cash flows from operating activities				
Net change in fund balances	\$ 4,274	\$ (6,063)	\$ (1,789)	\$ 9,607
Adjustments to reconcile net change in fund balances to net cash provided (used) by operating activities				
Changes in operating assets and liabilities				
(Increase) Decrease in common charges receivable	(1,539)		(1,539)	(1,286)
(Increase) Decrease in prepaid insurance	(3,336)		(3,336)	(949)
(Increase) Decrease in prepaid expenses				4,945
(Increase) Decrease in prepaid taxes	9		9	(1,200)
Increase (Decrease) in common charges paid in advance	7,011		7,011	(5,341)
Increase (Decrease) in accounts payable and accrued expenses	12,975		12,975	(3,328)
Increase (Decrease) in income taxes payable	(934)		(934)	(243)
Increase (Decrease) in contract liabilities (assessments received in advance - replacement fund)		10,812	10,812	52,217
Net cash provided (used) by operating activities	18,460	4,749	23,209	54,422
Cash flows from investing activities				
Interest earned on certificates of deposit		(1,362)	(1,362)	(4,308)
Net cash provided (used) by investing activities		(1,362)	(1,362)	(4,308)
Net increase (decrease) in cash	18,460	3,387	21,847	50,114
Cash				
Beginning of year	14,358	332,751	347,109	296,995
End of year	\$ 32,818	\$ 336,138	\$ 368,956	\$ 347,109
Supplemental disclosure of cash flow information				
Income taxes paid			\$ 1,600	\$ 3,023

See accompanying notes to financial statements

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16 NOTES TO FINANCIAL STATEMENTS

1. Organization

Heritage Hills of Westchester Condominium 16 ("the Association") in Somers, NY, is an organization of individual condominium unit owners created by virtue of the condominium declaration filed in accordance with the provision of Article 9-B of the real property law of the State of New York, known as the Condominium Act. The affairs of the Condominium are governed by its Board of Managers which determines and assesses the unit owners for common charges for the operation, care, upkeep and maintenance of common areas and facilities.

2. Summary of Significant Accounting Policies

Use 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fund Accounting

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes:

Operating Fund – This fund is used to account for financial resources available for general operations of the Association.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association.

Common charges

Unit owners are subject to monthly assessments (common charges) to provide funds for the Association's operating expenses and major repairs and replacements. Common charge revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose. Unit owners receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners.

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
NOTES TO FINANCIAL STATEMENTS
(continued)

2. Summary of Significant Accounting Policies (continued)

Common charges (continued)

Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2021 and 2020, it is the opinion of management that the Association will ultimately collect all common charges receivable and, accordingly, no allowance for uncollectable accounts is deemed necessary.

The balances of common charges receivable as of December 31, 2021 and 2020 are \$4,142 and \$2,603, respectively.

Concentration of Credit Risk

The Association's financial instruments that are exposed to concentration of credit risk consist primarily of cash and common charges receivable. The Association places its cash with high quality financial institutions. At times, cash balances may be in excess of the FDIC insurance limit. The Association's common charges receivable consists of amounts due from unit owners. The Association believes no significant concentration of credit risk exists with respect to its cash and common charges receivable.

Contract Liabilities (Assessments Received in Advance - Replacement Fund)

The Association recognizes revenue from unit owners as the related performance obligations are satisfied. Contract liabilities (assessments received in advance-replacement fund) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance) as of December 31, 2021 and 2020 are \$572,773 and \$561,961, respectively.

3. Prior-Year Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by individual fund balances. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

4. Income Taxes

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a regular corporation for the years ended December 31, 2021 and 2020. Under that election, the Association is generally taxed only on non-membership income, such as interest, at regular corporate tax rates.

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
NOTES TO FINANCIAL STATEMENTS
(continued)

5. Future Major Repairs and Replacements

The Association accumulates funds for future major repairs and replacements. Accumulated funds, which aggregate \$572,773 at December 31, 2021 and \$568,024 at December 31, 2020, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund. Amounts in the replacement fund for future major repairs and replacements are being accumulated based on estimated current replacement costs. Actual costs may vary from those estimates and the variations may be material. Amounts so accumulated may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to Board of Managers approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

6. Interested Directors

The New York State Business Corporation Law requires that the Board of Directors disclose to its members any contracts involving interested directors. Interested directors are those affiliated with or who have a substantial financial interest in a company who is a party to a contract with the Association. The Board represents that no actions taken during the year ended December 31, 2021 and 2020 were subject to the annual reporting requirements.

7. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 11, 2022, the date that the financial statements were available to be issued.

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 16
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(Unaudited)

The Board of Managers of the Association estimates the remaining useful lives and the replacement costs of the components of the common property to be as follows:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Reserve Funds at Dec. 31, 2021</u>
Shingle roofs	13	\$ 350,000	\$ 214,773
Flat roofs	As needed	200,000	90,000
Painting and woodwork	1-2	350,000 (a)	68,000
Roads	1-2	200,000	<u>200,000</u>
			<u>\$ 572,773</u>

(a) \$484,000 was spent on painting and woodwork from 2015 through 2021.