

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018 and 2017**



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## **INDEPENDENT AUDITOR'S REPORT**

### **Board of Managers**

#### **Heritage Hills of Westchester Condominium 3**

We have audited the accompanying financial statements of Heritage Hills of Westchester Condominium 3, which comprise the comparative balance sheets as of December 31, 2018 and 2017, 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.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Hills of Westchester Condominium 3 as of December 31, 2018 and 2017, 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.

## **Future Major Repairs and Replacements**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed on Page 11 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

*Heller & Filippone, LLP*

**White Plains, NY  
February 15, 2019**

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**COMPARATIVE BALANCE SHEETS**  
**DECEMBER 31, 2018 and 2017**

ASSETS

	Operating Fund	Replacement Fund	Total 2018	Total 2017
Cash - checking	\$ 42,952	\$	\$ 42,952	\$ 44,753
- savings	10,069	348,510	358,579	484,183
Total cash	53,021	348,510	401,531	528,936
Certificates of deposit		158,930	158,930	
Common charges receivable (less allowance for doubtful accounts of \$20,000 in 2018 and \$17,000 in 2017)	5,638		5,638	11,307
Prepaid expenses	10,216		10,216	5,221
Total assets	\$ 68,875	\$ 507,440	\$ 576,315	\$ 545,464

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenses	\$ 18,374	\$	\$ 18,374	\$ 72,674
Accrued taxes	925		925	710
Prepaid common charges	4,174		4,174	4,683
Total liabilities	23,473		23,473	78,067

Fund balances

Operating fund	45,402		45,402	32,787
Replacement fund		507,440	507,440	434,610
Total fund balances	45,402	507,440	552,842	467,397
Total liabilities and fund balances	\$ 68,875	\$ 507,440	\$ 576,315	\$ 545,464

See accompanying notes to financial statements.

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**BALANCE SHEET**  
**DECEMBER 31, 2017**

ASSETS

	Operating Fund	Replacement Fund	Total 2017
Cash - checking	\$ 41,967	\$ 2,786	\$ 44,753
- savings		484,183	484,183
Total cash	41,967	486,969	528,936
Common charges receivable (less allowance for doubtful accounts of \$17,000 in 2017 and \$10,000 in 2016)	11,307		11,307
Prepaid expenses	5,221		5,221
Total assets	\$ 58,495	\$ 486,969	\$ 545,464

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable and accrued expenses	\$ 20,315	\$ 52,359	\$ 72,674
Accrued taxes	710		710
Prepaid common charges	4,683		4,683
Total liabilities	25,708	52,359	78,067
Fund balances			
Operating fund	32,787		32,787
Replacement fund		434,610	434,610
Total fund balances	32,787	434,610	467,397
Total liabilities and fund balances	\$ 58,495	\$ 486,969	\$ 545,464

See accompanying notes to financial statements.



**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**YEARS ENDING DECEMBER 31, 2018 and 2017**

	Operating Fund	Replacement Fund	Total 2018	Total 2017
Revenues				
Common charges	\$ 374,874	\$ 248,579	\$ 623,453	\$ 601,372
Special assessment				48,756
Interest		2,455	2,455	1,326
Miscellaneous income	2,649		2,649	767
Total revenues	<u>377,523</u>	<u>251,034</u>	<u>628,557</u>	<u>652,221</u>
Expenses				
Summer and winter program	165,286		165,286	162,243
Rubbish removal	20,894		20,894	20,286
Property and financial management	27,513		27,513	27,513
Deck replacement		9,433	9,433	8,800
Roofing	2,355	27,488	29,843	14,010
Carpentry repairs	468	65,544	66,012	170,120
Painting		18,039	18,039	64,640
Structural repairs		650	650	2,586
Paving		57,050	57,050	88,500
Grounds	48,510		48,510	23,919
General repairs and maintenance	40,501		40,501	35,691
Insurance	41,111		41,111	33,375
Utilities	4,276		4,276	4,105
Auditing	2,617		2,617	2,571
Legal fees	3,944		3,944	13,553
Bad debt expense	3,000		3,000	7,000
General and administrative expenses	3,484		3,484	3,308
Income taxes	949		949	712
Total expenses	<u>364,908</u>	<u>178,204</u>	<u>543,112</u>	<u>682,932</u>
Excess (deficiency) of revenues over expenses	12,615	72,830	85,445	(30,711)
Fund balances				
Beginning of year	<u>32,787</u>	<u>434,610</u>	<u>467,397</u>	<u>498,108</u>
End of year	<u>\$ 45,402</u>	<u>\$ 507,440</u>	<u>\$ 552,842</u>	<u>\$ 467,397</u>

See accompanying notes to financial statements

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**YEAR ENDING DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Total 2017
Revenues			
Common charges	\$ 378,880	\$ 222,492	\$ 601,372
Special assessment		48,756	48,756
Interest		1,326	1,326
Miscellaneous income	767		767
Total revenues	<u>379,647</u>	<u>272,574</u>	<u>652,221</u>
Expenses			
Summer and winter program	162,243		162,243
Rubbish removal	20,286		20,286
Property and financial management	27,513		27,513
Deck replacement		8,800	8,800
Roofing	4,410	9,600	14,010
Carpentry repairs	6,078	164,042	170,120
Garbage bins		64,640	64,640
Structural repairs	2,586		2,586
Paving		88,500	88,500
Grounds	23,919		23,919
General repairs and maintenance	35,691		35,691
Insurance	33,375		33,375
Utilities	4,105		4,105
Auditing	2,571		2,571
Legal fees	13,553		13,553
Bad debt expense	7,000		7,000
General and administrative expenses	3,308		3,308
Income taxes	712		712
Total expenses	<u>347,350</u>	<u>335,582</u>	<u>682,932</u>
Excess (deficiency) of revenues over expenses	32,297	(63,008)	(30,711)
Fund balances			
Beginning of year	490	497,618	498,108
End of year	<u>\$ 32,787</u>	<u>\$ 434,610</u>	<u>\$ 467,397</u>

See accompanying notes to financial statements

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**YEARS ENDING DECEMBER 31, 2018 and 2017**

	Operating Fund	Replacement Fund	Total 2018	Total 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash flows from operating activities				
Excess (deficiency) of revenue over expenses	\$ 12,615	\$ 72,830	\$ 85,445	\$ (30,711)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities				
Net change in operating assets and liabilities				
Common charges receivable	5,669		5,669	3,997
Prepaid expenses	(4,995)		(4,995)	4,278
Accounts payable and accrued expenses	(1,941)	(52,359)	(54,300)	42,799
Accrued taxes	215		215	(375)
Prepaid common charges	(509)		(509)	(3,256)
	<u>11,054</u>	<u>20,471</u>	<u>31,525</u>	<u>16,732</u>
Net cash provided (used) by operating activities				
Cash flows from investing activities				
Purchases of certificates of deposit		(158,930)	(158,930)	
		<u>(158,930)</u>	<u>(158,930)</u>	
Net cash provided (used) by investing activities				
Increase (decrease) in cash	11,054	(138,459)	(127,405)	16,732
Cash				
Beginning of year	41,967	486,969	528,936	512,204
End of year	<u>\$ 53,021</u>	<u>\$ 348,510</u>	<u>\$ 401,531</u>	<u>\$ 528,936</u>
Supplemental disclosure of cash flow information				
Income taxes paid			\$	\$ 1,170

See accompanying notes to financial statements



**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDING DECEMBER 31, 2017**

	Operating Fund	Replacement Fund	Total 2017
Cash flows from operating activities			
Excess (deficiency) of revenue over expenses	\$ 32,297	\$ (63,008)	\$ (30,711)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities			
Net change in operating assets and liabilities			
Common charges receivable	3,997		3,997
Prepaid expenses	4,278		4,278
Accounts payable and accrued expenses	(9,560)	52,359	42,799
Accrued taxes	(375)		(375)
Prepaid common charges	(3,256)		(3,256)
Net cash provided (used) by operating activities	27,381	(10,649)	16,732
Cash			
Beginning of year	14,586	497,618	512,204
End of year	\$ 41,967	\$ 486,969	\$ 528,936
Supplemental disclosure of cash flow information			
Income taxes paid			\$ 1,170

See accompanying notes to financial statements

## **HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. Organization**

Heritage Hills of Westchester Condominium 3 ("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 106 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**

Association members are subject to monthly common charges to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association common charges receivable at the balance sheet date represent fees due from unit owners. Prepaid common charges represent 2019 and 2018 common charges paid in 2018 and 2017, respectively. Any excess common charges at year-end are retained by the Association for use in future years.

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**2. Summary of Significant Accounting Policies (continued)**

**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. There were no balances in excess of FDIC insurance limits at December 31, 2018 and 2017. 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.

**3. Prior-Year Financial Information**

The financial statements include certain prior-year summarized comparative information in total. Accounting principles generally accepted in the United States of America require that we provide the prior year information broken out by individual fund balances. That information is included in the pages following the summarized comparative totals.

**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, 2018 and 2017. Under that election, the Association is generally taxed only on non-membership income, such as interest, at regular corporate tax rates.

**5. Future Major Repairs and Replacements**

The Association accumulates funds for future major repairs and replacements. Accumulated funds, which aggregate \$507,440 at December 31, 2018 and \$434,610 at December 31, 2017, 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. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 15, 2019, the date that the financial statements were available to be issued.



**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**DECEMBER 31, 2018**  
**(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>
Flat roofs	1-5	\$ 300,000
Shingle roofs	3-7	570,000
Roads	1-15	375,000
Painting	1-6	195,000
Siding	1-6	750,000
Deck replacement	1-17	255,000
Grounds renovation	2-7	50,000
Garage doors	10	<u>35,000</u>
		<u>\$2,530,000</u>

The Association has reserves of \$507,440. Many of the ongoing projects are being completed over time. Reserve funds will be allocated to the various components as they are needed.

See independent auditor's report