

**HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 and 2018**

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, 2019 and 2018, 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, 2019 and 2018, 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 17 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 10, 2020

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2019 and 2018

ASSETS

	Operating Fund	Replacement Fund	Total 2019	Total 2018
Cash - checking	\$ 88,147	\$	\$ 88,147	\$ 42,952
- savings	10,002	33,747	43,749	358,579
Total cash	98,149	33,747	131,896	401,531
Certificates of deposit		162,129	162,129	158,930
Common charges receivable (less allowance for doubtful accounts of \$25,000 in 2019 and \$20,000 in 2018)	6,511		6,511	5,638
Prepaid expenses	10,111		10,111	10,216
Real estate tax refunds payable to members	35,114		35,114	35,107
Total assets	<u>\$ 149,885</u>	<u>\$ 195,876</u>	<u>\$ 345,761</u>	<u>\$ 611,422</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenses	\$ 17,404	\$ 65,940	\$ 83,344	\$ 18,374
Accrued taxes	1,373		1,373	925
Prepaid common charges	7,981		7,981	4,174
Real estate tax refunds payable to members	35,114		35,114	35,107
Total liabilities	<u>61,872</u>	<u>65,940</u>	<u>127,812</u>	<u>58,580</u>

Fund balances

Operating fund	88,013		88,013	45,402
Replacement fund		129,936	129,936	507,440
Total fund balances	<u>88,013</u>	<u>129,936</u>	<u>217,949</u>	<u>552,842</u>
Total liabilities and fund balances	<u>\$ 149,885</u>	<u>\$ 195,876</u>	<u>\$ 345,761</u>	<u>\$ 611,422</u>

See accompanying notes to financial statements.

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3
BALANCE SHEET
DECEMBER 31, 2018

ASSETS

	Operating Fund	Replacement Fund	Total 2018
Cash - checking	\$ 42,952	\$	\$ 42,952
- savings	10,069	348,510	358,579
Total cash	53,021	348,510	401,531
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
Prepaid expenses	10,216		10,216
Real estate refunds payable to members	35,107		35,107
Total assets	\$ 103,982	\$ 507,440	\$ 611,422

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenses	\$ 18,374	\$	\$ 18,374
Accrued taxes	925		925
Prepaid common charges	4,174		4,174
Real estate refunds payable to members	35,107		35,107
Total liabilities	58,580		58,580

Fund balances

Operating fund	45,402		45,402
Replacement fund		507,440	507,440
Total fund balances	45,402	507,440	552,842
Total liabilities and fund balances	\$ 103,982	\$ 507,440	\$ 611,422

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, 2019 and 2018

	Operating Fund	Replacement Fund	Total 2019	Total 2018
Revenues				
Common charges	\$ 384,419	\$ 240,315	\$ 624,734	\$ 623,453
Interest		4,106	4,106	2,455
Miscellaneous income	2,686		2,686	2,649
Total revenues	<u>387,105</u>	<u>244,421</u>	<u>631,526</u>	<u>628,557</u>
Expenses				
Summer and winter program	160,568		160,568	165,286
Rubbish removal	21,606		21,606	20,894
Property and financial management	27,513		27,513	27,513
Deck replacement	3,273		3,273	9,433
Roofing		266,533	266,533	29,843
Carpentry repairs	1,447	191,891	193,338	66,012
Painting		92,214	92,214	18,039
Structural repairs	1,372	5,347	6,719	650
Paving		65,940	65,940	57,050
Grounds	27,735		27,735	48,510
General repairs and maintenance	36,329		36,329	40,501
Insurance	42,445		42,445	41,111
Utilities	4,596		4,596	4,276
Auditing	2,615		2,615	2,617
Legal fees	5,310		5,310	3,944
Bad debt expense	5,000		5,000	3,000
General and administrative expenses	3,217		3,217	3,484
Income taxes	1,468		1,468	949
Total expenses	<u>344,494</u>	<u>621,925</u>	<u>966,419</u>	<u>543,112</u>
Excess (deficiency) of revenues over expenses	42,611	(377,504)	(334,893)	85,445
Fund balances				
Beginning of year	45,402	507,440	552,842	467,397
End of year	<u>\$ 88,013</u>	<u>\$ 129,936</u>	<u>\$ 217,949</u>	<u>\$ 552,842</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, 2018

	Operating Fund	Replacement Fund	Total 2018
Revenues			
Common charges	\$ 374,874	\$ 248,579	\$ 623,453
Special assessment			
Interest		2,455	2,455
Miscellaneous income	2,649		2,649
Total revenues	<u>377,523</u>	<u>251,034</u>	<u>628,557</u>
Expenses			
Summer and winter program	165,286		165,286
Rubbish removal	20,894		20,894
Property and financial management	27,513		27,513
Deck replacement		9,433	9,433
Roofing	2,355	27,488	29,843
Carpentry repairs	468	65,544	66,012
Garbage bins		18,039	18,039
Structural repairs		650	650
Paving		57,050	57,050
Grounds	48,510		48,510
General repairs and maintenance	40,501		40,501
Insurance	41,111		41,111
Utilities	4,276		4,276
Auditing	2,617		2,617
Legal fees	3,944		3,944
Bad debt expense	3,000		3,000
General and administrative expenses	3,484		3,484
Income taxes	949		949
Total expenses	<u>364,908</u>	<u>178,204</u>	<u>543,112</u>
Excess (deficiency) of revenues over expenses	12,615	72,830	85,445
Fund balances			
Beginning of year	32,787	434,610	467,397
End of year	<u>\$ 45,402</u>	<u>\$ 507,440</u>	<u>\$ 552,842</u>

See accompanying notes to financial statements

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2019 and 2018

	Operating Fund	Replacement Fund	Total 2019	Total 2018
Cash flows from operating activities				
Excess (deficiency) of revenue over expenses	\$ 42,611	\$ (377,504)	\$ (334,893)	\$ 85,445
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities				
Net change in operating assets and liabilities				
(Increase) decrease in common charges receivable	(873)		(873)	5,669
(Increase) decrease in prepaid expenses	105		105	(4,995)
Increase (decrease) in accounts payable and accrued expenses	(970)	65,940	64,970	(54,300)
Increase (decrease) in accrued taxes	448		448	215
Increase (decrease) in prepaid common charges	3,807		3,807	(509)
Net cash provided (used) by operating activities	<u>45,128</u>	<u>(311,564)</u>	<u>(266,436)</u>	<u>31,525</u>
Cash flows from investing activities				
Interest earned on certificates of deposit		(3,199)	(3,199)	
Purchases of certificates of deposit				(158,930)
Net cash provided (used) by investing activities		<u>(3,199)</u>	<u>(3,199)</u>	<u>(158,930)</u>
Increase (decrease) in cash	45,128	(314,763)	(269,635)	(127,405)
Cash				
Beginning of year	<u>53,021</u>	<u>348,510</u>	<u>401,531</u>	<u>528,936</u>
End of year	<u>\$ 98,149</u>	<u>\$ 33,747</u>	<u>\$ 131,896</u>	<u>\$ 401,531</u>
Supplemental disclosure of cash flow information				
Income taxes paid			\$ 1,000	\$

See accompanying notes to financial statements

HERITAGE HILLS OF WESTCHESTER CONDOMINIUM 3
STATEMENT OF CASH FLOWS
YEAR ENDING DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total 2018</u>
Cash flows from operating activities			
Excess (deficiency) of revenue over expenses	\$ 12,615	\$ 72,830	\$ 85,445
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities			
Net change in operating assets and liabilities			
(Increase) decrease in common charges receivable	5,669		5,669
(Increase) decrease in prepaid expenses	(4,995)		(4,995)
Increase (decrease) in accounts payable and accrued expenses	(1,941)	(52,359)	(54,300)
Increase (decrease) in accrued taxes	215		215
Increase (decrease) in prepaid common charges	(509)		(509)
Net cash provided (used) by operating activities	<u>11,054</u>	<u>20,471</u>	<u>31,525</u>
Cash flows from investing activities			
Purchases of certificates of deposit		(158,930)	(158,930)
Net cash provided (used) by investing activities		<u>(158,930)</u>	<u>(158,930)</u>
Increase (decrease) in cash	11,054	(138,459)	(127,405)
Cash			
Beginning of year	<u>41,967</u>	<u>486,969</u>	<u>528,936</u>
End of year	<u>\$ 53,021</u>	<u>\$ 348,510</u>	<u>\$ 401,531</u>

Supplemental disclosure of cash flow information

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 2020 and 2019 common charges paid in 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018. 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 \$129,936 at December 31, 2019 and \$507,440 at December 31, 2018, 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 years ending December 31, 2019 and 2018 were subject to the annual reporting requirements.

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

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 10, 2020, 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, 2019
(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	30	\$ 300,000
Shingle roofs	2-5	570,000
Roads	5-15	375,000
Painting	3-7	210,000
Siding	3-7	650,000
Deck replacement	1-16	255,000
Grounds renovation	1-5	50,000
Garage doors	9	<u>40,000</u>
		<u>\$2,450,000</u>

The Association has reserves of \$129,936. 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