

**Harbor Town I Condominium
Financial Statements
December 31, 2022**

Harbor Town I Condominium
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December 31, 2022

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Independent Auditors' Report

To the Board of Directors and Unit Owners of

Harbor Town I Condominium

Opinion

We have audited the accompanying financial statements of Harbor Town I Condominium (the "Association") which comprise the balance sheet as of December 31, 2022 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year 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 Association as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Association 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 the Board of Directors' for the Financial Statements

The Board of Directors (the "Board") 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, the Board is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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, including omissions, 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:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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 Association's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Association'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 the information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information is the responsibility of the Board 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 the Board about the methods of preparing the information and comparing the information for consistency with their 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Board, and except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

East Brunswick, New Jersey

Harbor Town I Condominium
Balance Sheet
December 31, 2022

	Total	Operating Fund	Replacement Fund
Assets			
Cash and cash equivalents	\$ 911,873	\$ 37,065	\$ 874,808
Restricted cash	24,955	24,955	-
Assessments receivable	4,738	4,738	-
Prepaid insurance	21,927	21,927	-
Prepaid expenses	2,765	2,765	-
Due from Harbor Pointe Condominium	755	755	-
Due from Harbor Town Bayside Condominium	30,900	30,900	-
Interfund balances	-	58,947	(58,947)
Total Assets	<u>\$ 997,913</u>	<u>\$ 182,052</u>	<u>\$ 815,861</u>
Liabilities and Fund Balances			
Liabilities			
Accrued expenses	\$ 49,861	\$ 8,323	\$ 41,538
Assessments received in advance	7,236	7,236	-
Security deposits	24,955	24,955	-
Federal income taxes payable	2,069	2,069	-
Property tax refund	193,092	193,092	-
Total Liabilities	277,213	235,675	41,538
Fund Balances	<u>720,700</u>	<u>(53,623)</u>	<u>774,323</u>
Total Liabilities and Fund Balances	<u>\$ 997,913</u>	<u>\$ 182,052</u>	<u>\$ 815,861</u>

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

Harbor Town I Condominium
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2022

	Total	Operating Fund	Replacement Fund
Revenues			
Maintenance assessments	\$ 273,540	\$ 180,907	\$ 92,633
Repair income	16,900	16,900	-
Investment income	9,982	-	9,982
Working capital contributions	7,000	-	7,000
Late charges income	1,775	1,775	-
Legal fee income	442	442	-
Parking fee income	200	200	-
Fine income	175	175	-
	<u>310,014</u>	<u>200,399</u>	<u>109,615</u>
Total Revenues			
Expenses			
Building and grounds maintenance	93,356	93,356	-
Administrative	103,730	103,730	-
Utilities	29,260	29,260	-
Roof and skylights	82,532	-	82,532
Other construction	6,975	-	6,975
Fire sprinkler	4,488	-	4,488
Door jambs	4,344	-	4,344
Radios	3,251	-	3,251
Miscellaneous	900	-	900
	<u>328,836</u>	<u>226,346</u>	<u>102,490</u>
Total Expenses			
Excess (Deficiency) of Revenues over Expenses	(18,822)	(25,947)	7,125
Fund Balances - Beginning of Year	739,522	(27,676)	767,198
Fund Balances - End of Year	<u>\$ 720,700</u>	<u>\$ (53,623)</u>	<u>\$ 774,323</u>

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

Harbor Town I Condominium
Statement of Cash Flows
For the Year Ended December 31, 2022

	Total	Operating Fund	Replacement Fund
Cash Flows from Operating Activities			
Excess (deficiency) of revenues over expenses	\$ (18,822)	\$ (25,947)	\$ 7,125
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities			
Changes in assets and liabilities			
Assessments receivable	(2,207)	(2,207)	-
Prepaid insurance	(5,802)	(5,802)	-
Prepaid expenses	2,816	2,816	-
Due from Harbor Pointe Condominium	(755)	(755)	-
Due from Harbor Town Bayside Condominium	(30,900)	(30,900)	-
Accrued expenses	20,170	(21,368)	41,538
Assessments received in advance	(1,542)	(1,542)	-
Security deposits	(630)	(630)	-
Federal income taxes payable	2,069	2,069	-
Property tax refund	179,192	179,192	-
Net Cash Provided by Operating Activities	143,589	94,926	48,663
Cash Flows from Investing Activities			
Maturities of certificates of deposit	484,722	-	484,722
Cash Flows from Financing Activities			
Change in interfund balances	-	(58,947)	58,947
Net Increase in Cash, Cash Equivalents, and Restricted Cash	628,311	35,979	592,332
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	308,517	26,041	282,476
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 936,828	\$ 62,020	\$ 874,808
Supplemental Disclosure			
Cash and Cash Equivalents	911,873		
Restricted Cash	24,955		
Total of Cash, Cash Equivalents, and Restricted Cash	\$ 936,828		

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

Harbor Town I Condominium

Notes to the Financial Statements

December 31, 2022

Note 1 Nature of Organization

Harbor Town I Condominium (the "Association"), located in Haverstraw, New York, is a New York corporation. The purposes of the Association are to provide for the preservation of the values and amenities in the community and for the maintenance of the common facilities. The Association consists of 101 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 Directors (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.

Fund Accounting

The Association's legal documents (i.e., Master Deed and By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association by such documents, the accounts of the Association are maintained in accordance with the principles of fund accounting.

The assets, liabilities and fund balances of the Association are reported in the following fund groups:

Operating Fund

This fund represents the portion of expendable funds that is available for the general operations of the Association.

Replacement Fund

The purpose of the replacement fund is to accumulate funds for future major repairs and replacements of the Association's common property as determined by the Board.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank deposits accounts and money market accounts.

Restricted Cash

Amounts included in restricted cash on the balance sheet represent tenants' security deposits held by the Association. The Association is to hold the tenants' security deposits until the tenant moves out and the deposit is returned or forfeited. If the security deposit is forfeited, the restriction is lifted.

Harbor Town I Condominium
Notes to the Financial Statements
December 31, 2022

Note 2 Summary of Significant Accounting Policies (Continued)

Recognition of Assets

The Association's property and other common elements are owned by the unit owners in condominium form pursuant to the Master Deed wherein each of the individual unit owners hold legal title to an undivided interest in property constituting the common elements. The use and disposition of these properties are restricted or governed by the Association's legal documents. Accordingly, no amounts related to these common elements are included on the accompanying balance sheet of the Association. The common elements generally consist of portions of the buildings not comprising the individual units.

Maintenance Assessments and Assessments Receivable

The Association's unit owners are subject to monthly maintenance assessments based upon the annual budget. The purpose of maintenance assessments is to provide funds for operating expenses, deferred maintenance funding and funding for reserves for future major repairs and replacements. Monthly maintenance assessments 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 maintenance assessments is satisfied over time on a daily pro-rata basis using the input method. The Association retains excess funds at the end of the period, if any, for use in future periods or as otherwise specified by the Association's governing documents.

Maintenance assessments receivable at the balance sheet date is stated at the amounts expected to be collected from unit owners. The Association's policy is to retain legal counsel and place liens on the units of owners who are delinquent based on the collection policy. It is the opinion of the Board that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible maintenance assessments as variable consideration since the Association has the authority to levy additional fees. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

Investment Income Earned

The Board's policy is to retain investment income earned on all fund interest-bearing cash accounts and investments in the respective funds.

Subsequent Events

The Board has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date which the financial statements were available to be issued.

Harbor Town I Condominium
Notes to the Financial Statements
December 31, 2022

Note 3 Concentration of Credit Risk/FDIC Insurance

The Association maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash and cash equivalents may, at times, exceed the federally insured limits. The Association has not experienced any losses in such accounts as of the date of the auditors' report.

Note 4 Income Taxes

Under the Internal Revenue Code, associations may be taxed as a regular corporation or as a condominium management association, which is based on an annual election and meeting certain criteria. If the criteria are met, the Association may select either method in any year. A method selected in one year affects only that year and the Association is free to select either method in future years.

For the year ended December 31, 2022, the Association expects to be taxed as a condominium management association and will, therefore, not be taxed as a regular corporation. Income taxes of \$2,069 have been provided based on the excess of non-exempt function income over non-exempt function expenses. The Association evaluates its tax provisions and accruals and believes that they are appropriate based on current facts and circumstances. The prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service.

The Association 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, 2022.

Note 5 Working Capital Contributions

Upon the acquisition of title to a unit, each member of the Association must contribute a one-time, non-refundable working capital contribution equivalent to \$1,000. These contributions have been recorded as capital directly to the replacement fund balance in the accompanying financial statements.

Note 6 Replacement Fund

The Association's governing documents provide that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally used for replacement fund expenditures.

Harbor Town I Condominium
Notes to the Financial Statements
December 31, 2022

Note 6 Replacement Fund (Continued)

Reserve Advisors, LLC, professional engineering consultants, conducted a study in September 2019 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 type of study performed was an update with a site visit. The estimates were based on the then current estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is funding for the estimated costs of future major repairs and replacements over the remaining useful lives of the components as discussed below. The lowest level of funding included in the engineering study utilizes 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 the Board, but below the full funding determined level. The 2022 annual recommended funding per the 2019 study is \$153,500 using a threshold level of \$92,048 which is approximately 1.3% of the estimated replacement cost of the common property which is included in the engineering study referred to above. The Board has provided for replacement funding of \$92,633 in the 2022 budget.

Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Additionally, replacement fund cash and investment balances may, at times, be less than or more than the fund balance resulting in an interfund balance. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available, if possible. The effect on future assessments is unknown at this time.

Note 7 Real Estate Tax Refund Payable

On behalf of the unit owners, the Association filed a grievance complaint against the property taxes assessed by the Town of Haverstraw for the 2015 through 2019 assessment years and by the Village of Haverstraw for the 2015 through 2020 assessment years. During 2020, the Association reached a settlement agreement with the Town for the assessment years 2018 and 2019 and with the Village for the assessment years 2019 and 2020. Based on the settlement agreements, the Association received refunds totaling \$325,388 (net of legal fees, court costs and disbursements). As of December 31, 2022, the Association has total tax refunds payable in the amount of \$193,092 to the unit owners.

Harbor Town I Condominium
Notes to the Financial Statements
December 31, 2022

Note 8 Due from Harbor Town Bayside Condominium

The Association and the adjacent properties (collectively the "Harbors Community"), share common elements and as such, there are shared costs and due to/ due from accounts between all Harbors Community Associations. As of December 31, 2022, the Association is owed \$30,900 from Harbor Town Bayside Condominium for their flood insurance policy premium.

SUPPLEMENTARY INFORMATION

Harbor Town I Condominium
Schedule of Information on Future Major Repairs and Replacements
December 31, 2022

Reserve Advisors, LLC, professional engineering consultants, conducted a study in September 2019 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 type of study performed was an update with a site visit. The estimates were based on the then current estimated replacement costs.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	As of 2019 Study (Unaudited)	
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Exterior Building Elements	2-30	\$ 6,734,238
Building Service Elements	12-14	73,823
Property Site Elements	1-30	<u>331,511</u>
Total		<u>\$ 7,139,572</u>
Replacement fund balance as of December 31, 2022		<u>\$ 774,323</u>

Harbor Town I Condominium**Schedule of Total Revenues, Operating Expenses and Allocations to the Replacement Fund as Compared to Budget For the Year Ended December 31, 2022**

	Actual	(Unaudited) Budget
Revenues		
Maintenance assessments	\$ 273,540	\$ 273,533
Change in estimated maintenance assessments collectable	-	(2,500)
Repair income	16,900	-
Investment income	9,982	6,000
Working capital contributions	7,000	-
Late charges income	1,775	-
Legal fee income	442	3,000
Parking fee income	200	-
Fine income	<u>175</u>	<u>100</u>
Total Revenues	<u>310,014</u>	<u>280,133</u>
Operating Expenses		
Building and Grounds Maintenance		
Repairs and maintenance	73,571	35,000
Fire safety	<u>19,785</u>	<u>16,200</u>
Total Building and Grounds Maintenance	<u>93,356</u>	<u>51,200</u>
Administrative		
Insurance	61,942	55,000
Management fees	33,330	37,000
Audit	3,200	3,200
Federal income taxes	2,069	300
Miscellaneous	1,606	1,000
Legal	1,583	5,200
Bank fees	<u>-</u>	<u>100</u>
Total Administrative	<u>103,730</u>	<u>101,800</u>
Utilities		
Water	15,180	14,000
Electricity and gas	9,200	10,000
Telephone	<u>4,880</u>	<u>4,500</u>
Total Utilities	<u>29,260</u>	<u>28,500</u>

Harbor Town I Condominium**Schedule of Total Revenues, Operating Expenses and Allocations to the Replacement Fund as Compared to Budget
For the Year Ended December 31, 2022**

	Actual	(Unaudited) Budget
Replacement Fund		
Maintenance assessment allocated to the replacement fund	92,633	92,633
Investment income allocated to the replacement fund	9,982	6,000
Working capital contributions allocated to the replacement fund	7,000	-
Total Allocations to the Replacement Fund	<u>109,615</u>	<u>98,633</u>
Total Operating Expenses and Allocations to the Replacement Fund	<u>335,961</u>	<u>280,133</u>
Excess (Deficiency) of Revenues over Operating Expenses and Allocations to the Replacement Fund	<u>\$ (25,947)</u>	<u>\$ -</u>