

Harbor Town I Condominium Association
Financial Statements
December 31, 2023

Harbor Town I Condominium Association
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December 31, 2023

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Independent Auditors' Report

To the Board of Directors and Unit Owners of

Harbor Town I Condominium Association

Opinion

We have audited the accompanying financial statements of Harbor Town I Condominium (the "Association") which comprise the balance sheet as of December 31, 2023 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, 2023, 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 14 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 15 and 16 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 Association
Balance Sheet
December 31, 2023

	Total	Operating Fund	Replacement Fund
Assets			
Cash and cash equivalents	\$ 820,995	\$ -	\$ 820,995
Restricted cash	25,846	25,846	-
Assessments receivable	1,846	1,846	-
Due from Harbor Town Bayside Condominium	32,285	32,285	-
Prepaid insurance	28,112	28,112	-
Prepaid expenses	878	878	-
Interfund balances	<u>-</u>	<u>58,260</u>	<u>(58,260)</u>
Total Assets	<u>\$ 909,962</u>	<u>\$ 147,227</u>	<u>\$ 762,735</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenses	\$ 73,428	\$ 6,795	\$ 66,633
Assessments received in advance	10,057	10,057	-
Security deposits	25,846	25,846	-
Income taxes payable	12,296	12,296	-
Property tax refund	<u>200,032</u>	<u>200,032</u>	<u>-</u>
Total Liabilities	321,659	255,026	66,633
Commitments			
Fund Balances	<u>588,303</u>	<u>(107,799)</u>	<u>696,102</u>
Total Liabilities and Fund Balances	<u>\$ 909,962</u>	<u>\$ 147,227</u>	<u>\$ 762,735</u>

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

Harbor Town I Condominium Association
Statement of Revenues and Expenses
For the Year Ended December 31, 2023

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
Revenues			
Maintenance Assessments			
Maintenance assessments	\$ 295,424	\$ 186,424	\$ 109,000
Change in estimated maintenance assessments collectible	<u>(2,904)</u>	<u>(2,904)</u>	<u>-</u>
Net Maintenance Assessments	<u>292,520</u>	<u>183,520</u>	<u>109,000</u>
Other Revenues			
Investment income	32,432	-	32,432
Move in/move out fees	5,000	5,000	
Legal fee income	650	650	-
Late charges income	450	450	-
Parking fee income	400	400	-
Fine income	<u>265</u>	<u>265</u>	<u>-</u>
Total Other Revenues	<u>39,197</u>	<u>6,765</u>	<u>32,432</u>
Total Revenues	<u>331,717</u>	<u>190,285</u>	<u>141,432</u>
Expenses			
Building and grounds maintenance	82,288	82,288	-
Administrative	138,826	138,826	-
Utilities	23,347	23,347	-
Roof and skylights	112,450	-	112,450
Doors	80,353	-	80,353
Architect services	25,000	-	25,000
Fire sprinkler	<u>8,312</u>	<u>-</u>	<u>8,312</u>
Total Expenses	<u>470,576</u>	<u>244,461</u>	<u>226,115</u>
Deficiency of Revenues over Expenses	<u>\$ (138,859)</u>	<u>\$ (54,176)</u>	<u>\$ (84,683)</u>

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

Harbor Town I Condominium Association
Statement of Changes in Fund Balances
For the Year Ended December 31, 2023

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
Fund Balances - Beginning of Year	\$ 720,700	\$ (53,623)	\$ 774,323
Working Capital Contributions	6,462	-	6,462
Deficiency of Revenues over Expenses	<u>(138,859)</u>	<u>(54,176)</u>	<u>(84,683)</u>
Fund Balances - End of Year	<u>\$ 588,303</u>	<u>\$ (107,799)</u>	<u>\$ 696,102</u>

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

Harbor Town I Condominium Association
Statement of Cash Flows
For the Year Ended December 31, 2023

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
Cash Flows from Operating Activities			
Deficiency of revenues over expenses	\$ (138,859)	\$ (54,176)	\$ (84,683)
Adjustments to reconcile deficiency of revenues over expenses to net cash used in operating activities			
Changes in assets and liabilities			
Assessments receivable	2,892	2,892	-
Due from Harbor Town Bayside Condominium	(630)	(630)	-
Prepaid insurance	(6,185)	(6,185)	-
Prepaid expenses	1,887	1,887	-
Accounts payable and accrued expenses	23,567	(1,528)	25,095
Assessments received in advance	2,821	2,821	-
Security deposits	891	891	-
Federal income taxes payable	10,227	10,227	-
Property tax refund	<u>6,940</u>	<u>6,940</u>	<u>-</u>
Net Cash Used in Operating Activities	<u>(96,449)</u>	<u>(36,861)</u>	<u>(59,588)</u>
Cash Flows from Financing Activities			
Change in interfund balances	-	687	(687)
Working capital contributions	<u>6,462</u>	<u>-</u>	<u>6,462</u>
Net Cash Provided by Financing Activities	<u>6,462</u>	<u>687</u>	<u>5,775</u>
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(89,987)	(36,174)	(53,813)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>936,828</u>	<u>62,020</u>	<u>874,808</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 846,841</u>	<u>\$ 25,846</u>	<u>\$ 820,995</u>
Supplemental Disclosures			
Cash and Cash Equivalents	820,995		
Restricted Cash	<u>25,846</u>		
Total of Cash, Cash Equivalents, and Restricted Cash	<u>\$ 846,841</u>		

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

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 1 Nature of Organization

Harbor Town I Condominium Association (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

Recently Adopted Accounting Pronouncements

Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. What was previously identified as bad debt expense or allowance for doubtful accounts is now known as credit losses and allowance for credit losses. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were accounts receivable. The FASB delayed adoption of the standard for private companies until January 1, 2023. The Association adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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.

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 includes cash and all highly liquid investments acquired with an original maturity of three months or less.

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.

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.

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Maintenance Assessments and Assessments Receivable (Continued)

Maintenance assessments receivable at the balance sheet date are stated at the amounts expected to be collected from unit owners. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. 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 homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

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. (See Note 10)

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, 2023, the Association expects to be taxed as a condominium management association and will, therefore, not be taxed as a regular corporation. Income taxes of \$10,227 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.

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 4 Income Taxes (Continued)

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, 2023.

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.

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 2023 annual recommended funding per the 2019 study is \$193,500 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 \$109,000 in the 2023 budget.

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 6 Replacement Fund (Continued)

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, 2023, the Association has total tax refunds payable in the amount of \$200,032 to the unit owners.

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, 2023, the Association is owed \$32,285 from Harbor Town Bayside Condominium for their flood insurance policy premium.

Note 9 Commitment -Architectural Design Services

During the year ended December 31, 2023, the Association entered into a contract with a vendor for architectural design services. The contract is for approximately \$93,000. Total costs incurred through December 31, 2023 were approximately \$25,000 and have been recorded in the replacement fund in the accompanying financial statements. The remaining expenses will be recorded as they are incurred by the Association.

Note 10 Subsequent Events

Façade Project

Subsequent to the year ended December 31, 2023, the Board approved façade work with an approximate cost of \$661,000. The project is expected to commence in 2024 therefore no amounts have been recorded in the accompanying financial statements. All expenses will be recorded as they are incurred by the Association.

Harbor Town I Condominium Association
Notes to the Financial Statements
December 31, 2023

Note 10 Subsequent Events (Continued)

Powerwashing Services

Subsequent to the year ended December 31, 2023, the Board approved powerwashing work with an approximate cost of \$53,000. The project is expected to commence in 2024 therefore no amounts have been recorded in the accompanying financial statements. All expenses will be recorded as they are incurred by the Association.

SUPPLEMENTARY INFORMATION

Harbor Town I Condominium Association
Schedule of Information on Future Major Repairs and Replacements
December 31, 2023

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, 2023		<u>\$ 696,102</u>

Harbor Town I Condominium Association**Actual vs. Budget****For the Year Ended December 31, 2023**

	Actual	(Unaudited) Budget
Revenues		
Maintenance assessments	\$ 295,424	\$ 295,404
Change in estimated maintenance assessments collectable	(2,904)	(2,900)
Investment income	32,432	6,500
Move in/move out fees	5,000	-
Legal fee income	650	1,000
Late charges income	450	-
Parking fee income	400	-
Fine income	<u>265</u>	<u>100</u>
Total Revenues	<u>331,717</u>	<u>300,104</u>
Operating Expenses		
Building and Grounds Maintenance		
Fire safety	41,724	16,200
Repairs and maintenance	<u>40,564</u>	<u>32,300</u>
Total Building and Grounds Maintenance	<u>82,288</u>	<u>48,500</u>
Administrative		
Insurance	70,082	59,000
Management fees	44,033	39,254
Income taxes	10,227	100
Miscellaneous	8,324	3,050
Audit	5,490	3,200
Bank fees	480	100
Legal	<u>190</u>	<u>2,000</u>
Total Administrative	<u>138,826</u>	<u>106,704</u>
Utilities		
Water	15,978	15,000
Electricity and gas	7,369	10,000
Telephone	<u>-</u>	<u>4,400</u>
Total Utilities	<u>23,347</u>	<u>29,400</u>

Harbor Town I Condominium Association**Actual vs. Budget****For the Year Ended December 31, 2023**

	Actual	(Unaudited) Budget
Replacement Fund		
Maintenance assessment allocated to the replacement fund	109,000	109,000
Investment income allocated to the replacement fund	<u>32,432</u>	<u>6,500</u>
Total Allocations to Replacement Fund	<u>141,432</u>	<u>115,500</u>
Total Operating Expenses and Allocations to Replacement Fund	<u>385,893</u>	<u>300,104</u>
Excess (Deficiency) of Revenues over Operating Expenses and Allocations to Replacement Fund	<u>\$ (54,176)</u>	<u>\$ -</u>