

WASHINGTON'S HEAD QUARTERS TOWNHOUSES
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors and Members of Washington's Head Quarters Townhouses

I have audited the accompanying financial statements of Washington's Head Quarters Townhouses, which comprise the balance sheets as of June 30, 2017 and 2016 and the related statements of revenues and expenses, changes in members' equity, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statements, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington's Head Quarters Townhouses as of June 30, 2017 and 2016, 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.

Other Matter

Management has omitted the supplementary information about future repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by the missing information.



JAY M. MENACHEM
Certified Public Accountant

Garden City, New York
August 7, 2017

WASHINGTON'S HEAD QUARTERS TOWNHOUSES
BALANCE SHEETS
JUNE 30,

ASSETS

	<u>2017</u>		<u>2016</u>
<u>ASSETS</u>			
Cash in Banks			
Operating - Checking	\$32,758		\$18,178
Reserve - Savings	<u>74,076</u>	\$106,834	<u>65,262</u> \$ 83,440
Member Assessments Receivable		1,567	2,248
Prepaid Insurance		18,895	18,646
Utility Deposit		<u>730</u>	<u>570</u>
TOTAL ASSETS		<u>\$128,026</u>	<u>\$104,904</u>

LIABILITIES AND MEMBERS' EQUITY

<u>LIABILITIES</u>			
Accounts Payable	\$53,721		\$44,449
Prepaid Member Assessments	4,087		-
Real Estate Tax Refund due Former Members	6,796		1,014
Security Deposit	<u>500</u>		<u>-</u>
TOTAL LIABILITIES		\$ 65,104	\$ 45,463
 <u>MEMBERS' EQUITY</u>			
		<u>62,922</u>	<u>59,441</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY		<u>\$128,026</u>	<u>\$104,904</u>

The accompanying notes are an integral part of the financial statements

WASHINGTON'S HEAD QUARTERS TOWNHOUSES
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2017	2016
<u>REVENUES</u>		
Regular Assessments	\$ 200,728	\$ 197,652
Rental Income	250	1,400
New Owner Assessments	1,460	1,460
Miscellaneous	35	270
Interest Income	32	71
TOTAL REVENUES	202,505	200,853
<u>EXPENSES</u>		
Landscaping General and Snow Removal	49,506	44,560
Tree Maintenance	11,425	10,462
Grounds Extras	7,768	4,239
Exterminating	2,085	2,300
Pool Maintenance	7,424	8,491
Pool Fuel	1,505	6,387
Pool Repairs	9,591	5,395
Tennis Court Maintenance	3,411	2,174
Gutter Cleaning and Repairs	2,500	5,865
Sewers and Drains	-	13,621
Common Grounds Maintenance	3,812	8,434
Painting and Carpentry	-	87,478
Engineer	25,398	38,520
Wall Repair	-	3,758
Less Insurance Reimbursement on Wall	-	(10,980)
Electricity	4,461	4,804
Water	33,391	33,797
Insurance	21,750	21,736
Management Fees	9,000	6,000
Accounting Fees	4,500	4,500
Telephone	484	480
Office	1,013	3,495
Contributions	-	600
NYS Franchise Tax	-	358
Federal Income Tax	-	1,291
TOTAL EXPENSES	199,024	307,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 3,481	\$(106,912)

The accompanying notes are an integral part of the financial statements

**WASHINGTON'S HEAD QUARTERS TOWNHOUSES.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED JUNE 30,**

	2017	2016
	<u>Total Members' Deficiency</u>	<u>Total Members' Deficiency</u>
MEMBERS' EQUITY - BEGINNING OF YEAR	\$ 59,441	\$166,353
Excess (Deficiency) of Revenues Over Expenses	3,481	(106,912)
MEMBERS' EQUITY - END OF YEAR	\$ 62,922	\$ 59,441

The accompanying notes are an integral part of the financial statements

WASHINGTON'S HEAD QUARTERS TOWNHOUSES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues Over Expenses	\$ 3,481	\$(106,912)
Adjustments to Reconcile Revenue Over Expenses to Net Cash Provided By (Used In) Operating Activities:		
(Increase) Decrease in:		
Member Assessments Receivable	681	(1,431)
Prepaid Insurance	(249)	(342)
Prepaid Expenses	-	1,664
Utility Deposit	(160)	-
Increase (Decrease) in:		
Accounts Payable	9,272	17,868
Prepaid Member Assessments	4,087	-
Real Estate Tax Refund Due Former Members	5,782	-
Security Deposit	<u>500</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>23,394</u>	<u>(89,153)</u>
NET INCREASE (DECREASE) IN CASH	23,394	(89,153)
CASH AT BEGINNING OF YEAR	<u>83,440</u>	<u>172,593</u>
CASH AT END OF YEAR	<u>\$ 106,834</u>	<u>\$ 83,440</u>
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid	<u>\$ -</u>	<u>\$ 1,649</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**WASHINGTON'S HEAD QUARTERS TOWNHOUSES
NOTES TO FINANCIAL STATEMENTS**

NOTE A - NATURE OF ORGANIZATION

Washington's Head Quarters Townhouses is an association of individual condominium unit owners organized in accordance with the provisions of Article 9-B of the Real Property Law of the State of New York. The Declaration and By-Laws of the Condominium were recorded on June 20, 1978.

There are 20 residential units, an indoor heated pool and tennis court located in the Village of Dobbs Ferry, Town of Greenburg, Westchester County, New York. The value of the common areas is not reflected in the financial statements since title thereto is vested in the individual unit owners on an undivided basis.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis.

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

Cash and Cash Equivalents

The Association deposits its cash with high credit quality institutions. At times such cash balances may exceed FDIC insurance limits.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represent assessments due from unit owners.

Statement of Cash Flows - Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less, and all certificates of deposit, when purchased to be cash equivalents.

**WASHINGTON'S HEAD QUARTERS TOWNHOUSES
NOTES TO FINANCIAL STATEMENTS**

NOTE C - REAL ESTATE TAX REFUND DUE FORMER MEMBERS

During the year ended June 30, 2017, the Association received checks totaling \$5,782 from the Associations attorneys which represented Real Estate Tax refunds due three former Members that the attorney was unable to locate. At June 30, 2017, the balance of \$6,796 represents the amounts due the former members, which includes \$1,014 from 2014.

NOTE D - RENTAL INCOME

As per a stipulation agreement between the Association and a Member, it was agreed that the second floor of the accessory building located at 152 Broadway is a Limited Common Element reserved for the exclusive use of the owners of Unit #1. It was further agreed that in the event the Board consents to the rental of the said Limited Common Element, the Association is entitled to 25% of the monthly rental income. For the year ended June 30, 2016, the Limited Common Element was rented through October 2015 and the Association received \$1,400 in rental income.

NOTE E - NEW OWNER ASSESSMENTS

Each purchaser is required to make a contribution in an amount equal to one months' Member Assessments for such Purchaser's Unit.

NOTE F - SUBSEQUENT EVENTS AND OTHER

In May 2009, the FASB issued guidance in ASC 855 (Subsequent Events) which established general standards for accounting and disclosure of events occurring subsequent to the balance sheet date but prior to issuance of the financial statements. The Association has evaluated subsequent events through August 7, 2017, the date on which the financial statements were available to be issued.

The annual double payment of Members Assessments in the month of February ended after the February 2017 payment. Beginning in July 2017, the double payment is now spread monthly over the annual Member Assessment.

Beginning March 2017, Member Assessments increased by 5%.

NOTE G - INSURANCE REIMBURSEMENT

In February 2016, a truck damaged the rock wall resulting in an insurance claim in which the Association received \$10,980. The wall has been repaired in a somewhat different design at a cost of \$3,758.

**WASHINGTON'S HEAD QUARTERS TOWNHOUSES
NOTES TO FINANCIAL STATEMENTS**

NOTE H - COMMITMENTS AND CONTINGENCIES

The Association has various contract services including management services, accounting, landscaping and snow, pool maintenance and others.

NOTE I - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended June 30, 2017 and 2016, the Association elected to be taxed as a homeowner's association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association is subject to New York State taxes based on income.

The Board of Directors believes that the Association has no uncertain income tax positions.

The Associations tax returns for years before 2013 are no longer subject to examination by the taxing authorities.

NOTE J - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to borrow, utilize available cash, increase assessment charges, pass special assessments or delay repairs and replacements until the funds are available. The effect of future assessments has not been determined at this time.

The Association has periodically authorized professionals to conduct studies of selected components of common property in order to determine their estimated useful lives and to obtain estimates of the costs to repair or replace these components. Selective repair and replacement projects have been undertaken and completed.