

JULIANNE, A CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

AUGUST 31, 2021 AND 2020

JULIANNE, A CONDOMINIUM ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Managers and Unit Owners
JULIANNE, A CONDOMINIUM ASSOCIATION

Report on the Financial Statements

I have audited the accompanying financial statements of JULIANNE, A CONDOMINIUM ASSOCIATION, which comprise the balance sheets as of August 31, 2021 and 2020, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Responsibility for the Financial Statements

The Board of Managers and management are 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 audit. I conducted my audit 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 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 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 JULIANNE, A CONDOMINIUM ASSOCIATION as of August 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

The Association has not presented supplementary information about future major repairs and replacements to common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted 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 the financial reporting and 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 omitted supplementary information.

Pelham, New York
November 1, 2021



JULIANNE, A CONDOMINIUM ASSOCIATION

BALANCE SHEETS

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash, operating account	\$ 103,135	\$ 91,143
Cash, interest bearing accounts	102,708	94,463
Cash, certificates of deposit	99,989	99,939
Receivables from unit-owners	9,430	2,650
Unexpired insurance premiums	<u>14,223</u>	<u>9,954</u>
Total assets	<u>\$ 329,485</u>	<u>\$ 298,149</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,500	\$ 7,352
Accrued franchise taxes	<u>500</u>	<u>500</u>
Total current liabilities	<u>7,000</u>	<u>7,852</u>
 Commitments and Contingencies - Note 6		
MEMBERS' EQUITY		
Members' equity, undesignated	<u>322,485</u>	<u>290,297</u>
Total liabilities and members' equity	<u>\$ 329,485</u>	<u>\$ 298,149</u>

See Accompanying Notes to Financial Statements

JULIANNE, A CONDOMINIUM ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Common charges	\$ 181,596	\$ 128,277
Parking fees	2,400	6,270
Laundry revenues	15,488	16,272
Late fees and other income	-	12,904
Interest income	100	125
	199,584	163,848
Expenses:		
Salaries and related costs	16,833	13,265
Electricity and gas	24,128	23,289
Water charges	15,844	15,824
Sewer fees	26,551	25,716
Supplies and materials	3,973	3,193
Repairs and maintenance	14,668	8,130
Insurance	16,792	12,589
Professional fees	7,522	8,687
Management and administration	23,300	23,100
Office expense and telephone	4,540	3,569
Real estate tax - superintendent's unit	2,801	2,762
Franchise taxes	500	500
Snow plowing and removal, salt	9,944	1,834
	167,396	142,458
Net operating surplus	32,188	21,390
Members' Equity:		
Net proceeds from assignment of parking space	-	25,000
Major repairs and replacements - see supplementary information	-	(35,151)
Members' equity, beginning of year	290,297	279,058
Members' equity, end of year	\$ 322,485	\$ 290,297

See Accompanying Notes to Financial Statements

JULIANNE, A CONDOMINIUM ASSOCIATION

STATEMENT OF CASH FLOWS

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Net operating surplus	\$ 32,188	\$ 21,390
Adjustments to reconcile net operating surplus to net cash provided by operating activities:		
Net proceeds from assignment of parking space	-	25,000
<u>(Increase) decrease in assets:</u>		
Receivables from unit-owners	(6,780)	1,130
Accrued laundry income receivable	-	1,295
Unexpired insurance premiums	(4,269)	(1,885)
<u>Increase (decrease) in liabilities:</u>		
Accounts payable and accrued expenses	(852)	3,677
Common charge revenue received in advance	-	(7,655)
<u>Net Cash Provided By Operating Activities</u>	<u>20,287</u>	<u>42,952</u>
<u>Cash Flows From Investing Activities</u>		
Major repairs and replacements	-	(35,151)
<u>Net Cash Used In Investing Activities</u>	<u>-</u>	<u>(35,151)</u>
Net increase in cash	20,287	7,801
Cash, beginning of year	<u>285,545</u>	<u>277,744</u>
Cash, end of year	<u>\$ 305,832</u>	<u>\$ 285,545</u>

Supplemental Cash Flow Disclosure

Cash paid for:

Franchise taxes	\$ <u>500</u>	\$ <u>500</u>
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See Accompanying Notes to Financial Statements

JULIANNE, A CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. **Nature of Organization**

JULIANNE, A CONDOMINIUM ASSOCIATION (the "Association") was organized pursuant to Title 15A of the New Jersey Statutes Annotated for the purpose of operating and maintaining the common property located at 111-133 33rd Street, Union City, New Jersey. The condominium is comprised of 63 residential units and a superintendent's apartment.

2. **Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 1, 2021, the date the financial statements were first available to be issued.

3. **Summary of Significant Accounting Policies**

Basis of Presentation - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as detailed in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Association has determined that it meets the definition of a Common Interest Realty Association (CIRA) for accounting purposes and therefore follows the CIRA accounting guidance in ASC 972.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Cash Equivalents - The Association considers all highly liquid investments available for current use with an original maturity of three months or less, and certificates of deposit that do not contain significant early withdrawal fees, to be cash equivalent for purposes of the Statement of Cash Flows.

Fair Value of Financial Instruments - Financial instruments include cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses, and other liabilities. The recorded values of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses, and other liabilities approximate their fair values based on their short-term nature

Property and Equipment - Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Associations' financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Revenue Recognition and Accounts Receivable - Association members are subject to monthly common charge assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis. The Association levies capital assessments to replenish capital reserves and to provide funds for major repairs and replacements. The performance obligations related to capital assessments are satisfied when those funds are expended for their designated purpose.

Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. It is the Association's policy to retain legal counsel and place liens on the properties of unit owners whose assessments are in arrears after all reasonable collection methods are exhausted. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the board of managers 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 assessments as credit losses. Methods, inputs and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. Amounts receivable from unit owners at August 31, 2021 and 2020 were \$9,430 and \$2,650, respectively.

Deferred Revenue (Contract Liability) From Capital Assessments Received in Advance - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred revenue from capital assessments) is (are) recorded when the Association receives payments in advance of the satisfaction of performance obligations related to a capital assessment. As of August 31, 2021, there were no capital assessments received in advance.

JULIANNE, A CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

3. **Summary of Significant Accounting Policies (Continued)**

Income Taxes - Condominium associations may be taxed as either homeowners' associations or as regular corporations. The election is made annually upon filing of the Federal income tax return and may change from year to year as one method of filing becomes more advantageous. For the fiscal years ending August 31, 2021 and 2020, the Association has elected to be taxed as a homeowners' association as defined by Internal Revenue Code Section 528, and as such is only subject to Federal tax on income generated from other than its exempt purpose. The Association is also subject to New Jersey business corporation tax at the prevailing corporate tax rates.

The Association's tax filings are subject to audit by various taxing authorities for the fiscal years 2018 through 2020. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

The Association has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 - *Accounting for Uncertainty in Income Taxes*. The Association will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authorities. The Association continually evaluates changes in the tax law and new authoritative rulings. At present, there are no uncertain tax positions recorded that would have a material impact on the financial statements.

4. **Concentration of Credit Risk**

The Association maintains deposit accounts at high-quality commercial banks. From time to time, balances in these accounts may exceed limits insured by the Federal Deposit Insurance Corporation ("FDIC") as applicable. At August 31, 2021 and 2020, uninsured cash balances totaled approximately \$54,500 and \$35,500, respectively.

5. **Funding for Future Major Repairs and Replacements**

The Association has not conducted a formal study to determine the remaining useful lives of all the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The study is not required by governing law or the by-laws of the Association. The Board of Managers reviews the condition of various building systems on a periodic basis and intends to repair or replace elements of the common property as the need arises.

The Board of Managers has been accumulating funds in anticipation of major repairs and replacements and has established cash reserves that it may draw upon to provide funding for those needs. As at August 31, 2021 and 2020, the Association had designated reserve funds totaling \$202,697 and \$194,402, respectively. When additional funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular common charges, authorize special assessments, or delay non-essential major repairs and replacements until funds are available. The effect on future common charge assessments has not been determined at this time.

6. **Commitments and Contingencies**

In general, the Association is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. In any such instance we would immediately notify our insurance carrier. Although the outcome of legal proceedings and claims cannot be predicted with certainty, the Board of Managers and management estimate that any such matters would be resolved without a material adverse effect on the Association's future financial position or results of operations.

7. **Assignment of Parking Spaces**

During July 2018, the Association (as "Assignor"), subject to the terms of the Condominium's Master Deed, assigned Parking Space Number 2 to the Owner of Unit 3C (the "Assignee") for an assignment fee of \$25,000. Net proceeds from the transaction were \$24,650.

During September 2019, the Association assigned Parking Space #9 to the Owner of Unit 1R subject to the terms of the Condominium's Master Deed. The Owner of Unit 1R was previously assigned Parking Space #38 in error. The Owner of Unit 1R relinquished all interests in Parking Space #38 in exchange for the assignment of Parking Space #9. Parking Space #38 was reassigned to the Owner of Unit 3B, subject to the terms of the Condominium's Master Deed for an assignment fee of \$25,000.

JULIANNE, A CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

8. FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenues from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate - Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a Common Interest Realty Association (CIRA) expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of September 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning members' equity. The Association applied the new guidance using the practical expedients provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of September 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for maintenance revenue and contract liabilities (assessments received in advance), as previously described.

The adoption of the new revenue recognition guidance did not result in any change to members' equity as of September 1, 2020. The Association had no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each line item included in our 2021 financial statements. No line items from the Association's balance sheets, statement of operations and members' equity, and the statement of cash flows for the year ending August 31, 2021 were affected by applying the new guidance.

9. Subsequent Events

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The spread of the virus began causing business disruptions domestically beginning in January 2020. The extent of the impact of the COVID-19 pandemic on the Association's future operational and financial performance will depend on future developments all of which are highly uncertain and cannot be predicted. While the Association may not be currently experiencing adverse financial effects, it is possible that if present conditions persist, over time, unit owners may experience financial difficulties causing them to be unable to meet their individual financial obligations to the Condominium Association.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Managers and Unit Owners
JULIANNE, A CONDOMINIUM ASSOCIATION

I have audited the financial statements of JULIANNE, A CONDOMINIUM ASSOCIATION as of and for the years ended August 31, 2021 and 2020, and have issued a report thereon dated November 1, 2021 which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Major Repairs and Replacements and Repairs and Maintenance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Board of Managers and management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 my opinion, the information is fairly stated in all material respects to the financial statements as a whole.

Pelham, New York
November 1, 2021

Michael A. Rozycki, CPA, PLLC

JULIANNE, A CONDOMINIUM ASSOCIATION
SCHEDULES OF MAJOR REPAIRS AND REPLACEMENTS, REPAIRS AND MAINTENANCE
For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Major Repairs and Replacements</u>		
Boiler replacement	\$ -	\$ 24,130
Hallways and landing floors	-	11,021
	<hr/>	<hr/>
Totals	\$ -	\$ 35,151
	<hr/> <hr/>	<hr/> <hr/>
<u>Repairs and Maintenance</u>		
Boiler and heating system	\$ 1,175	\$ 374
Security, alarm monitoring	1,726	502
Exterminating	1,386	1,663
Plumbing repairs	437	265
Painting, plastering and carpentry, tiling	4,153	1,985
Fire, alarm, testing and monitoring	3,488	-
Doors, locks and windows	-	1,358
Flooring, carpeting	-	277
Other	2,303	1,706
	<hr/>	<hr/>
Totals	\$ 14,668	\$ 8,130
	<hr/> <hr/>	<hr/> <hr/>