

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Managers
Hickory Grove Village Condominium Association, Inc.

We have reviewed the accompanying financial statements of Hickory Grove Village Condominium Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Board of Managers
Hickory Grove Village Condominium Association, Inc.

Summarized Comparative Information

We previously reviewed Hickory Grove Village Condominium Association, Inc. 2016, financial statements and in our conclusion, dated May 3, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

Required Supplementary Information

Accounting principles, generally accepted in the United States of America, require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, 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. Such information is the responsibility of management. On page 11, management has presented required supplementary information about Schedule of Changes in Reserve Fund Balance. We have not audited, reviewed or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it. Management has omitted presentation of required supplementary information about Supplementary Information on Future Major Repairs and Replacements.

Clawe & Nihill LLP

Certified Public Accountants
March 2, 2018

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2017

(With Comparative Totals for 2016)

	Operating Fund	Reserve Fund	2017 Total	2016 Total
<u>ASSETS:</u>				
Cash and cash equivalents	\$ (1,650)	\$ 14,405	\$ 12,755	\$ 27,780
Assessments receivable	1,100	-	1,100	310
Prepaid expenses	566	-	566	781
Interfund balances	775	(775)	-	-
TOTAL ASSETS	\$ 791	\$ 13,630	\$ 14,421	\$ 28,871
<u>LIABILITIES:</u>				
Accounts payable	\$ 3,569	\$ -	\$ 3,569	\$ 7,145
Prepaid assessments	3,345	-	3,345	2,730
Income tax payable	-	-	-	32
TOTAL LIABILITIES	6,914	-	6,914	9,907
<u>FUND BALANCES:</u>	(6,123)	13,630	7,507	18,964
TOTAL LIABILITIES AND FUND BALANCES	\$ 791	\$ 13,630	\$ 14,421	\$ 28,871

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	Operating Fund	Reserve Fund	2017 Total	2016 Total
REVENUES:				
Assessments	\$ 155,788	\$ 3,812	\$ 159,600	\$ 127,960
Interest and other income	200	157	357	744
TOTAL REVENUES:	<u>155,988</u>	<u>3,969</u>	<u>159,957</u>	<u>128,704</u>
EXPENSES:				
General and Administrative				
Management	15,768	-	15,768	13,932
Insurance	5,307	-	5,307	5,285
Professional	926	-	926	1,440
Miscellaneous	1,805	-	1,805	863
Income property and taxes	3,207	-	3,207	3,261
Total General and Administrative	<u>27,013</u>	<u>-</u>	<u>27,013</u>	<u>24,781</u>
Utilities				
Electricity	6,396	-	6,396	5,568
Water	13,561	-	13,561	13,825
Total Utilities	<u>19,957</u>	<u>-</u>	<u>19,957</u>	<u>19,393</u>
Maintenance				
Landscaping	56,582	-	56,582	45,924
Snow removal	43,290	-	43,290	38,515
Repairs and maintenance	13,671	-	13,671	7,736
Total Maintenance	<u>113,543</u>	<u>-</u>	<u>113,543</u>	<u>92,175</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for 2016)

	Operating Fund	Reserve Fund	2017 Total	2016 Total
Reserves				
Road resurface	-	5,720	5,720	-
Reseal	-	2,061	2,061	1,827
Contingency	-	3,620	3,620	-
Total Reserves	<u>-</u>	<u>11,401</u>	<u>11,401</u>	<u>1,827</u>
TOTAL EXPENSES:	<u>160,513</u>	<u>11,401</u>	<u>171,914</u>	<u>138,176</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(4,525)	(7,432)	(11,957)	(9,472)
FUND BALANCES -beginning of year	(2,098)	21,062	18,964	32,175
DEVELOPER CONTRIBUTIONS	<u>500</u>	<u>-</u>	<u>500</u>	<u>(3,739)</u>
FUND BALANCES -end of year	\$ <u>(6,123)</u>	\$ <u>13,630</u>	\$ <u>7,507</u>	\$ <u>18,964</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (4,525)	\$ (7,432)	\$ (11,957)	\$ (9,472)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:				
Decrease in:				
Assessment receivable	(790)	-	(790)	135
Prepaid expenses	215	-	215	623
Increase (Decrease) in:				
Accounts payable	(3,576)	-	(3,576)	6,592
Prepaid assessments	615	-	615	(1,480)
Income tax payable	(32)	-	(32)	(17)
Net Cash Used by Operating Activities	<u>(8,093)</u>	<u>(7,432)</u>	<u>(15,525)</u>	<u>(3,619)</u>
Financing Activities:				
Inter-fund balances	7,450	(7,450)	-	-
Developer contributions	<u>500</u>	<u>-</u>	<u>500</u>	<u>(3,739)</u>
Net Cash Provided (Used) by Financing Activities	<u>7,950</u>	<u>(7,450)</u>	<u>500</u>	<u>(3,739)</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for 2016)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
Net Decrease in Cash and Cash Equivalents	(143)	(14,882)	(15,025)	(7,358)
Cash and Cash Equivalents -beginning of year	<u>(1,507)</u>	<u>29,287</u>	<u>27,780</u>	<u>35,138</u>
Cash and Cash Equivalents -end of year	\$ <u>(1,650)</u>	\$ <u>14,405</u>	\$ <u>12,755</u>	\$ <u>27,780</u>
 Supplemental Disclosure:				
Income taxes paid			\$ <u>50</u>	\$ <u>49</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

A. Nature of Organization:

Hickory Grove Village Condominium Association, Inc. (the Condominium) was incorporated on July 28, 2010, in the State of New York. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 76 residential units located in Cheektowaga, New York.

B. Summary of Significant Accounting Policies:

1. Fund Accounting:

The Condominium's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the financial statements reflect accounts using fund accounting methods. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. Disbursements from the fund are generally at the discretion of the Board of Managers.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from the fund may be made only for their designated purposes.

Inter-fund Balances – These balances generally arise when cumulatively through the balance sheet date one fund pays expenses or receives revenue of another or has, otherwise, borrowed from the other.

2. Use of Estimates:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the Association 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.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

B. Summary of Significant Accounting Policies (continued):

3. **Cash and Cash Equivalents:**

Cash and cash equivalents include currency on-hand and demand deposits with banks or other financial institutions.

4. **Common Property:**

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Condominium's financial statement, in accordance with industry practice.

5. **Member Assessments:**

Condominium members are subject to monthly assessments to provide funds for the Condominium's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments and the annual budget are determined by the Board of Directors. Any excess assessments at year-end are retained by the Association for use in future years. The monthly assessments were \$175 for the year ended December 31, 2017.

6. **Income Taxes:**

The Condominium has elected to file as a homeowner's association in accordance with Internal Revenue Section 528. Under this section, the Condominium excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. Investment, and other non-exempt income of the Condominium, is subject to Federal and New York State income tax. The Condominium is no longer subject to U.S. Federal and New York State income tax examinations by authorities for the years ended before December 31, 2013.

C. Future Major Repairs and Replacements:

The Condominium's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds aggregate \$13,630, at December 31, 2017, are held in separate accounts and generally are not available for operating purposes.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

C. Future Major Repairs and Replacements (continued):

The Board is funding for major repairs and replacements of the estimated useful lives of the components considering amounts previously accumulated in the reserve fund.

Funds are being accumulated in the reserve based on estimates of future needs for repairs and replacements of common property. Actual expenditures may vary from estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. The Condominium has the right to increase regular replacement fund assessments or levy special assessments for major repairs and replacements if additional funds are needed.

D. Subsequent Events:

Events that occur after the balance sheet date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. The Condominium has evaluated the activity of the Company, through March 2, 2018, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

SCHEDULE I – SCHEDULE OF CHANGES IN RESERVE FUND BALANCE

DECEMBER 31, 2017

<u>Description</u>	<u>Beginning Fund Balance</u>	<u>Additions to Fund Balance</u>	<u>Charges to Fund Balance</u>	<u>Other</u>	<u>Ending Fund Balance</u>
Interest	\$ 592	\$ 157	\$ -	\$ -	\$ 749
Road resurface	14,725	-	(5,720)	-	9,005
Sewer/water	4,522	650	-	-	5,172
Sidewalk	320	850	-	-	1,170
Asphalt reseal	(2,323)	1,500	(2,061)	-	(2,884)
Contingency	3,226	812	(3,620)	-	418
TOTAL:	<u>\$ 21,062</u>	<u>\$ 3,969</u>	<u>\$ (11,401)</u>	<u>\$ -</u>	<u>\$ 13,630</u>