

**NEPTUNE HOUSE OWNERS ASSOCIATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2021**

**KIRSHENBAUM & URBAN, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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# KIRSHENBAUM & URBAN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members  
Neptune House Owners Association  
Block Island, Rhode Island

We have reviewed the accompanying financial statements of Neptune House Owners Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 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 on the Financial Statements**

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 accordance with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The supplementary information included in the Schedule of Operating Fund Revenues and Expenses --- Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information (except for the budget information, which we have not audited or reviewed and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it) and, based on our review, we are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on it.

## Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property 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, 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. The results of our review of the basic financial statements are not affected by that missing information.

*Kirshenbaum & Urban LLP*

Kirshenbaum & Urban, LLP  
January 31, 2022

NEPTUNE HOUSE OWNERS' ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2021

	Operating Fund	Reserve Fund	Total
<b>ASSETS</b>			
Cash	\$ 463,431	\$ 242,820	\$ 706,251
Assessments receivable	298,491	44,730	343,221
Prepaid expenses	14,759	-	14,759
<b>TOTAL ASSETS</b>	<b><u>\$ 776,681</u></b>	<b><u>\$ 287,550</u></b>	<b><u>\$ 1,064,231</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 30,003	\$ -	\$ 30,003
Deferred revenue:			
- already collected	373,583	46,460	420,043
- billed not yet collected 2022	301,142	44,730	345,872
Accrued liabilities	12,258	-	12,258
<b>TOTAL LIABILITIES</b>	716,986	91,190	808,176
Fund balances	346,629	(90,574)	256,055
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,063,615</u></b>	<b><u>\$ 616</u></b>	<b><u>\$ 1,064,231</u></b>

**NEPTUNE HOUSE OWNERS' ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Operating Fund	Reserve Fund	Total
<b>REVENUES</b>			
Assessments	\$ 663,360	\$ 86,966	\$ 750,326
Bad debt recovery	8,444	418	8,862
Other income	83,225	130	83,355
	<u>755,029</u>	<u>87,514</u>	<u>842,543</u>
<b>EXPENSES</b> (supplemental schedule attached)			
Management and facility maintenance	208,435	-	208,435
Utilities	99,174	-	99,174
Service and contracts	72,691	-	72,691
Repairs and supplies	58,385	-	58,385
Insurance and licenses	58,524	-	58,524
Administrative	140,216	-	140,216
Taxes	18,442	-	18,442
Bad debts	13,494	1,767	15,261
Reserve fund	-	157,466	157,466
Common area components	24,227	-	24,227
	<u>693,588</u>	<u>159,233</u>	<u>852,821</u>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	61,441	(71,719)	(10,278)
<b>OTHER INCOME</b>			
PPP loan forgiveness	34,835	-	34,835
<b>TOTAL EXCESS OF REVENUES OVER EXPENSES</b>	<u>96,276</u>	<u>(71,719)</u>	<u>24,557</u>
<b>BEGINNING FUND BALANCES</b>	<u>250,353</u>	<u>(18,855)</u>	<u>231,498</u>
<b>ENDING FUND BALANCES</b>	<u>\$ 346,629</u>	<u>\$ (90,574)</u>	<u>\$ 256,055</u>

**NEPTUNE HOUSE OWNERS' ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Operating Fund	Reserve Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	\$ 96,276	\$ (71,719)	\$ 24,557
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(35,120)	(7,636)	(42,756)
Prepaid expenses	(1,767)	-	(1,767)
Increase (decrease) in:			
Accounts payable	23,828	-	23,828
Assessments received in advance	(25,141)	(2,485)	(27,626)
Assessments billed in advance but not received	37,721	7,636	45,357
Accrued liabilities	1,182	-	1,182
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>96,979</u>	<u>(74,204)</u>	<u>22,775</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund transfers	(19,532)	19,532	-
PPP loan forgiveness	(34,835)	-	(34,835)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(54,367)</u>	<u>19,532</u>	<u>(34,835)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	42,612	(54,672)	(12,060)
<b>CASH AT BEGINNING OF YEAR</b>	<u>420,819</u>	<u>297,492</u>	<u>718,311</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 463,431</u></u>	<u><u>\$ 242,820</u></u>	<u><u>\$ 706,251</u></u>

## SUPPLEMENTARY INFORMATION

### NEPTUNE HOUSE OWNERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### **Note A – Nature of Organization**

Neptune House Owners Association was organized on May 1, 1990, in the State of Rhode Island. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 23 residential units located in Block Island, Rhode Island.

#### **Note B – Date of Management’s Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2022, the date that the financial statements were available to be issued.

#### **Note C – Summary of Significant Accounting Policies**

##### Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitation and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established 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.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

##### Member Assessments

Association members are subject to assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association considers all assessments receivable at December 31, 2021 to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

##### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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.

#### **Note D – Income Taxes**

Homeowners' associations may be taxed either as homeowners associations, or as regular corporations. For the year ended December 31, 2021, the Association will be taxed as a homeowners association and file Form 1120-H.

#### **Note E – Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. At December 31, 2021, the Reserve Fund had cash available of \$242,820, of which \$46,460 was 2022 fees collected in advance, resulting in a net cash position in the Reserve Fund of \$196,360. These funds are held in a separate account, not generally available for Operating Expenses.

#### **Note F – Accumulated Fund Balances**

Fund Balances at December 31, 2021, representing the accumulated excess of revenue over expenses since inception, were \$346,629 from the Operating Fund, and (\$90,574) from the Reserve Fund, for a total Fund Balance of \$256,055.

**SUPPLEMENTARY INFORMATION**

**NEPTUNE HOUSE OWNERS' ASSOCIATION  
 SUPPLEMENTAL SCHEDULE 1: EXPENSE DETAIL  
 FOR THE YEAR ENDED DECEMBER 31, 2021**

(1 of 2)

	Operating Fund	Reserve Fund	Total
<b>MANAGEMENT AND FACILITY MAINTENANCE</b>			
Salaries - Housekeeping	\$ 44,689	\$ -	\$ 44,689
Salaries - Maintenance	52,329	-	52,329
Salaries - Administrative	71,517	-	71,517
Payroll taxes - Housekeeping	4,256	-	4,256
Payroll taxes - Maintenance	4,850	-	4,850
Payroll taxes - Administrative	6,589	-	6,589
Health insurance, employee welfare & workers compensation insurance	22,215	-	22,215
Payroll service	1,990	-	1,990
	<u>208,435</u>	<u>-</u>	<u>208,435</u>
<b>UTILITIES</b>			
Electricity	23,250	-	23,250
Sewer usage	17,269	-	17,269
Heating fuel	38,582	-	38,582
Propane gas	6,480	-	6,480
Water	13,593	-	13,593
	<u>99,174</u>	<u>-</u>	<u>99,174</u>
<b>SERVICE AND CONTRACTS</b>			
Security - alarm service	1,690	-	1,690
Laundry service	13,757	-	13,757
Cable TV	5,269	-	5,269
Carting and rubbish removal	8,146	-	8,146
Cleaning service	43,829	-	43,829
	<u>72,691</u>	<u>-</u>	<u>72,691</u>
<b>REPAIRS AND SUPPLIES</b>			
Housekeeping and apartment supplies	30,710	-	30,710
Freight	2,753	-	2,753
Repairs and maintenance	21,117	-	21,117
Outside labor	3,805	-	3,805
	<u>58,385</u>	<u>-</u>	<u>58,385</u>
<b>INSURANCE AND LICENSES</b>			
Insurance	58,524	-	58,524
	<u>58,524</u>	<u>-</u>	<u>58,524</u>
	<u>497,209</u>	<u>-</u>	<u>497,209</u>

**NEPTUNE HOUSE OWNERS' ASSOCIATION  
SUPPLEMENTAL SCHEDULE 1: EXPENSE DETAIL  
FOR THE YEAR ENDED DECEMBER 31, 2021**

(2 of 2)

	Operating Fund	Reserve Fund	Total
<b>ADMINISTRATIVE</b>			
Advertising	7,025	-	7,025
Bank service charges, late fees and interest	11,500	-	11,500
Bookkeeping	8,115	-	8,115
Collection expense	4,180	-	4,180
COVID-19 expenses	156	-	156
Dues and subscriptions	2,141	-	2,141
Management fees	61,785	-	61,785
Office expenses	5,070	-	5,070
Postage	1,462	-	1,462
Telephone and internet	26,236	-	26,236
Travel expense	1,588	-	1,588
Uniforms	349	-	349
Van expenses	2,537	-	2,537
Other administrative expenses	8,072	-	8,072
	<u>140,216</u>	<u>-</u>	<u>140,216</u>
<b>TAXES</b>			
Real estate	18,442	-	18,442
	<u>18,442</u>	<u>-</u>	<u>18,442</u>
<b>BAD DEBTS</b>			
Neptune House Owners Association	13,494	1,767	15,261
	<u>13,494</u>	<u>1,767</u>	<u>15,261</u>
<b>RESERVE FUND</b>			
Facility maintenance and repair	-	157,466	157,466
	<u>-</u>	<u>157,466</u>	<u>157,466</u>
<b>COMMON AREA COMPONENTS</b>			
Room equipment replacements	3,755	-	3,755
Linen replacement	9,559	-	9,559
Landscaping	2,781	-	2,781
Computers and website	1,979	-	1,979
Pool	6,153	-	6,153
	<u>24,227</u>	<u>-</u>	<u>24,227</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 693,588</u></b>	<b><u>\$ 159,233</u></b>	<b><u>\$ 852,821</u></b>

SUPPLEMENTAL SCHEDULE 2: SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES---BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (compiled)	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments	\$ 658,380	\$ 663,360	\$ 4,980
Bad debt recovery	8,093	8,444	351
Other income	35,543	83,225	47,682
<b>TOTAL REVENUES</b>	<u>702,016</u>	<u>755,029</u>	<u>53,013</u>
<b>EXPENSES</b>			
<b>MANAGEMENT AND FACILITY MAINTENANCE</b>			
Salaries - Housekeeping	43,260	44,689	(1,429)
Salaries - Maintenance	61,170	52,329	8,841
Salaries - Administrative	92,176	71,517	20,659
Payroll taxes - Housekeeping	3,875	4,256	(381)
Payroll taxes - Maintenance	5,481	4,850	631
Payroll taxes - Administrative	8,259	6,589	1,670
Health insurance, employee welfare & workers compensation insurance	22,665	22,215	450
Payroll service	2,989	1,990	999
	<u>239,875</u>	<u>208,435</u>	<u>31,440</u>
<b>UTILITIES</b>			
Electricity	22,834	23,250	(416)
Sewer usage	14,444	17,269	(2,825)
Heating fuel	26,734	38,582	(11,848)
Propane gas	5,796	6,480	(684)
Water	9,922	13,593	(3,671)
	<u>79,730</u>	<u>99,174</u>	<u>(19,444)</u>
<b>SERVICE AND CONTRACTS</b>			
Security - alarm service	2,291	1,690	601
Laundry service	13,185	13,757	(572)
Cable TV	6,429	5,269	1,160
Carting and rubbish removal	6,057	8,146	(2,089)
Cleaning service	38,543	43,829	(5,286)
	<u>66,505</u>	<u>72,691</u>	<u>(6,186)</u>
<b>REPAIRS AND SUPPLIES</b>			
Housekeeping and apartment supplies	41,053	30,710	10,343
Freight	2,295	2,753	(458)
Repairs and maintenance	20,491	21,117	(626)
Outside labor	8,086	3,805	4,281
	<u>71,925</u>	<u>58,385</u>	<u>13,540</u>
<b>INSURANCE AND LICENSES</b>			
Insurance	50,929	58,524	(7,595)
	<u>50,929</u>	<u>58,524</u>	<u>(7,595)</u>
	<u>508,964</u>	<u>497,209</u>	<u>11,755</u>

SUPPLEMENTAL SCHEDULE 2: SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES---BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (compiled)	Actual	Variance Favorable (Unfavorable)
<b>ADMINISTRATIVE</b>			
Advertising	8,000	7,025	975
Bank service charges, late fees and interest	6,052	11,500	(5,448)
Bookkeeping Fees	8,300	8,115	185
Collection expense	2,270	4,180	(1,910)
COVID-19 expenses	-	156	(156)
Dues and subscriptions	5,281	2,141	3,140
Management fees	60,132	61,785	(1,653)
Office expenses	5,863	5,070	793
Postage	2,168	1,462	706
Telephone and internet	26,466	26,236	230
Travel expense	7,059	1,588	5,471
Uniforms	1,211	349	862
Van expenses	3,356	2,537	819
Other administrative expenses	16,140	8,072	8,068
	<u>152,298</u>	<u>140,216</u>	<u>12,082</u>
<b>TAXES</b>			
Real estate	15,972	18,442	(2,470)
	<u>15,972</u>	<u>18,442</u>	<u>(2,470)</u>
<b>BAD DEBTS</b>			
Neptune House Owners Association	13,168	13,494	(326)
	<u>13,168</u>	<u>13,494</u>	<u>(326)</u>
<b>COMMON AREA COMPONENTS</b>			
Room equipment replacements	9,524	3,755	5,769
Linen replacement	5,707	9,559	(3,852)
Landscaping	2,226	2,781	(555)
Computers and website	3,008	1,979	1,029
Pool	6,924	6,153	771
	<u>27,389</u>	<u>24,227</u>	<u>3,162</u>
<b>TOTAL EXPENSES</b>	<u>717,791</u>	<u>693,588</u>	<u>24,203</u>
<b>EXCESS (DEFICIENCY) OF OPERATING FUND REVENUES OVER OPERATING FUND EXPENSES</b>	<u>\$ (15,775)</u>	<u>\$ 61,441</u>	<u>\$ 77,216</u>