

300 WEST 23RD STREET OWNERS CORP.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 AND 2007

300 WEST 23RD STREET OWNERS CORP.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
300 WEST 23RD STREET OWNERS CORP.

I have audited the accompanying balance sheet of 300 WEST 23RD STREET OWNERS CORP. as of December 31, 2008 and 2007 and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Board of Directors and management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 300 WEST 23RD STREET OWNERS CORP. and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedules of Capital Improvements, Repairs and maintenance on page 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Corporation has not presented supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, although not required to be a part of, the basic financial statements generally accepted in the United States of America.



Pelham, New York
February 25, 2009
(Except for Note 9, as to which
the date is May 12, 2009)

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash, operating account	\$ 47,784	\$ 87,355
Cash and cash equivalents , interest bearing	1,335,058	1,862,029
Cash designated for real estate taxes	195,849	163,079
Receivables, tenant-shareholders	21,358	16,824
Prepaid expenses	<u>2,021</u>	<u>2,922</u>
Total current assets	1,602,070	2,132,209
Real property, at cost:		
Land	3,663,078	3,663,078
Building	14,652,312	14,652,312
Building improvements	<u>4,315,556</u>	<u>3,817,689</u>
	22,630,946	22,133,079
Less accumulated depreciation	<u>9,047,212</u>	<u>8,583,120</u>
	13,583,734	13,549,959
Other assets:		
Security deposits	9,155	9,155
Investment in NCB stock	120,000	120,000
Mortgage costs, net	<u>82,596</u>	<u>94,116</u>
	\$ <u>15,397,555</u>	\$ <u>15,905,439</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 134,939	\$ 51,324
Accrued interest payable	57,660	57,660
Common charges payable	39,757	155,582
Due to 300 WEST 23RD STREET CONDOMINIUM (Note 3)	121,502	81,244
Maintenance revenue received in advance	15,047	31,700
Due to tenant-shareholders, tax abatements	<u>68,890</u>	<u>63,530</u>
Total current liabilities	437,795	441,040
Other liabilities:		
Mortgage note payable	12,000,000	12,000,000
Refundable security deposits	<u>88,184</u>	<u>97,194</u>
Total liabilities	<u>12,525,979</u>	<u>12,538,234</u>
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY		
Common stock, 40,000 shares of \$1 par value authorized, 37,549 shares issued and outstanding	37,549	37,549
Additional paid-in capital	13,641,469	13,641,469
Additional paid-in capital, treasury stock	75,025	75,025
Treasury stock	(485,526)	(485,526)
Accumulated deficit	<u>(10,396,941)</u>	<u>(9,901,312)</u>
Total stockholders' equity	<u>2,871,576</u>	<u>3,367,205</u>
	<u>\$ 15,397,555</u>	<u>\$ 15,905,439</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.**STATEMENT OF OPERATIONS**

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Maintenance charges	\$ 2,736,920	\$ 2,589,998
Maintenance assessment	127,104	137,655
Late fees	6,100	5,800
Sublet fees	3,942	1,896
Laundry	18,000	18,600
Transfer fees	13,260	22,570
Storage bins	12,477	13,080
Investment return	31,128	82,348
NCB Patronage dividend	102,388	60,516
Other	5,500	20,233
	<u>3,056,819</u>	<u>2,952,696</u>
Expenses:		
Common charges, operating expenses	647,804	617,600
Common charges, common area improvements	7,647	56,465
Excess Condominium expenses (Note 5)	562,887	510,761
Repairs and maintenance	152,288	191,566
Water and sewer charges	63,414	70,758
Insurance	3,625	1,217
Interest expense	680,760	678,900
Real estate taxes	846,184	818,765
Professional fees	18,730	26,013
Real estate tax certiorari	63,703	-
Corporation taxes	9,545	6,969
Administrative expenses	13,584	12,829
Other	6,665	11,285
	<u>3,076,836</u>	<u>3,003,128</u>
Income (loss) from operations before depreciation and amortization	(20,017)	(50,432)
Depreciation	(464,092)	(464,327)
Amortization	<u>(11,520)</u>	<u>(11,520)</u>
Net income (loss) for the year	<u><u>\$ (495,629)</u></u>	<u><u>\$ (526,279)</u></u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Common Stock</u>		
Balance, beginning of year	\$ 37,549	\$ 37,549
Transactions during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 37,549</u>	<u>\$ 37,549</u>
<u>Additional Paid-In Capital</u>		
Balance, beginning of year	\$ 13,641,469	\$ 13,641,469
Transactions during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 13,641,469</u>	<u>\$ 13,641,469</u>
<u>Additional Paid-In Capital, Treasury Stock</u>		
Balance, beginning of year	\$ 75,025	\$ 75,025
Transactions during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 75,025</u>	<u>\$ 75,025</u>
<u>Treasury Stock</u>		
Balance, beginning of year	\$ (485,526)	\$ (485,526)
Transactions during the year	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (485,526)</u>	<u>\$ (485,526)</u>
<u>Accumulated Deficit</u>		
Balance, beginning of year	\$ (9,901,312)	\$ (9,375,033)
Net income (loss) for the year	<u>(495,629)</u>	<u>(526,279)</u>
Balance, end of year	<u>\$ (10,396,941)</u>	<u>\$ (9,901,312)</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Operating Activities</u>		
Net income (loss)	\$ (495,629)	\$ (526,279)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	475,612	475,847
(Increase) decrease in assets:		
Receivables, tenant-shareholders	(4,534)	(10,231)
Prepaid expenses	901	(2,922)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	83,615	(177,316)
Common charges payable	(115,825)	110,659
Due to 300 WEST 23RD STREET CONDOMINIUM	40,258	6,442
Maintenance revenue received in advance	(16,653)	15,070
Due to tenant-shareholders, tax abatements	5,360	1,648
Refundable security deposits	<u>(9,010)</u>	<u>4,500</u>
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>(35,905)</u>	<u>(102,582)</u>
<u>Cash Flows From Investing Activities</u>		
Payments for building improvements	<u>(497,867)</u>	<u>(122,375)</u>
Net increase (decrease) in cash	(533,772)	(224,957)
Cash and cash equivalents, beginning of year	<u>2,112,463</u>	<u>2,337,420</u>
Cash and cash equivalents, end of year	\$ <u><u>1,578,691</u></u>	\$ <u><u>2,112,463</u></u>

Supplemental Disclosure

Cash paid during the year for:	<u>2008</u>	<u>2007</u>
Interest	\$ <u><u>680,760</u></u>	\$ <u><u>678,900</u></u>
Franchise taxes	\$ <u><u>8,700</u></u>	\$ <u><u>9,891</u></u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS

1. **Nature of Organization**

300 WEST 23RD STREET OWNERS CORP. (the "Corporation") is a qualified cooperative housing corporation organized under Section 216 (b) (1) of the Internal Revenue Code. The Corporation was formed to operate and maintain the residential unit of the 300 WEST 23RD STREET CONDOMINIUM (the "Condominium") located at 300 West 23rd Street, New York, New York. The residential unit comprises the 220 residential apartments in the building.

The financial statements of 300 WEST 23RD STREET CONDOMINIUM should be read in conjunction with these financial statements.

2. **Summary of Significant Accounting Policies**

Basis of Presentation - The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles prescribed by the *Audit and Accounting Guide for Common Interest Realty Associations* issued by the American Institute of Certified Public Accountants.

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 certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Cash Equivalents - For purposes of the statement of cash flows, the Corporation considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

Depreciation - Building and building improvements are stated at cost. The building and improvements are depreciated over their estimated useful lives using the straight-line method.

Accounts Receivable, Maintenance Charges - Tenant-shareholders are subject to monthly maintenance charges based on an annual budget determined by the Board of Directors to provide funds for the Corporation's operating expenses. Any excess operating funds at year-end are retained by the Corporation for use in future years.

Treasury Stock - Shares of stock allocated to apartments acquired by the Corporation have been recorded as treasury stock at the total cost incurred by the Corporation in acquiring those shares.

Income Taxes - The Corporation is presently subject to New York State franchise and New York City general corporation tax on its capital base using special rates available to cooperative housing corporations. The corporation is subject to Federal income tax pursuant to Subchapter T of the Internal Revenue Code.

Uninsured Cash Balances - The Corporation maintains deposit accounts at various financial institutions in New York City. From time to time deposits in these accounts exceed federally insured limits. The Corporation has not experienced any losses in these accounts.

300 WEST 23RD STREET OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS

3. **Due To/From 300 WEST 23RD STREET CONDOMINIUM**

Amounts receivable from the Condominium at December 31, 2008 and 2007 consist primarily of insurance premiums paid on behalf of the Condominium as required under the terms of the Corporation's underlying mortgage. The amounts due to the Condominium are for common charges and expenses in excess of residential common charges. (See Note 6)

4. **Mortgage Note Payable**

In February 2006, the Corporation refinanced its outstanding mortgage and credit line with a new first mortgage in the principal amount of \$12,000,000 with National Cooperative Bank ("NCB"). The new mortgage requires monthly payments of approximately \$55,800 applied to interest only at 5.58%. The new mortgage is for a period of ten years maturing March 1, 2016. The mortgage may only be prepaid, subject to penalty, as defined in the mortgage documents.

The Corporation's prior mortgage note payable to ARCS Commercial Mortgage Co., LP required monthly payments of \$59,316 applied to interest at 8.11% with the balance to reduction of principal.

As a condition of extending the first mortgage note, the Corporation was required to purchase stock in NCB in the amount of 1.0% of the principal balance of the mortgage, or \$120,000. The stock is not marketable or transferable and may only be redeemed upon satisfaction of the mortgage unless repurchased sooner at the Bank's election.

In connection with its 2006 refinancing transaction, the Corporation incurred fees of \$115,236 that are being amortized over the ten-year term of the mortgage.

The residential unit of the 300 WEST 23RD STREET CONDOMINIUM is pledged as collateral for the mortgage.

5. **Line of Credit**

In addition to the first mortgage described in Note 4 above, NCB extended the Corporation a line of credit in the maximum amount of \$1,000,000. Interest is charged monthly on outstanding balances at 3.50% above LIBOR and is subject to change with each change in the LIBOR. Principal repayment is permitted in strict accordance with the terms of the loan documents. The credit line was not used during 2008 or 2007.

During 2005 the Corporation established a line of credit with the Bank of New York in the maximum amount of \$500,000 to provide interim financing for commencement of the exterior restoration and roof replacement project. The outstanding balance at December 31, 2005 was \$157,572. An additional \$120,000 was withdrawn in January 2006. All outstanding amounts together with accrued interest thereon were repaid and the credit line terminated upon refinancing the first mortgage note in February 2006. During 2006, the Corporation incurred interest charges of \$1,140 under this credit facility.

300 WEST 23RD STREET OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS

6. Excess Condominium Expense Reimbursements

In May 1996, the Condominium Association and the commercial unit owner entered into a settlement wherein certain revisions were made to the operating budget of the Condominium with respect to the common elements and allocation of common expenses. Pursuant to the settlement agreement, the Corporation is to reimburse the Association for certain expenses in excess of its residential common charges.

Expenses in excess of residential unit common charges for the years ended December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Wages	\$ 188,515	\$ 175,185
Payroll tax expense	12,228	10,721
Employee benefits	97,217	104,529
Gas	6,320	4,933
Electricity	<u>258,607</u>	<u>215,393</u>
Totals	<u>\$ 562,887</u>	<u>\$ 510,761</u>

7. Future Major Repairs and Replacements

The Corporation 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 Corporation. The Board of Directors reviews the condition of various building systems on a regular basis and intends to repair or replace elements of the common property as the need arises.

The Corporation has established separate accounts to accumulate funds for repairs and replacements to the common property. When additional replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular maintenance, authorize special assessments, borrow, or delay major repairs and replacements until funds are available. The effect on future maintenance assessments has not been determined at this time.

Please refer to the Supplementary Information on page 12 and Footnote 8 below for a schedule of current capital improvement projects and additional information.

8. Commitments and Contingencies

During the year ending December 31, 2008, the Corporation entered into a contract for the replacement of the building's windows. The total adjusted cost of the contract, exclusive of architectural and engineering fees, is \$982,972. At December 31, 2008 the project was in progress and payments totaling approximately \$348,603 had been remitted to the contractor. The Corporation is funding the project with proceeds from the mortgage refinancing. (See Note 4)

300 WEST 23RD STREET OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS

9. **Subsequent Event – Condominium Budget Revision**

In May 2009, the Board of Directors of 300 WEST 23RD STREET OWNERS CORP. and the Board of Managers of the 300 WEST 23RD STREET CONDOMINIUM mutually agreed to re-allocate repairs and maintenance that are the sole responsibility of 300 WEST 23RD STREET OWNERS CORP. directly to the Corporation's operating budget rather than allocate them through the common charge of the Condominium. The 2008 and 2007 Statement of Operations in these financial statements has been restated to reflect this change. There is no effect on net income as a result of this change.

10. **Reclassifications**

Certain amounts from the prior year's financial statements have been reclassified to comply with the current year's financial statement presentation.

SUPPLEMENTARY INFORMATION

300 WEST 23RD STREET OWNERS CORP.
SCHEDULES OF CAPITAL IMPROVEMENTS, REPAIRS AND MAINTENANCE
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Capital Improvements</u>		
Window replacement project:		
Window contractor	\$ 348,603	\$ -
Architect, engineer and supervision	32,883	18,064
Scaffolding and other related costs	17,042	-
	<u>398,528</u>	<u>18,064</u>
Exterior masonry and waterproofing	99,339	17,393
Exterior masonry contract reduction	-	(82,485)
Laundry room, employee lounge and general basement renovations:		
Renovation and materials	-	102,567
Replacement and relocation of water lines and drains	-	38,005
Electrical improvements	-	12,409
Design, engineering and expediting	-	16,422
	<u>-</u>	<u>169,403</u>
	<u>\$ 497,867</u>	<u>\$ 122,375</u>
<u>Repairs and Maintenance</u>		
Janitorial supplies	\$ 18,621	\$ 14,928
Plumbing	49,415	109,951
Painting and plastering, water damage	47,126	44,785
Doors, locks and windows	3,703	6,063
Exterminating	4,710	4,523
Intercom and electrical	8,154	9,513
Architect and engineering for repairs	13,619	1,200
Cleaning and housekeeping	3,406	222
Floors, carpeting	2,330	-
Miscellaneous	1,204	381
	<u>\$ 152,288</u>	<u>\$ 191,566</u>