

300 WEST 23RD STREET CONDOMINIUM

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

300 WEST 23RD STREET CONDOMINIUM

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INDEPENDENT AUDITOR'S REPORT

The Board of Managers and Unit Owners
300 WEST 23RD STREET CONDOMINIUM

Report on the Financial Statements

I have audited the accompanying financial statements of 300 WEST 23RD STREET CONDOMINIUM, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders' 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 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 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 300 WEST 23RD STREET CONDOMINIUM as of December 31, 2012 and 2011, 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.

Other Matters: Supplementary Information

The Condominium has not presented supplementary information on current or future estimated costs of 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 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 information.

Pelham, New York
April 11, 2013

Mehmet A. Gök, CPA, PLLC

300 WEST 23RD STREET CONDOMINIUM

BALANCE SHEET

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash	\$ 315,582	\$ 246,579
Receivables from unit-owners	13,315	24,583
Other receivable	-	4,222
Unexpired insurance premiums	<u>15,602</u>	<u>15,705</u>
Total current assets	344,499	291,089
Receivable, unit-owner	<u>12,872</u>	<u>13,872</u>
Total assets	<u><u>\$ 357,371</u></u>	<u><u>\$ 304,961</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 90,217	\$ 38,052
Common charge revenue received in advance	88,991	91,751
Refundable security deposit	<u>2,200</u>	<u>2,200</u>
Total current liabilities	181,408	132,003
Commitments and contingencies (Note 8)		
MEMBERS' EQUITY		
Members' equity, undesignated	<u>175,963</u>	<u>172,958</u>
Total liabilities and members' equity	<u><u>\$ 357,371</u></u>	<u><u>\$ 304,961</u></u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Residential common charges	\$ 669,108	\$ 682,516
Commercial common charges	118,605	118,242
Lobby office rent	13,200	5,500
Other unit owner fees	-	700
Interest income	584	292
	<u>801,497</u>	<u>807,250</u>
Expenses:		
Salaries	298,479	292,560
Payroll tax expense	27,547	26,914
Employee union benefits	49,664	46,533
Workers compensation insurance	16,005	15,697
Uniforms	5,511	10,391
Heating oil	173,899	191,177
Electricity for common areas	18,000	18,000
Supplies	616	1,915
Repairs and maintenance	25,902	17,603
Elevators	24,308	22,350
Licenses and permits	1,515	100
Insurance	70,365	71,807
Management fee	69,542	70,457
Professional fees	8,400	11,637
Administrative	3,007	3,253
Telephone and communications	5,305	5,445
Franchise taxes	427	293
Other	-	500
	<u>798,492</u>	<u>806,632</u>
Net income for the year	3,005	618
Members' Equity:		
Members' equity, beginning of year	172,958	172,340
Members' equity, end of year	\$ <u>175,963</u>	\$ <u>172,958</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Net income (loss) for the year	\$ 3,005	\$ 618
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Receivables from unit-owners	12,268	78,851
Other receivables	4,222	(4,222)
Unexpired insurance premiums	103	(1,345)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	52,165	(27,577)
Common charge revenue received in advance	(2,760)	91,751
Refundable security deposit	-	2,200
Net increase (decrease) in cash	69,003	140,276
Cash, beginning of year	246,579	106,303
Cash, end of year	\$ <u>315,582</u>	\$ <u>246,579</u>

Supplemental Disclosure

Cash used for:

Franchise taxes	\$ <u>360</u>	\$ <u>-</u>
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See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

300 WEST 23RD STREET CONDOMINIUM (the "Association") was organized pursuant to Article 9B of the Real Property Law of the State of New York for the purpose of operating and maintaining the common property located at 300 West 23rd Street, New York, New York. The condominium is comprised of a residential unit, a retail unit and a professional office.

The Condominium's residential unit is owned by the cooperative housing corporation known as 300 WEST 23RD STREET OWNERS CORP. It comprises the 220 residential apartments in the building. The financial statements of 300 WEST 23RD STREET OWNERS CORP. 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 - The Association considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents for purposes of the Statement of Cash Flows.

Accounts Receivable - Amounts due from unit owners are deemed fully collectible by the Association. It is the Association's policy to retain legal counsel and place liens against unit owners whose common charges and assessments are in arrears. Accordingly, no amount has been established for uncollectible accounts.

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.

Common Charges - Association members are subject to monthly common charges based on an annual budget determined by the Board of Managers to provide funds for the Associations' operating expenses and major repairs and replacements to the common property. Any excess operating funds at year end are retained by the Association for use in future years.

Income Taxes - For Federal income tax purposes, condominium associations may elect to be taxed as either homeowners associations or as regular corporations. The 300 WEST 23RD STREET CONDOMINIUM has elected to be taxed as a homeowners association for 2012 and 2011. The Condominium is subject to the New York State franchise tax at prevailing corporate tax rates.

3. Lobby Office Lease

In June 2011, the Condominium entered into a two year lease for the lobby office space commencing August 1, 2011 and ending July 31, 2013. Rental payments for the entire term of the lease aggregate \$26,400.

**300 WEST 23RD STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS**

4. Excess Condominium Expense Reimbursements

In May 1996, the Association and the commercial unit owner entered into an agreement 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, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Wages	\$ 198,348	\$ 188,707
Payroll tax expense	20,176	20,216
Employee union benefits	119,871	114,322
Electricity	<u>193,421</u>	<u>198,873</u>
Totals	<u>\$ 531,816</u>	<u>\$ 522,118</u>

5. Future Major Repairs and Replacements

The Association has not conducted a formal 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. The study is not required by governing law or the By-laws of the Association. The Board of Managers reviews the condition of the building's systems on a continual basis and intends to repair or replace elements of the common property as the need arises. When additional replacement 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 major repairs and replacements until funds are available. The effect on future common charge assessments has not been determined at this time.

6. Employee Multiemployer Pension Plan

For its union employees, the Condominium contributes to a multiemployer pension plan administered by CSEA Local 32B-32J union. The risk of participating in U.S. multiemployer pension plans is different from single-employer pension plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits of employment to other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company stops participating in its multiemployer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan.

The Condominium's participation in the plan for the years ended December 31, 2012 and 2011 is outlined in the following table. All information in the table is as of December 31 of the relevant year unless otherwise noted.

**300 WEST 23RD STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS**

6. Employee Multiemployer Pension Plan (continued)

The Plan Protection Act ("PPA") zone status column ranks the funded status of multiemployer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the Corporation received from the plan. Among other factors, the plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan ("FIP")/Rehabilitation Plan ("RP") status column indicates plans for which a FIP or RP is either pending or in place.

The following table contains information about the Condominium's multiemployer pension plan for the years ended December 31, 2012 and 2011:

Plan Name	Employer Identification Number - Plan Number	PPA Status		FIP/RP Status Pending/ Implemented	Company Contributions		Expiration dates of Collective Bargaining Agreements	Company Contributions > 5%	
		2012	2011		2012	2011		2012	2011
Building Service 32BJ Pension Fund	13-1879376-001	Red	Red	Yes	\$44,575	\$43,904	4/21/10 - 4/20/14	No	No
Total contributions to multiemployer pension plans					\$44,575	\$43,904			

The Condominium currently has no intention of withdrawing from the multiemployer plan in which it participates. The Condominium's contributions to the plan, as well as the wages it pays its employees, are determined through contract with the union.

7. 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.

8. Commitments and Contingencies

The Association is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. 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.

9. Subsequent Events

The Association has evaluated events and transactions that occurred between December 31, 2012 and April 11, 2013 and determined there were no events that would require disclosure or recognition in the financial statements, except as noted herein.