

300 WEST 23RD STREET OWNERS CORP.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011 AND 2010

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, 2011 and 2010 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I express no such opinion. 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.

Michael A. Rozycki, CPA, PLLC

Pelham, New York
April 27, 2012

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash, operating account	\$ 285,689	\$ 185,150
Cash and cash equivalents , interest bearing	332,198	88,403
Cash designated for real estate taxes	254,452	233,327
Receivables from tenant-shareholders	30,712	41,636
Prepaid expenses	317	302
Prepaid common charges	<u>91,751</u>	<u>-</u>
Total current assets	995,119	548,818
Real property, at cost:		
Land	3,663,078	3,663,078
Building	14,652,312	14,652,312
Building improvements	<u>5,426,323</u>	<u>5,405,983</u>
	23,741,713	23,721,373
Less accumulated depreciation	<u>10,605,846</u>	<u>10,084,960</u>
	13,135,867	13,636,413
Other assets:		
Security deposits	28,155	28,155
Investment in NCB stock	120,000	120,000
Unamortized mortgage costs	<u>48,036</u>	<u>59,556</u>
Total assets	<u>\$ 14,327,177</u>	<u>\$ 14,392,942</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,935	\$ 42,465
Accrued interest payable	57,660	57,660
Common charges payable	-	73,706
Maintenance revenue received in advance	41,773	26,692
Due to tenant-shareholders, tax abatements	99,691	87,406
Total current liabilities	<u>230,059</u>	<u>287,929</u>
Other liabilities:		
Mortgage note payable	12,000,000	12,000,000
Refundable security deposits	89,434	95,684
Total liabilities	<u>12,319,493</u>	<u>12,383,613</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	(11,260,833)	(11,259,188)
Total stockholders' equity	<u>2,007,684</u>	<u>2,009,329</u>
Total liabilities and stockholders' equity	<u>\$ 14,327,177</u>	<u>\$ 14,392,942</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.
STATEMENT OF OPERATIONS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Maintenance charges	\$ 3,228,831	\$ 2,999,477
Maintenance assessments	394,627	324,250
Late fees	5,600	5,200
Sublet fees	29,352	23,160
Move-in fees	21,800	19,900
Laundry	18,760	18,000
Transfer fees	28,340	13,260
Storage bins	34,199	23,879
Interest income	740	933
NCB Patronage dividend	-	2,771
Other fees	11,994	5,132
	<u>3,774,243</u>	<u>3,435,962</u>
 Expenses:		
Common charges, operating expenses	682,516	656,900
Common charges, common area improvements	-	23,961
Excess Condominium expenses (Note 6)	522,118	559,231
Gas, laundry room	4,521	-
Repairs and maintenance	55,987	106,101
Water and sewer charges	73,845	66,100
Insurance	3,787	3,625
Interest expense	678,900	678,900
Real estate taxes	1,174,333	1,082,547
Professional fees	9,306	9,899
Real estate tax certiorari	550	8,716
Corporation taxes	11,171	7,558
Administrative expenses	20,374	20,888
Other	6,074	6,978
	<u>3,243,482</u>	<u>3,231,404</u>
 Income (loss) from operations before depreciation and amortization	 530,761	 204,558
Depreciation	(520,886)	(520,307)
Amortization	(11,520)	(11,520)
	<u>(11,520)</u>	<u>(11,520)</u>
Net income (loss) for the year	 \$ <u><u>(1,645)</u></u>	 \$ <u><u>(327,269)</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, 2011 and 2010

	<u>2011</u>	<u>2010</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	\$ (11,259,188)	\$ (10,931,919)
Net income (loss) for the year	<u>(1,645)</u>	<u>(327,269)</u>
Balance, end of year	<u>\$ (11,260,833)</u>	<u>\$ (11,259,188)</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities</u>		
Net income (loss)	\$ (1,645)	\$ (327,269)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	532,406	531,827
(Increase) decrease in assets:		
Receivables from tenant-shareholders	10,924	(12,059)
Prepaid expenses	(15)	3,625
Prepaid common charges	(91,751)	21,726
Security deposits	-	(19,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,530)	(127,312)
Common charges payable	(73,706)	73,706
Maintenance revenue received in advance	15,081	7,622
Due to tenant-shareholders, tax abatements	12,285	4,838
Refundable security deposits	(6,250)	15,800
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>385,799</u>	<u>173,504</u>
<u>Cash Flows From Investing Activities</u>		
Additions to building improvements	(20,340)	(84,566)
Building improvements payable	-	(151,173)
<u>Net Cash Provided (Used) By Investing Activities</u>	<u>(20,340)</u>	<u>(235,739)</u>
Net increase (decrease) in cash	365,459	(62,235)
Cash and cash equivalents, beginning of year	506,880	569,115
Cash and cash equivalents, end of year	<u>\$ 872,339</u>	<u>\$ 506,880</u>

Supplemental Disclosure

Cash used during the year for:

Interest	\$ <u>678,900</u>	\$ <u>678,900</u>
Franchise taxes	\$ <u>6,646</u>	\$ <u>7,558</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.

Accounts Receivable - Amounts due from tenant-shareholders are deemed fully collectible by the Corporation. It is the Corporation's policy to retain legal counsel and place liens against tenant-shareholders whose maintenance charges and assessments are in arrears. This policy is strictly enforced after all reasonable collection methods are exhausted. Accordingly, no amount has been established as an allowance for uncollectible accounts.

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.

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 and improvements to the common property. Any excess operating funds at year-end are retained by the Corporation for use in future years.

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. The Corporation has incurred cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. It is not likely that the Corporation will benefit from any deferred tax benefits resulting from prior losses and accordingly no deferred tax assets have been recognized.

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

2. Summary of Significant Accounting Policies (Continued)

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 and does not deem them to be at risk.

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.

3. 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.

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 mortgage requires monthly payments of approximately \$55,800 applied to interest only at the rate of 5.58%. The mortgage is for a period of ten years maturing March 1, 2016 and may only be prepaid, subject to penalty, as defined in the mortgage documents.

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 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 2011 or 2010.

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, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Wages	\$ 188,707	\$ 207,376
Payroll tax expense	20,216	18,225
Employee benefits	114,322	101,125
Gas	-	4,806
Electricity	<u>198,873</u>	<u>227,699</u>
Totals	<u>\$ 522,118</u>	<u>\$ 559,231</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 for a schedule of current capital improvement projects and additional information.

8. Commitments and Contingencies

During 2009, the Corporation entered into a contract for limited exterior waterproofing and restoration of the building's terraces. The total adjusted cost of the contract, exclusive of architectural and engineering fees, was \$175,443. At December 31, 2009 the project was substantially complete and approximately \$25,000 remained to be paid to the contractor. The contract was settled in 2010.

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

8. Commitments and Contingencies (Continued)

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, was \$1,022,314. The project was completed during 2009 and at December 31, 2009 approximately \$65,014 remained to be paid to the contractor. The Corporation funded the project from proceeds from the 2006 mortgage refinancing. (See Note 4) Final payment was remitted during 2010.

The Corporation 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 Directors and management estimate that any such matters would be resolved without a material adverse effect on the Corporation's future financial position or results of operations

9. Increase in Stock Basis

Maintenance fees contributed for the reduction of mortgage principal as well as special assessments for capital improvements are considered contributions to the capitalization of the corporation. These amounts may be added by tenant-shareholders to the basis of investment in their apartments. Recent capital contributions approximated the following:

2011	\$ 10.51	2006	\$ 3.80
2010	8.64	2005	5.17
2009	3.88	2004	5.03
2008	3.39	2003	4.43
2007	3.67	2002	3.91

10. Subsequent Events

The Corporation has evaluated events and transactions that occurred between December 31, 2011 and April 27, 2012, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

SUPPLEMENTARY INFORMATION

300 WEST 23RD STREET OWNERS CORP.
SCHEDULES OF CAPITAL IMPROVEMENTS, REPAIRS AND MAINTENANCE
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Capital Improvements</u>		
Window replacement project:		
Window contractor	\$ -	\$ 8,866
Architect, engineer and supervision	5,593	7,283
Scaffolding and other related costs	-	1,176
	5,593	17,325
Backflow prevention device	7,463	4,350
Local Law 11, Cycle 7 commencement	3,170	3,660
Second floor roof section replacement, net of insurance proceeds	4,114	-
Exterior masonry and waterproofing, terrace restoration	-	29,231
Roof pavers	-	13,560
Superintendent apartment renovations	-	9,798
Storage bins	-	6,642
	\$ 20,340	\$ 84,566
 <u>Repairs and Maintenance</u>		
Janitorial supplies and materials	\$ 21,681	\$ 18,520
Plumbing	18,116	44,453
Painting and plastering, water damage	-	21,933
Doors, locks and windows	1,569	1,430
Exterminating	6,336	5,132
Intercom and electrical	2,472	7,574
Cleaning and housekeeping	1,701	1,960
Floors, carpeting	1,300	3,484
Miscellaneous	2,812	1,615
	\$ 55,987	\$ 106,101