

300 WEST 23RD STREET CONDOMINIUM

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

300 WEST 23RD STREET CONDOMINIUM

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MICHAEL A. ROZYCKI, CPA, PLLC

CERTIFIED PUBLIC ACCOUNTANT

629 FIFTH AVENUE, SUITE 109
PELHAM, NY 10803
Phone 914.654.0663
Fax 914.654.0936

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, 2013 and 2012, 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, 2013 and 2012, 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 8, 2014

Mel A. Zick, CPA PLLC

300 WEST 23RD STREET CONDOMINIUM

BALANCE SHEET

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 202,522	\$ 313,382
Receivables from unit-owners	44,355	13,315
Unexpired insurance premiums	<u>16,186</u>	<u>15,602</u>
Total current assets	263,063	342,299
Receivable, unit-owner	11,872	12,872
Security deposit account	<u>2,455</u>	<u>2,200</u>
Total assets	<u>\$ 277,390</u>	<u>\$ 357,371</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 98,533	\$ 90,217
Common charge revenue received in advance	-	88,991
Refundable security deposit	<u>2,455</u>	<u>2,200</u>
Total current liabilities	100,988	181,408
Commitments and contingencies - Note 6		
MEMBERS' EQUITY		
Members' equity, undesignated	<u>176,402</u>	<u>175,963</u>
Total liabilities and members' equity	<u>\$ 277,390</u>	<u>\$ 357,371</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Residential common charges	\$ 746,528	\$ 669,108
Commercial common charges	129,563	118,605
Lobby office rent	13,700	13,200
Interest income	439	584
	<u>890,230</u>	<u>801,497</u>
Expenses:		
Salaries and wages	324,279	298,479
Payroll tax expense	32,979	27,547
Employee union benefits	52,000	49,664
Workers compensation insurance	16,792	16,005
Uniforms	7,530	5,511
Heating oil	226,465	173,899
Electricity for common areas	18,000	18,000
Supplies	-	616
Repairs and maintenance	25,067	25,902
Elevators	23,492	24,308
Licenses and permits	102	1,515
Insurance	74,453	70,365
Management fee	69,542	69,542
Professional fees	8,400	8,400
Administrative	4,429	3,007
Telephone and communications	5,886	5,305
Franchise taxes	375	427
	<u>889,791</u>	<u>798,492</u>
Net income for the year	439	3,005
Members' Equity:		
Members' equity, beginning of year	175,963	172,958
Members' equity, end of year	<u>\$ 176,402</u>	<u>\$ 175,963</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities</u>		
Net income for the year	\$ 439	\$ 3,005
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Receivables from unit-owners	(30,040)	12,268
Other receivables	-	4,222
Unexpired insurance premiums	(584)	103
Security deposit account	(255)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,316	52,165
Common charge revenue received in advance	(88,991)	(2,760)
Refundable security deposit	255	-
Net increase (decrease) in cash	(110,860)	69,003
Cash, beginning of year	<u>313,382</u>	<u>244,379</u>
Cash, end of year	<u>\$ 202,522</u>	<u>\$ 313,382</u>

Supplemental Cash Flow Disclosure

Cash used for:

Franchise taxes	\$ <u>360</u>	\$ <u>360</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 accounting principles generally accepted in the United States of America ("GAAP") and as 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 2013 and 2012. The Condominium is subject to the New York State franchise tax at prevailing corporate tax rates.

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

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 aggregated \$26,400. In June 2013 the Condominium renewed the lease with the existing tenant for an additional two-year term at \$14,400 annually.

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, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Wages	\$ 187,618	\$ 198,348
Payroll tax expense	19,089	20,176
Employee union benefits	118,935	119,871
Electricity	212,510	193,421
Totals	\$ 538,152	\$ 531,816

5. Funding for 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. 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.

7. Subsequent Events

The Association has evaluated events and transactions that occurred between December 31, 2013 and April 8, 2014 and determined there were no events that would require disclosure or recognition in the financial statements, except as noted herein.

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

8. 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, 2013 and 2012 is outlined in the following table. All information in the table is as of December 31 of the relevant year unless otherwise noted.

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, 2013 and 2012:

Plan Name	Employer Identification Number - Plan Number	PPA Status		FIP/RP Status Pending/ Implemented	Company Contributions		Expiration dates of Collective Bargaining Agreements
		2013	2012		2013	2012	
		Building Service 32BJ Pension Fund	13-1879376-001		Red	Red	
Total contributions to multiemployer pension plans					\$46,641	\$44,575	

Assets contributed to multiemployer pension plans may be used to provide benefits of employment to other participating employers. If a plan employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Corporation withdraws from the plan, it may be required to pay to the plan an amount based upon the underfunded status of the plan (the “withdrawal liability”). The Corporation currently has no intention of withdrawing from the multiemployer plan in which it participates.

The Corporation’s contributions to the plan, as well as the wages it pays its employees, are determined through contract with the Union. The Corporation’s contributions did not exceed more than 5.0% of the total contributions made to the plan by all participating employers.