

300 WEST 23RD STREET CONDOMINIUM

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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.

Pelham, New York
May 24, 2016

Michael A. Rozycki, CPA, PLLC

300 WEST 23RD STREET CONDOMINIUM

BALANCE SHEETS

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash	\$ 301,716	\$ 189,746
Receivables from unit-owners	-	63,276
Unexpired insurance premiums	<u>19,148</u>	<u>19,442</u>
Total current assets	320,864	272,464
Receivable, unit-owner	9,872	10,872
Receivables, other	-	1,200
Security deposit account	<u>1,200</u>	<u>2,480</u>
Total assets	<u>\$ 331,936</u>	<u>\$ 287,016</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 42,871	\$ 123,569
Common charge revenue received in advance	127,248	-
Refundable security deposit	<u>1,200</u>	<u>2,480</u>
Total current liabilities	171,319	126,049
Commitments and contingencies - Note 6		
MEMBERS' EQUITY		
Members' equity, undesignated	<u>160,617</u>	<u>160,967</u>
Total liabilities and members' equity	<u>\$ 331,936</u>	<u>\$ 287,016</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Residential common charges	\$ 690,361	\$ 828,960
Commercial common charges	119,857	144,126
Lobby office rent	14,400	14,400
Other fees	-	1,899
Interest income	103	60
	<u>824,721</u>	<u>989,445</u>
Expenses:		
Salaries and wages	336,347	336,346
Payroll tax expense	31,785	31,785
Employee union benefits	54,000	54,000
Workers compensation insurance	22,360	18,898
Uniforms	7,254	7,560
Heating oil	126,752	206,872
Electricity for common areas	18,000	18,000
Repairs and maintenance	20,441	24,485
Elevators	32,807	38,889
Major repairs and replacements	5,204	93,534
Licenses and permits	-	895
Insurance	80,829	78,865
Management fee	69,542	69,542
Professional fees	9,902	9,853
Administrative	2,820	3,428
Telephone and communications	6,778	6,162
Franchise taxes	250	300
Billing adjustments, prior year	-	5,466
	<u>825,071</u>	<u>1,004,880</u>
Net loss for the year	(350)	(15,435)
Members' Equity:		
Members' equity, beginning of year	<u>160,967</u>	<u>176,402</u>
Members' equity, end of year	<u>\$ 160,617</u>	<u>\$ 160,967</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities</u>		
Net income (loss) for the year	\$ (350)	\$ (15,435)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Receivables from unit-owners	64,276	(17,921)
Other receivables	1,200	(1,200)
Unexpired insurance premiums	294	(3,256)
Security deposit account	1,280	(25)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(80,698)	25,036
Common charge revenue received in advance	127,248	-
Refundable security deposit	(1,280)	25
Net increase (decrease) in cash	111,970	(12,776)
Cash, beginning of year	189,746	202,522
Cash, end of year	\$ <u>301,716</u>	\$ <u>189,746</u>

Supplemental Cash Flow Disclosure

Cash used for:

Franchise taxes	\$ <u>300</u>	\$ <u>375</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 which has been incorporated into the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 972.

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 and the differences could be material.

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 after all reasonable collection methods are exhausted. Accordingly, no amount has been established as an allowance 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 2015 and 2014 and as such is subject to tax on income generated from other than is exempt purpose. The Condominium is subject to New York State franchise taxes at prevailing corporate tax rates.

The Condominium has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 - *Accounting for Uncertainty in Income Taxes*. The Condominium will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authorities. The Condominium continually evaluates changes in the tax law and new authoritative rulings. At present, there are no uncertain tax positions recorded that would have a material impact on the financial statements.

**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. The tenant vacated the space at the end of the lease term, July 31, 2015.

In June 2015, the Condominium entered into a one-year lease term at \$14,400 annually for the lobby office space. The lease commenced August 1, 2015 and ends July 31, 2016.

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 residential unit 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, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Wages	\$ 196,446	\$ 198,355
Payroll tax expense	24,586	18,752
Employee union benefits	135,521	128,108
Electricity	<u>206,636</u>	<u>231,735</u>
Totals	<u>\$ 563,189</u>	<u>\$ 576,950</u>

5. Funding for Future Major Repairs and Replacements

The Association 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 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 funds are required to meet future needs for major repairs and replacements, the Association has the right to increase regular common charges, authorize special assessments, or delay non-essential 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

In general, the Association is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. In any instance we would immediately notify our insurance carrier. 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 occurring between December 31, 2015 and May 24, 2016 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, 2015 and 2014 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, 2015 and 2014:

Plan Name	Employer Identification Number - Plan Number	PPA Status		FIP/RP Status Pending/ Implemented	Company Contributions		Expiration dates of Collective Bargaining Agreements
		2015	2014		2015	2014	
Building Service 32BJ Pension Fund	13-1879376-001	Red	Red	Yes	\$51,295	\$48,051	4/21/14 - 4/20/18
Total contributions to multiemployer pension plans					\$51,295	\$48,051	

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.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

I have audited the financial statements of 300 WEST 23RD STREET CONDOMINIUM as of and for the years ended December 31, 2015 and 2014, and have issued a report thereon dated May 24, 2016 which contained an unmodified opinion on those financial statements. My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Major Repairs and Replacements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Board of Managers and management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects to the financial statements as a whole.

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
May 24, 2016



300 WEST 23RD STREET CONDOMINIUM
SCHEDULE OF MAJOR REPAIRS AND REPLACEMENTS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Major Repairs and Replacements</u>		
Boiler manhole cover rings	\$ 5,204	\$ -
Conversion to # 2 oil and related improvements	<u>-</u>	<u>93,534</u>
Totals	<u>\$ 5,204</u>	<u>\$ 93,534</u>