

**300 WEST 23RD STREET OWNERS CORP.**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2013 AND 2012**

**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.

**Report on the Financial Statements**

I have audited the accompanying financial statements of 300 WEST 23RD STREET OWNERS CORP., 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 Directors 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 OWNERS CORP. 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**

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Capital Improvements and Repairs and Maintenance 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 Directors 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 Corporation 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

Handwritten signature in black ink, reading "Michael J. G. CPA, PLLC". The signature is written in a cursive style with a large initial "M".

**300 WEST 23RD STREET OWNERS CORP.**

**BALANCE SHEET**

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets:		
Cash, operating account	\$ 337,261	\$ 272,259
Cash and cash equivalents , interest bearing	584,276	446,164
Cash designated for real estate taxes	313,386	264,369
Receivables from tenant-shareholders	17,739	55,296
Prepaid expenses	39,971	283
Prepaid common charge expense	<u>-</u>	<u>88,992</u>
Total current assets	<u>1,292,633</u>	<u>1,127,363</u>
Real property, at cost:		
Land	3,663,078	3,663,078
Building	14,652,312	14,652,312
Building improvements	<u>5,664,971</u>	<u>5,525,705</u>
	23,980,361	23,841,095
Less accumulated depreciation	<u>11,656,114</u>	<u>11,130,792</u>
	12,324,247	12,710,303
Other assets:		
Security deposits	110,783	88,775
Investment in NCB stock	120,000	120,000
Unamortized mortgage costs	<u>24,996</u>	<u>36,516</u>
Total assets	<u>\$ 13,872,659</u>	<u>\$ 14,082,957</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 121,076	\$ 33,866
Accrued interest payable	57,660	57,660
Common charges payable	31,466	-
Maintenance revenue received in advance	56,977	55,594
Tax abatement credits due to tenant-shareholders	106,622	98,856
Total current liabilities	<u>373,801</u>	<u>245,976</u>
Other liabilities:		
Mortgage note payable	12,000,000	12,000,000
Refundable security deposits	187,461	160,753
Total liabilities	<u>12,561,262</u>	<u>12,406,729</u>
Commitments and contingencies - Note 8		
<b>STOCKHOLDERS' EQUITY</b>		
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	(11,957,120)	(11,592,289)
Total stockholders' equity	<u>1,311,397</u>	<u>1,676,228</u>
Total liabilities and stockholders' equity	<u>\$ 13,872,659</u>	<u>\$ 14,082,957</u>

See Accompanying Notes to Financial Statements

**300 WEST 23RD STREET OWNERS CORP.**

**STATEMENT OF OPERATIONS**

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Maintenance charges	\$ 3,294,629	\$ 3,228,213
Maintenance assessments	199,192	199,640
Late fees	6,700	4,650
Sublet fees	10,783	26,245
Move-in fees	10,900	6,800
Laundry	18,560	18,800
Transfer fees	32,350	14,080
Storage bins	48,450	40,874
Interest income	1,538	1,258
Real estate tax refund, prior years	-	18,490
Other fees	11,628	9,912
	<u>3,634,730</u>	<u>3,568,962</u>
<b>Expenses:</b>		
Common charges, operating expenses	746,528	669,107
Excess Condominium expenses - Note 5	538,152	531,816
Gas, laundry room	4,399	4,271
Repairs and maintenance	76,773	88,327
Water and sewer charges	91,920	78,741
Insurance	3,685	3,433
Interest expense	678,900	680,760
Real estate taxes	1,254,424	1,236,275
Professional fees	16,641	13,987
Real estate tax certiorari	14,003	14,003
Corporation taxes	10,695	11,383
Administrative expenses	22,081	25,135
Other	4,518	6,714
	<u>3,462,719</u>	<u>3,363,952</u>
<b>Income from operations before depreciation and amortization</b>	172,011	205,010
Depreciation	(525,322)	(524,946)
Amortization	(11,520)	(11,520)
<b>Net income (loss) for the year</b>	\$ <u>(364,831)</u>	\$ <u>(331,456)</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Common Stock</u></b>		
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>
<b><u>Additional Paid-In Capital</u></b>		
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>
<b><u>Additional Paid-In Capital, Treasury Stock</u></b>		
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>
<b><u>Treasury Stock</u></b>		
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>
<b><u>Accumulated Deficit</u></b>		
Balance, beginning of year	\$ (11,592,289)	\$ (11,260,833)
Net income (loss) for the year	<u>(364,831)</u>	<u>(331,456)</u>
Balance, end of year	<u>\$ (11,957,120)</u>	<u>\$ (11,592,289)</u>

See Accompanying Notes to Financial Statements



**300 WEST 23RD STREET OWNERS CORP.**

**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Net income (loss)	\$ (364,831)	\$ (331,456)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	536,842	536,466
(Increase) decrease in assets:		
Receivables from tenant-shareholders	37,557	(24,584)
Prepaid expenses	(39,688)	34
Prepaid common charges	88,992	2,759
Security deposits	(22,008)	(60,620)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(15,568)	(7,143)
Common charges payable	31,466	-
Maintenance revenue received in advance	1,383	13,821
Tax abatement credit due to tenant-shareholders	7,766	(835)
Refundable security deposits	26,708	71,319
<b><u>Net Cash Provided By Operating Activities</u></b>	<u>288,619</u>	<u>199,761</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Additions to building improvements	(139,266)	(99,382)
Building improvements payable	102,778	10,074
<b><u>Net Cash Used By Investing Activities</u></b>	<u>(36,488)</u>	<u>(89,308)</u>
Net increase in cash	252,131	110,453
Cash and cash equivalents, beginning of year	982,792	872,339
Cash and cash equivalents, end of year	\$ <u>1,234,923</u>	\$ <u>982,792</u>

**Supplemental Cash Flow Disclosure**

Cash used during the year for:

Interest	\$ <u>678,900</u>	\$ <u>680,760</u>
Franchise taxes	\$ <u>12,615</u>	\$ <u>13,948</u>

See Accompanying Notes to Financial Statements

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

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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 23<sup>rd</sup> 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 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** - 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.

**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.

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

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**3. Concentration of Credit Risk**

The Corporation maintains deposit accounts at 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.

**4. Mortgage Note Payable and Line of Credit**

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.

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 2013 or 2012.

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. Excess Condominium Expense Reimbursements**

In May 1996, the Condominium 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 agreement, the Corporation is to reimburse the Condominium 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	<u>\$ 538,152</u>	<u>\$ 531,816</u>

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

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**6. Funding for 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.

**7. Adjustments to Tenant-Shareholder 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 their individual basis of investment in their apartments.

Recent capital contributions approximated the following:

2013	\$	5.30	2007	\$	3.67
2012		5.31	2006		3.80
2011		10.51	2005		5.17
2010		8.64	2004		5.03
2009		3.88	2003		4.43
2008		3.39	2002		3.91

**8. Commitments and Contingencies**

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. Subsequent Events**

The Corporation has evaluated events and transactions that occurred between December 31, 2013 and April 8, 2014, 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, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b><u>Capital Improvements</u></b>		
Window replacement project:		
Window contractor	\$ 20,153	\$ 7,722
Architect, engineer and supervision	335	13,739
	20,488	21,461
Radiator traps	102,778	-
Exterior restoration, in progress	12,000	-
Fuel oil conversion, in progress	4,000	-
Backflow prevention device	-	9,350
Storage bins & bike storage spaces	-	27,604
Standpipe piping replacement	-	23,794
Drain line replacement	-	7,032
Hot water return line	-	5,607
Expansion joints	-	4,534
	\$ 139,266	\$ 99,382
 <b><u>Repairs and Maintenance</u></b>		
Janitorial supplies and materials	\$ 20,534	\$ 29,540
Plumbing	31,997	23,260
Doors, locks and windows	2,145	3,970
Exterminating	7,788	15,705
Intercom and electrical	7,720	2,003
Cleaning and housekeeping	-	6,119
Lobby, entry, awning	-	1,600
Miscellaneous	6,589	6,130
	\$ 76,773	\$ 88,327