

300 WEST 23RD STREET OWNERS CORP.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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
May 18, 2015

A handwritten signature in black ink, appearing to read "Michael A. G. CPA, PLLC". The signature is written in a cursive, flowing style.

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash, operating account	\$ 308,697	\$ 337,261
Cash and cash equivalents , interest bearing	1,005,441	584,276
Cash designated for real estate taxes	320,502	313,386
Receivables from tenant-shareholders	22,470	17,739
Prepaid expenses	<u>52,520</u>	<u>39,971</u>
Total current assets	<u>1,709,630</u>	<u>1,292,633</u>
Real property, at cost:		
Land	3,663,078	3,663,078
Building	14,652,312	14,652,312
Building improvements	<u>5,720,791</u>	<u>5,664,971</u>
	24,036,181	23,980,361
Less accumulated depreciation	<u>12,182,823</u>	<u>11,656,114</u>
	11,853,358	12,324,247
Other assets:		
Security deposits	118,846	110,783
Investment in NCB stock	120,000	120,000
Unamortized mortgage costs	<u>13,476</u>	<u>24,996</u>
Total assets	<u>\$ 13,815,310</u>	<u>\$ 13,872,659</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

BALANCE SHEET

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 55,242	\$ 121,076
Accrued interest payable	57,660	57,660
Common charges payable	54,019	31,466
Maintenance revenue received in advance	90,503	56,977
Tax abatement credits due to tenant-shareholders	<u>102,004</u>	<u>106,622</u>
Total current liabilities	359,428	373,801
Other liabilities:		
Mortgage note payable	12,000,000	12,000,000
Refundable security deposits	<u>203,525</u>	<u>187,461</u>
Total liabilities	<u>12,562,953</u>	<u>12,561,262</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	<u>(12,016,160)</u>	<u>(11,957,120)</u>
Total stockholders' equity	<u>1,252,357</u>	<u>1,311,397</u>
Total liabilities and stockholders' equity	<u>\$ 13,815,310</u>	<u>\$ 13,872,659</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

STATEMENT OF OPERATIONS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Maintenance charges	\$ 3,344,320	\$ 3,294,629
Maintenance assessments	243,845	199,192
Late fees	10,989	6,700
Sublet fees	5,479	10,783
Move-in fees	8,100	10,900
Laundry	20,220	18,560
Transfer fees	15,970	32,350
Storage bins	46,690	48,450
Interest income	2,320	1,538
Other fees	11,614	11,628
	<u>3,709,547</u>	<u>3,634,730</u>
Expenses:		
Common charges, operating expenses	828,960	746,528
Excess condominium expenses - Note 5	576,950	538,152
Gas, laundry room	4,788	4,399
Repairs and maintenance	96,595	76,773
Water and sewer charges	124,280	91,920
Insurance	3,725	3,685
Interest expense	678,900	678,900
Real estate taxes	1,299,723	1,254,424
Professional fees	22,812	16,641
Real estate tax certiorari	375	14,003
Corporation taxes	12,452	10,695
Administrative expenses	26,884	22,081
Other	3,398	4,518
	<u>3,679,842</u>	<u>3,462,719</u>
Income from operations before capital assessment, depreciation and amortization	29,705	172,011
Capital assessment	449,484	-
Income before depreciation and amortization	479,189	172,011
Depreciation	(526,709)	(525,322)
Amortization	(11,520)	(11,520)
Net income (loss) for the year	<u><u>\$ (59,040)</u></u>	<u><u>\$ (364,831)</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, 2014 and 2013

	<u>2014</u>	<u>2013</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	\$ (11,957,120)	\$ (11,592,289)
Net income (loss) for the year	<u>(59,040)</u>	<u>(364,831)</u>
Balance, end of year	<u>\$ (12,016,160)</u>	<u>\$ (11,957,120)</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET OWNERS CORP.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities</u>		
Net income (loss)	\$ (59,040)	\$ (364,831)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	538,229	536,842
(Increase) decrease in assets:		
Receivables from tenant-shareholders	(4,731)	37,557
Prepaid expenses	(12,549)	(39,688)
Prepaid common charges	-	88,992
Security deposits	(8,063)	(22,008)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(67,051)	(15,568)
Common charges payable	22,553	31,466
Maintenance revenue received in advance	33,526	1,383
Tax abatement credit due to tenant-shareholders	(4,618)	7,766
Refundable security deposits	16,064	26,708
<u>Net Cash Provided By Operating Activities</u>	<u>454,320</u>	<u>288,619</u>
<u>Cash Flows From Investing Activities</u>		
Additions to building improvements	(55,820)	(139,266)
Building improvements payable	1,217	102,778
<u>Net Cash Used By Investing Activities</u>	<u>(54,603)</u>	<u>(36,488)</u>
Net increase in cash	399,717	252,131
Cash and cash equivalents, beginning of year	1,234,923	982,792
Cash and cash equivalents, end of year	\$ <u>1,634,640</u>	\$ <u>1,234,923</u>

Supplemental Cash Flow Disclosure

Cash used during the year for:

Interest	\$ <u>678,900</u>	\$ <u>678,900</u>
Franchise taxes	\$ <u>9,364</u>	\$ <u>12,615</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 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 subject to Federal income tax pursuant to Subchapter T of the Internal Revenue Code. The Corporation is also subject to New York State franchise tax and New York City general corporation tax on its capital base using special rates available to cooperative housing corporations. 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**

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 may exceed federally insured limits (FDIC). 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

The Corporation's debt consists of a 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 2014 or 2013.

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, as the residential unit owner, 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, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Wages	\$ 198,355	\$ 187,618
Payroll tax expense	18,752	19,089
Employee union benefits	128,108	118,935
Electricity	231,735	212,510
Totals	<u>\$ 576,950</u>	<u>\$ 538,152</u>

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

6. Funding for Future Major Repairs and Replacements, Capital Assessments

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.

The Corporation levied a capital assessment of approximately \$450,000 billed and payable over the 12-month period commencing January 1, 2014 to accumulate funds in anticipation of forthcoming façade masonry restoration and repairs. (See Note 7)

7. Adjustments to Tenant-Shareholder Stock Basis

Maintenance fees contributed for the reduction of mortgage principal, as well as special assessments levied for capital improvement projects, 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:

2014	\$ 18.46	2008	\$ 3.39
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

8. Commitments and Contingencies

In general, 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, 2014 and May 18, 2015, 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Capital Improvements</u>		
Radiator traps	\$ 34,432	\$ 102,778
Exterior restoration, project specifications, in progress	21,388	12,000
Window replacement project:		
Window contractor	-	20,153
Architect, engineer and supervision	-	335
	-	20,488
Fuel oil conversion	-	4,000
	-	4,000
	\$ 55,820	\$ 139,266

<u>Repairs and Maintenance</u>		
Janitorial supplies and materials	\$ 33,552	\$ 20,534
Plumbing	40,815	31,997
Doors, locks and windows	7,509	2,145
Exterminating	5,366	7,788
Intercom and electrical	6,536	7,720
Lobby, entry, awning	1,250	-
Miscellaneous	1,567	6,589
	1,567	6,589
	\$ 96,595	\$ 76,773