

300 WEST 23RD STREET CONDOMINIUM

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 1, 2019



300 WEST 23RD STREET CONDOMINIUM

BALANCE SHEETS

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash, operating account	\$ 121,707	\$ 159,701
Cash, interest bearing accounts	191,153	212,831
Unexpired insurance premiums	34,406	27,989
Deposit on elevator modernization	<u>89,110</u>	<u>-</u>
Total current assets	436,376	400,521
Receivable, unit-owner	6,872	7,872
Security deposit account	<u>1,200</u>	<u>1,200</u>
Total assets	<u>\$ 444,448</u>	<u>\$ 409,593</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 69,803	\$ 77,326
Contractors payable for major repairs and replacements	78,774	-
Common charge revenue received in advance	126,775	169,149
Refundable security deposit	<u>1,600</u>	<u>1,600</u>
Total current liabilities	276,952	248,075

Commitments and contingencies - Note 6

MEMBERS' EQUITY

Members' equity, undesignated	<u>167,496</u>	<u>161,518</u>
Total liabilities and members' equity	<u>\$ 444,448</u>	<u>\$ 409,593</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Residential common charges	\$ 823,228	\$ 766,142
Commercial common charges	142,917	132,898
Lobby office rent	16,700	15,850
Interest income	1,628	721
	984,473	915,611
Expenses:		
Salaries and wages	368,767	355,093
Payroll tax expense	34,848	33,556
Employee union benefits	60,000	57,333
Workers compensation insurance	39,803	35,710
Uniform purchase and maintenance	5,560	7,702
Heat	148,884	140,769
Electricity for common areas	18,000	18,000
Repairs and maintenance	34,434	42,650
Elevator maintenance, inspection, testing and repair	26,927	31,092
Major repairs and replacements	61,799	13,499
Insurance	87,552	85,749
Management fee	70,933	70,933
Professional fees	10,437	9,000
Administrative	7,972	4,748
Telephone and communications	6,729	6,622
Franchise taxes	200	2,434
	982,845	914,890
Net income for the year	1,628	721
Members' Equity:		
Adjustment to accounts payable	4,350	-
Members' equity, beginning of year	161,518	160,797
Members' equity, end of year	\$ 167,496	\$ 161,518

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities</u>		
Net income for the year	\$ 1,628	\$ 721
Adjustments to reconcile net income for the year to net cash provided by operating activities:		
Adjustment to accounts payable	4,350	-
(Increase) decrease in assets:		
Receivables from unit-owners	1,000	1,000
Unexpired insurance premiums	(6,417)	(814)
Deposit on elevator modernization	(89,110)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	71,251	21,386
Common charge revenue received in advance	(42,374)	(8,061)
Refundable security deposit	-	300
Net increase (decrease) in cash	(59,672)	14,532
Cash, beginning of year	372,532	358,000
Cash, end of year	\$ 312,860	\$ 372,532

Supplemental Cash Flow Disclosure

Cash used for:

Franchise taxes	\$ 800	\$ 2,034
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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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as detailed in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Condominium has determined that it meets the definition of a Common Interest Realty Association (CIRA) for accounting purposes and therefore follows the CIRA accounting guidance in ASC 972.

Balance Sheet Classification - The Condominium uses a one-year time period as the basis for classifying current assets and liabilities.

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.

Fair Value of Financial Instruments - Financial instruments include cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses, and other liabilities. The recorded values of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate their fair values based on their short-term nature.

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 2018 and 2017 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 and methods.

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 2015, the Condominium entered into a one-year lease for the lobby office space at the annual rate of \$14,400 commencing August 1, 2015 and ending July 31, 2016. The lease has been renewed each subsequent year with the existing tenant. During both 2018 and 2017, the Condominium renewed the lease with the existing tenant for an additional year at the annual rates of \$17,400 and \$16,200, respectively.

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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Wages	\$ 190,918	\$ 185,900
Payroll tax expense	9,075	9,656
Employee union benefits	144,005	153,184
Electricity	<u>189,968</u>	<u>180,701</u>
Totals	<u>\$ 533,966</u>	<u>\$ 529,441</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 various building systems on a recurrent 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 become available. The effect on future common charge assessments has not been determined at this time.

6. Commitments and Contingencies

During the year ending December 31, 2018, the Association entered into an agreement in the amount of \$530,000 to modernize the building's two passenger elevators. A deposit in the amount of \$53,000 was remitted upon signing the contract. As of December 31, 2018, \$450,500 remained to be paid to the contractor.

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, 2018 and May 1, 2019 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, 2018 and 2017 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, 2018 and 2017:

Plan Name	Employer Identification Number - Plan Number	PPA Status		FIP/RP Status Pending/ Implemented	Company Contributions		Expiration dates of Collective Bargaining Agreements
		2018	2017		2018	2017	
Building Service 32BJ Pension Fund	13-1879376-001	Red	Red	Yes	\$54,663	\$50,585	4/21/18 - 4/20/22
Total contributions to multiemployer pension plans					\$54,663	\$50,585	

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 Corporations contributions did not exceed more than 5.0% of the total contributions made to the plan by all participating employers.

SUPPLEMENTARY INFORMATION

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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, 2018 and 2017, and have issued a report thereon dated May 1, 2019 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 1, 2019



300 WEST 23RD STREET CONDOMINIUM
SCHEDULE OF MAJOR REPAIRS AND REPLACEMENTS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Major Repairs and Replacements</u>		
Oil tank environmental remediation	\$ 50,799	\$ -
Sidewalk masonry repairs	11,000	-
Boiler fire alarm system	-	7,719
Elevator specifications	-	5,780
	<hr/>	<hr/>
Totals	<u>\$ 61,799</u>	<u>\$ 13,499</u>