

300 WEST 23RD STREET CONDOMINIUM

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

300 WEST 23RD STREET CONDOMINIUM

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
300 WEST 23RD STREET CONDOMINIUM

Opinion

We have audited the accompanying financial statements of 300 WEST 23RD STREET CONDOMINIUM, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 300 WEST 23RD STREET CONDOMINIUM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Board of Managers and managing agent (collectively "Management") are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 300 WEST 23RD STREET CONDOMINIUM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 300 WEST 23RD STREET CONDOMINIUM's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 300 WEST 23RD STREET CONDOMINIUM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Major Repairs and Replacements and Repairs and Maintenance are presented for purposes of additional analysis and are not a required part of the 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 audit 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

The Condominium has not presented supplementary information about future 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 missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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. Our opinion on the basic financial statements is not affected by this missing information.

Pelham, New York
May 7, 2024

Thomas J. G. CAPLE

300 WEST 23RD STREET CONDOMINIUM

BALANCE SHEETS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash, operating account	\$ 517,982	\$ 144,530
Cash, interest bearing accounts	6,378	6,122
Receivables from unit-owners	34,780	59,221
Unexpired insurance premiums	10,627	9,967
Prepaid expenses	273	273
Security deposit account	<u>1,950</u>	<u>3,150</u>
Total assets	<u>\$ 571,990</u>	<u>\$ 223,263</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 65,358	\$ 34,386
Contractors payable for major repairs and replacements	22,600	-
Revenue received in advance	314,572	19,170
Refundable security deposit	<u>2,400</u>	<u>3,150</u>
Total liabilities	<u>404,930</u>	<u>56,706</u>
Commitments and Contingencies - Note 6		
MEMBERS' EQUITY		
Members' equity, undesignated	<u>167,060</u>	<u>166,557</u>
Total liabilities and members' equity	<u>\$ 571,990</u>	<u>\$ 223,263</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Residential common charges	\$ 1,207,006	\$ 1,093,904
Commercial common charges	209,621	190,003
Lobby office rent	24,150	22,700
Interest income	504	582
	<u>1,441,281</u>	<u>1,307,189</u>
Expenses:		
Salaries and wages	515,547	444,781
Payroll tax expense	43,822	37,807
Employee union benefits	81,105	69,972
Workers compensation insurance	8,310	22,947
Uniform purchase and maintenance	26,025	7,026
Heat	225,124	230,942
Electricity for common areas	18,000	18,000
Repairs and maintenance	2,422	6,439
Elevator maintenance, inspection, testing and repair	25,687	30,396
Major repairs and replacements	275,028	232,680
Insurance	119,616	109,102
Management fee	79,032	76,760
Professional fees	10,200	10,067
Administrative	4,999	4,478
Telephone and communications	5,861	5,210
	<u>1,440,778</u>	<u>1,306,607</u>
Net operating surplus	503	582
Members' equity, beginning of year	<u>166,557</u>	<u>165,975</u>
Members' equity, end of year	<u>\$ 167,060</u>	<u>\$ 166,557</u>

See Accompanying Notes to Financial Statements

300 WEST 23RD STREET CONDOMINIUM

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities</u>		
Net operating surplus	\$ 503	\$ 582
Adjustments to reconcile net operating surplus to net cash provided by (used in) operating activities:		
<u>(Increase) decrease in assets:</u>		
Receivables from unit-owners	24,441	(26,697)
Unexpired insurance premiums	(660)	(580)
Security deposit account	1,200	-
<u>Increase (decrease) in liabilities:</u>		
Accounts payable and accrued expenses	53,572	(3,847)
Revenue received in advance	295,402	15,232
Refundable security deposit	<u>(750)</u>	<u>-</u>
<u>Net cash provided by (used in) operating activities</u>	<u>373,708</u>	<u>(15,310)</u>
<u>Net increase (decrease) in cash</u>	<u>373,708</u>	<u>(15,310)</u>
Cash, beginning of year	<u>150,652</u>	<u>165,962</u>
Cash, end of year	\$ <u><u>524,360</u></u>	\$ <u><u>150,652</u></u>

Supplemental Cash Flow Disclosure

Cash used for:

Franchise taxes	\$ <u><u>-</u></u>	\$ <u><u>-</u></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 of 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. **Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 7, 2024, the date the financial statements were first available to be issued.

3. **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 (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.

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.

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.

Member Assessments - Association members are subject to monthly common charge assessments to provide funds for the Association's operating expenses. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The Association levies capital assessments and appropriates a percentage of monthly common charges to replenish capital reserves and to provide funds for major repairs and replacements. The performance obligations related to capital assessments are satisfied when those funds are expended for their designated purpose.

Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. It is the Association's policy to retain legal counsel and place liens on the properties of unit owners whose assessments are in arrears after all reasonable collection methods are exhausted. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Managers that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. Assessments receivable from unit owners as of the beginning and end of the year were \$40,050 and \$34,780, respectively.

Contract Liabilities (Assessments Received in Advance) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to a capital assessment. There were no contract liabilities (assessments received in advance) as of the beginning or end of the year.

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

3. Summary of Significant Accounting Policies (continued)

Leases - In February 2016, the FASB established Topic 842 - *Leases* - by issuing Accounting Standards Update No. 2016-02 ("ASU No. 2016-02") that replaces existing lease guidance. Accordingly, the Association follows the new accounting guidance in ASC 842. The Association adopted the new standard effective January 1, 2021. A modified retrospective transition approach was required, applying to all leases existing at the date of initial application.

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 2023 and 2022 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's tax filings are subject to audit by various taxing authorities for the years 2021 through 2023. In evaluating the Condominium's tax provisions and accruals, management believes that its estimates are appropriate based on current facts and circumstances.

The Condominium 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 Condominium will benefit from any deferred tax benefits resulting from prior losses and accordingly no deferred tax assets have been recognized.

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.

4. Concentration of credit risk

The Association maintains deposit accounts at high-quality financial institutions in New York City. From time to time, deposits in these accounts may exceed federally insured limits (FDIC). As of December 31, 2023, the Association had uninsured cash deposits of approximately \$178,000. There was no uninsured cash at December 31, 2022. The Association has not experienced any losses in these accounts and does not deem them to be at risk.

5. Lobby Office Lease

The Association classifies its lease as an operating lease pursuant to ASC 842 - *Leases*. Commencing August 2020, the Condominium entered into a three-year lease for the lobby office space at the annual rate of \$22,200 with a new tenant. During August 2023, the lease was extended for an additional three years from August 1, 2023, to July 31, 2026, starting at an annual rate of \$25,200 with an average 7.0% increase annually.

Future minimum lease payments for the remaining of the lease term are as follows:

December 31,	2024	\$	25,950
	2025		27,750
	2026		16,800

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.

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

7. 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, 2023 and 2022 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, 2023 and 2022:

Plan Name	Employer Identification Number - Plan Number	PPA Status		FIP/RP Status Pending/ Implemented	Company Contributions		Expiration dates of Collective Bargaining Agreements
		2023	2022		2023	2022	
Building Service 32BJ Pension Fund	13-1879376-001	Yellow	Yellow	Yes	\$59,065	\$74,496	4/21/22 - 4/20/26
Total contributions to multiemployer pension plans					\$59,065	\$74,496	

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 Condominium 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 Condominium currently has no intention of withdrawing from the multiemployer plan in which it participates.

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

8. 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 various building systems on a recurrent basis and intends to repair or replace elements of the common property as the need arises.

The Association’s governing documents do not require the accumulation of funds in advance of major repairs and replacements. 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.

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

9. **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, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Wages	\$ 143,975	\$ 205,472
Payroll tax expense	6,632	15,153
Employee union benefits	161,854	177,671
Electricity	<u>202,484</u>	<u>224,663</u>
Totals	<u>\$ 514,945</u>	<u>\$ 622,959</u>

10. **Contractual Obligation**

During the year ending December 31, 2021, the Association entered into a contract in the adjusted total amount of \$616,250, exclusive of architectural and engineering fees, for the installation of two new boiler burner units. The project was still in progress as of December 31, 2023, with approximately \$50,850 remaining to be paid to the contractor.

SUPPLEMENTARY INFORMATION

300 WEST 23RD STREET CONDOMINIUM
SCHEDULE OF MAJOR REPAIRS AND REPLACEMENTS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Major Repairs and Replacements</u>		
Boiler replacement	\$ 262,078	\$ 232,680
Sidewalk section	8,950	-
Local Law 97 Compliance report	<u>4,000</u>	<u>-</u>
Totals	<u>\$ 275,028</u>	<u>\$ 232,680</u>