
260 WEST BROADWAY CONDOMINIUM

Financial Statements for the
Year Ended December 31, 2012

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

260 WEST BROADWAY CONDOMINIUM

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers and Unit-Owners of
260 WEST BROADWAY CONDOMINIUM
260 West Broadway
New York, NY 10013

We have audited the accompanying financial statements of 260 WEST BROADWAY CONDOMINIUM, which comprise the balance sheet (with supporting schedules) as of December 31, 2012, and the related statements of operations (with supporting schedules), changes in members' deficiency, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 260 WEST BROADWAY CONDOMINIUM as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 2, 260 WEST BROADWAY CONDOMINIUM has omitted the supplementary information on future major repairs and replacements of 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, who considers it to be an essential part of 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 the missing information.

Risand, Mellina, Waterleak & Co., LLP

Plainview, New York
April 20, 2013

**260 WEST BROADWAY CONDOMINIUM
BALANCE SHEET
AS OF DECEMBER 31,**

	<u>2012</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 121,900
Accounts receivable	11,216
Prepaid expenses	19,588
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Total Current Assets	152,704
Reserve Fund: (Note 3)	764,975
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Total Current Assets and Reserve Fund	917,679
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Other Assets and Deferred Charges:	
Cash - security deposits	124,097
Deferred loan closing costs (Note 4)	26,708
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Total Other Assets and Deferred Charges	150,805
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Total Assets	\$ 1,068,484
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The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
BALANCE SHEET
AS OF DECEMBER 31,**

2012

LIABILITIES AND MEMBERS' DEFICIENCY

Current Liabilities:

Accrued loan interest	\$	15,125
First loan payable - current portion (Note 4)		174,050
Second loan payable - current portion (Note 4)		236,894
Accounts payable		52,316
Due to unit-owners - real estate tax refunds (Note 5)		37,748
Advance common charges		21,775
Accrued wages and payroll taxes		5,374
		543,282
Total Current Liabilities		543,282

Long-Term and Other Liabilities:

First loan payable - net of current portion (Note 4)		695,853
Second loan payable - net of current portion (Note 4)		971,747
Security deposits payable		129,097
		1,796,697
Total Long-Term and Other Liabilities		1,796,697
Total Liabilities		2,339,979

Members' Deficiency:

Contributed capital		64,433
Fund balance (deficiency)		(1,335,928)
		(1,271,495)
Total Members' Deficiency		(1,271,495)
Total Liabilities and Members' Deficiency	\$	1,068,484

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
SUPPORTING SCHEDULES - BALANCE SHEET
AS OF DECEMBER 31,**

	<u>2012</u>
Accounts Receivable:	
Common charges	\$ 10,626
Accrued interest	590
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Total Accounts Receivable	\$ 11,216
	<hr/> <hr/>
 Prepaid Expenses:	
Insurance	\$ 17,997
Income taxes	1,591
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Total Prepaid Expenses	\$ 19,588
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The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,**

	2012
REVENUE	
Common charges	\$ 695,499
Operating assessment (Note 6)	573,103
Other unit-owner fees	19,487
Laundry income	1,334
	<u>1,289,423</u>
 COST OF OPERATIONS	
Administrative expenses	110,040
Operating expenses	510,063
Repairs and maintenance	78,906
Financial expenses (Note 4)	193,613
Provision for income taxes (Note 2)	1,018
	<u>893,640</u>
 Excess of revenue over expenses before other items and amortization	
	395,783
Interest and dividends	1,887
Special repairs - backflow preventer installation	(26,589)
	<u>371,081</u>
 Excess of revenue over expenses before amortization expense	
	371,081
Less: Amortization expense	4,314
	<u>366,767</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 366,767

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2012</u>
Administrative Expenses:	
Management fee	\$ 51,463
Professional fees	40,861
Other administrative expenses	9,632
Telephone and communications	8,084
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Total Administrative Expenses	\$ 110,040
	<hr/> <hr/>
 Operating Expenses:	
Utilities	
Gas heat	\$ 53,379
Water and sewer	39,859
Electricity and gas	35,482
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	128,720
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Payroll	
Wages	239,976
Health benefits	54,941
Payroll taxes	23,246
Workers' compensation and disability insurance	5,833
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	323,996
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Other	
Insurance	47,650
Miscellaneous operating and permits	9,697
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	57,347
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Total Operating Expenses	\$ 510,063
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The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2012</u>
Repairs and Maintenance:	
Elevator maintenance and repairs	\$ 33,736
Materials and supplies	11,192
Equipment repairs	6,549
Heating, plumbing and boiler	6,318
Exterior repairs	5,677
Exterminating	4,235
Uniforms	3,298
Painting, plastering and flooring	2,124
Rubbish removal and compactor repairs	1,786
Water service	1,742
Doors, locks and windows	1,592
Air conditioning	417
Electrical and intercom	240
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Total Repairs and Maintenance	\$ 78,906
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Financial Expenses:	
First loan interest	\$ 87,871
Second loan interest	105,742
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Total Financial Expenses	\$ 193,613
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The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
STATEMENTS OF CHANGES IN MEMBERS' DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2012</u>
CONTRIBUTED CAPITAL	
Balance - January 1,	\$ 64,433
Transactions during the year	-
Balance - December 31,	<u>\$ 64,433</u>
FUND BALANCE (DEFICIENCY)	
Balance - January 1,	\$ (1,702,695)
Excess of revenue over expenses	<u>366,767</u>
Balance - December 31,	<u>\$ (1,335,928)</u>

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,**

2012

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expenses	\$ 366,767
Adjustments to reconcile excess of revenue over expenses to cash provided by operating activities:	
Amortization expense	4,314
Decrease in accounts receivable	9,878
(Increase) in prepaid expenses	(160)
(Decrease) in accounts payable	(4,488)
Increase in other current liabilities	7,340
Net change in security deposits transactions	(5,720)
	11,164
Total Adjustments	11,164
Cash Provided By Operating Activities	377,931

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) in reserve fund	(346,171)
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CASH FLOWS FROM FINANCING ACTIVITIES

Amortization of first loan payable	(158,421)
Amortization of second loan payable	(218,328)
	(376,749)
Cash (Used) By Financing Activities	(376,749)
Net (decrease) in cash and cash equivalents	(344,989)
Cash and cash equivalents at beginning of year	466,889
	121,900
Cash and Cash Equivalents at End of Year	\$ 121,900

SUPPLEMENTAL DISCLOSURES

Interest paid	\$ 196,356
Income taxes paid - net of refunds	\$ 2,596

The accompanying notes are an integral part of this statement.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 1 - THE ASSOCIATION

260 WEST BROADWAY CONDOMINIUM (the "Condominium") commenced operations during 1982 in accordance with the terms of an offering plan pursuant to Article 9-B of the Real Property Law of the State of New York. The Condominium consists of 52 residential units (prior to combinations) and one commercial unit located at 260 Broadway, New York, New York. The primary purpose of the Condominium is to manage the operations of the Property and maintain the common elements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recognition of Assets

Real property and common areas acquired from the Sponsor and subsequent major repairs or improvements to such property are not recorded in the Condominium's financial statements because those properties are owned by the individual unit-owners in common and not by the Condominium.

Future Major Repairs and Replacements

The Condominium's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. Consistent with general practice in New York City, the Condominium has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Condominium has the right to utilize available cash reserves, increase common charges, implement special assessments, or delay repairs and replacements until funds are available.

Member Assessments and Accounts Receivable Unit-Owners

Unit-owners are subject to monthly assessments to provide funds for the Condominium's operating expenses, future capital acquisitions, and major repairs and replacements. This income is recognized when due and payable. Any excess assessments at year-end are retained by the Condominium for use in future years. Accounts receivable at the balance sheet date represent fees due from unit-owners. The Condominium's policy is to retain legal counsel and place liens on the units of members whose assessments are unreasonably delinquent. The Condominium considers all unit-owner arrears at December 31, 2012 to be collectible. Accordingly, no allowance for doubtful accounts is required.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Condominium associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2012, the Condominium has elected to be taxed as a homeowners' association. As a homeowners' association, the Condominium's non-exempt function income is taxed at a special Federal tax rate.

New York State Franchise tax is calculated at the higher of tax based on net income, capital or prescribed minimum amounts. New York City Unincorporated Business Tax is calculated based on net income.

The Condominium's tax returns for all years since 2009 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Statement of Cash Flows

Cash and cash equivalents are stated at fair value. The Condominium considers all liquid investments (not allocated to the reserve fund) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - RESERVE FUND

During 2012, the following transactions have taken place in the Condominium's reserve fund.

	<u>2012</u>
Balance - January 1,	\$ 418,804
Net transfers from operations	345,000
Interest and dividends - net of bank fees	<u>1,171</u>
Balance - December 31,	<u>\$ 764,975</u>

The reserve fund is stated at fair value and invested as follows:

Certificates of Deposit held at Merrill Lynch*	\$ 345,000
Capital One - Money Market Accounts	290,543
Merrill Lynch - Business Deposit Program	100,366
Reich & Tang - Daily Income Fund - U.S. Treasury Portfolio	<u>29,066</u>
Balance - December 31,	<u>\$ 764,975</u>

* As of December 31, 2012, the Condominium held three certificates of deposit in denominations of less than \$250,000 per banking institution, with maturities ranging from April 17, 2013 through April 21, 2014. Interest rates ranged from 0.40% to 0.65% with a weighted average of approximately 0.52%.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 4 - LOANS PAYABLE

First Loan Payable

During 2002, the Condominium obtained a first loan payable, in the original amount of \$2,000,000, from National Cooperative Bank ("NCB"). The Condominium is required to make monthly payments of \$20,629, applied first to interest at a rate of 9.16% per annum with the balance as a reduction of principal based on a fifteen-year amortization schedule. The loan is self-amortizing and matures on March 1, 2017. The loan may be prepaid in whole after March 1, 2012, subject to the payment of a prepayment fee equal to 1% of the principal amount repaid. No prepayment fee is due within ninety days of the loan's maturity date.

The following principal payments are due during the next five years.

<u>Year</u>	<u>Amount</u>
2013	\$ 174,050
2014	190,920
2015	209,426
2016	229,655
2017	65,852

Second Loan Payable

During 2005, the Condominium obtained a second loan payable, in the original amount of \$2,500,000, from NCB. The Condominium is required to make monthly payments of \$27,130, applied first to interest at a rate of 7.94% per annum with the balance as a reduction of principal based on a twelve-year amortization schedule. The loan is self-amortizing and matures on March 1, 2017. The loan may be prepaid in whole after June 1, 2012, subject to the payment of a yield maintenance penalty as calculated by NCB. No yield maintenance penalty is due within three months of the loan's maturity date.

The following principal payments are due during the next five years.

<u>Year</u>	<u>Amount</u>
2013	\$ 236,894
2014	256,684
2015	278,127
2016	301,271
2017	135,665

The two loans payable are collateralized primarily by the assets of the Condominium including its cash flows.

Closing costs incurred in connection with the Condominium's loans have been deferred and are being amortized over the original life of each obligation on the straight-line basis.

Note 5 - REAL ESTATE TAX MATTERS

On behalf of the unit-owners, the Condominium routinely protests the taxable assessed valuations utilized by New York City for real estate taxation purposes. At December 31, 2012, approximately \$37,700 of previous years' refunds were due to various unit-owners.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 6 - OPERATING ASSESSMENT

In order to generate funds to cover the debt service on the loans payable (Note 4), the Condominium has established an ongoing assessment of \$47,759 per month. It is the Board of Managers' intention to continue this assessment until the loans are satisfied. During 2012, the assessment generated \$573,103.

Note 7 - DEPOSIT INSURANCE ACCOUNTS

The Condominium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Money funds held at Reich & Tang are insured by the Securities Investor Protection Corporation, which protects customers accounts held by its members up to a maximum of \$500,000, including \$250,000 of cash. The Condominium has not experienced any losses in such accounts.

Note 8 - CLAIMS OR LITIGATION

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Condominium's business. In the opinion of management, claims or litigation outstanding against the Condominium as of December 31, 2012 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Condominium.

Note 9 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through April 20, 2013, the date that the financial statements were available to be issued.