
260 WEST BROADWAY CONDOMINIUM

Financial Statements for the
Years Ended December 31, 2013 and 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 sheets (with supporting schedules) as of December 31, 2013 and 2012, and the related statements of operations (with supporting schedules), changes in members' deficiency, and cash flows for the years 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 audits. We conducted our audits 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

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, Unterebach & Co., LLP

Plainview, New York
March 24, 2014

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,198	\$ 121,900
Accounts receivable	26,818	11,216
Prepaid expenses	21,553	19,588
Total Current Assets	64,569	152,704
Reserve Fund: (Note 3)	728,743	764,975
Total Current Assets and Reserve Fund	793,312	917,679
 Other Assets and Deferred Charges:		
Cash - security deposits	114,643	124,097
Deferred loan closing costs (Note 4)	22,394	26,708
Total Other Assets and Deferred Charges	137,037	150,805
Total Assets	\$ 930,349	\$ 1,068,484

The accompanying notes are an integral part of this statement.

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

	2013	2012
LIABILITIES AND MEMBERS' DEFICIENCY		
Current Liabilities:		
Accrued loan interest	\$ 12,133	\$ 15,125
First loan payable - current portion (Note 4)	190,920	174,050
Second loan payable - current portion (Note 4)	256,684	236,894
Due to unit-owners - real estate tax refunds (Note 5)	35,801	37,748
Major repairs and improvement projects payable	30,812	-
Accounts payable	24,463	52,316
Advance common charges	8,139	21,775
Accrued income taxes	2,755	-
Accrued wages and payroll taxes	1,306	5,374
	563,013	543,282
Long-Term and Other Liabilities:		
First loan payable - net of current portion (Note 4)	504,933	695,853
Second loan payable - net of current portion (Note 4)	715,063	971,747
Security deposits payable	119,643	129,097
	1,339,639	1,796,697
Total Liabilities	1,902,652	2,339,979
Members' Deficiency:		
Contributed capital	64,433	64,433
Fund balance (deficiency)	(1,036,736)	(1,335,928)
	(972,303)	(1,271,495)
Total Liabilities and Members' Deficiency	\$ 930,349	\$ 1,068,484

The accompanying notes are an integral part of this statement.

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

	2013	2012
Accounts Receivable:		
Common charges	\$ 26,668	\$ 10,626
Accrued interest	150	590
Total Accounts Receivable	\$ 26,818	\$ 11,216
 Prepaid Expenses:		
Insurance	\$ 21,553	\$ 17,997
Income taxes	-	1,591
Total Prepaid Expenses	\$ 21,553	\$ 19,588

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
REVENUE		
Common charges	\$ 695,499	\$ 695,499
Operating assessment (Note 6)	573,103	573,103
Other unit-owner fees	6,103	19,487
Laundry income	1,219	1,334
	<u>1,275,924</u>	<u>1,289,423</u>
 COST OF OPERATIONS		
Administrative expenses	101,477	110,040
Operating expenses	512,144	510,063
Repairs and maintenance	83,243	78,906
Financial expenses (Note 4)	159,169	193,613
Provision for income taxes (Note 2)	2,558	1,018
	<u>858,591</u>	<u>893,640</u>
 Excess of revenue over expenses before other items, amortization expense and major repairs and improvement projects	 417,333	 395,783
Interest and dividends	2,298	1,887
Prior years' workers' compensation credits	4,365	-
	<u>423,996</u>	<u>397,670</u>
Excess of revenue over expenses before amortization expense and major repairs and improvement projects	 423,996	 397,670
Less: Amortization expense	4,314	4,314
	<u>419,682</u>	<u>393,356</u>
Excess of revenue over expenses before major repairs and improvement projects	 419,682	 393,356
Less: Major repairs and improvement projects (Note 3)	120,490	26,589
	<u>299,192</u>	<u>366,767</u>
EXCESS OF REVENUE OVER EXPENSES	<u><u>\$ 299,192</u></u>	<u><u>\$ 366,767</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2013</u>	<u>2012</u>
Administrative Expenses:		
Management fee	\$ 53,521	\$ 51,463
Professional fees	27,219	40,861
Other administrative expenses	13,733	9,632
Telephone and communications	7,004	8,084
	<u> </u>	<u> </u>
Total Administrative Expenses	<u>\$ 101,477</u>	<u>\$ 110,040</u>
 Operating Expenses:		
Utilities		
Gas heat	\$ 53,100	\$ 53,379
Electricity and gas	37,602	35,482
Water and sewer	37,476	39,859
	<u> </u>	<u> </u>
	128,178	128,720
 Payroll		
Wages	241,529	239,976
Health benefits	58,128	54,941
Payroll taxes	22,334	23,246
Workers' compensation and disability insurance	9,389	5,833
	<u> </u>	<u> </u>
	331,380	323,996
 Other		
Insurance	49,973	47,650
Miscellaneous operating and permits	2,613	9,697
	<u> </u>	<u> </u>
	52,586	57,347
	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$ 512,144</u>	<u>\$ 510,063</u>

The accompanying notes are an integral part of this statement.

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

	2013	2012
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 24,524	\$ 33,736
Exterior repairs	15,440	5,677
Doors, locks and windows	13,887	1,592
Materials and supplies	11,845	11,192
Heating, plumbing and boiler	8,404	6,318
Exterminating	4,050	4,235
Equipment repairs	3,373	6,549
Uniforms	1,698	3,298
Water service	22	1,742
Painting, plastering and flooring	-	2,124
Rubbish removal and compactor repairs	-	1,786
Air conditioning	-	417
Electrical and intercom	-	240
	<u>\$ 83,243</u>	<u>\$ 78,906</u>
	<u>\$ 83,243</u>	<u>\$ 78,906</u>
 Financial Expenses: (Note 4)		
First loan interest	\$ 72,119	\$ 87,871
Second loan interest	87,050	105,742
	<u>\$ 159,169</u>	<u>\$ 193,613</u>
	<u>\$ 159,169</u>	<u>\$ 193,613</u>
 Major Repairs and Improvement Projects:		
Exterior restoration	\$ 108,716	\$ -
Lobby air conditioning	11,774	-
Backflow preventer	-	26,589
	<u>\$ 120,490</u>	<u>\$ 26,589</u>
	<u>\$ 120,490</u>	<u>\$ 26,589</u>

The accompanying notes are an integral part of this statement.

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

	<u>2013</u>	<u>2012</u>
CONTRIBUTED CAPITAL		
Balance - January 1,	\$ 64,433	\$ 64,433
Transactions during the year	-	-
Balance - December 31,	<u>\$ 64,433</u>	<u>\$ 64,433</u>
 FUND BALANCE (DEFICIENCY)		
Balance - January 1,	\$ (1,335,928)	\$ (1,702,695)
Excess of revenue over expenses	299,192	366,767
Balance - December 31,	<u>\$ (1,036,736)</u>	<u>\$ (1,335,928)</u>

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before major repairs and improvement projects	\$ 419,682	\$ 393,356
Adjustments to reconcile excess of revenue over expenses before major repairs and improvement projects to cash provided by operating activities:		
Amortization expense	4,314	4,314
(Increase) decrease in accounts receivable	(15,602)	9,878
(Increase) in prepaid expenses	(1,965)	(160)
(Decrease) in accounts payable	(27,853)	(4,488)
(Decrease) increase in other current liabilities	(19,888)	7,340
Net change in security deposits transactions	-	(5,720)
Total Adjustments	(60,994)	11,164
Cash Provided By Operating Activities	358,688	404,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in reserve fund (Note 3)	36,232	(346,171)
Major repairs and improvement projects	(120,490)	(26,589)
Increase in major repairs and improvement projects payable	30,812	-
Cash (Used) By Investing Activities	(53,446)	(372,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of first loan payable	(174,050)	(158,421)
Amortization of second loan payable	(236,894)	(218,328)
Cash (Used) By Financing Activities	(410,944)	(376,749)
Net (decrease) in cash and cash equivalents	(105,702)	(344,989)
Cash and cash equivalents at beginning of year	121,900	466,889
Cash and Cash Equivalents at End of Year	<u>\$ 16,198</u>	<u>\$ 121,900</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 162,161	\$ 196,356
Income taxes (refunded) paid - net	\$ (1,788)	\$ 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, 2013 to be collectible. Accordingly, no allowance for doubtful accounts is required.

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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, 2013, 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 2010 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 2013 and 2012, the following transactions have taken place in the Condominium's reserve fund.

	<u>2013</u>	<u>2012</u>
Balance - January 1,	\$ 764,975	\$ 418,804
Interest and dividends - net of bank fees	2,615	1,171
Net transfers (to) from operations - excess cash flow (short fall)	-	345,000
Net transfers to operations - major repairs and improvement projects	(38,847)	-
Balance - December 31,	<u>\$ 728,743</u>	<u>\$ 764,975</u>

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

Merrill Lynch - Business and Preferred Deposit Programs	\$ 361,348	\$ 100,366
Capital One - Money Market Accounts	252,395	290,543
Certificates of Deposit held at Merrill Lynch*	115,000	345,000
Reich & Tang - Daily Income Fund - U.S. Treasury Portfolio	-	29,066
Balance - December 31,	<u>\$ 728,743</u>	<u>\$ 764,975</u>

* As of December 31, 2013, the Condominium held a \$115,000 certificate of deposit with an interest rate of 0.65% and a maturity date of April 21, 2014.

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 a prepayment penalty equal to 1% of the principal amount being prepaid. There is no prepayment penalty during the last three months of the loan term.

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

<u>Year</u>	<u>Amount</u>
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 a prepayment penalty based on a yield maintenance premium as defined in the loan documents. There is no prepayment penalty during the last three months of the loan term.

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

<u>Year</u>	<u>Amount</u>
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, 2013, approximately \$35,800 of previous years' refunds were due to various unit-owners.

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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 2013 and 2012, the assessment generated \$573,103 per annum.

Note 7 - DEPOSIT INSURANCE ACCOUNTS

The Condominium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. 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, 2013 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 March 24, 2014, the date that the financial statements were available to be issued.