
260 WEST BROADWAY CONDOMINIUM

Financial Statements

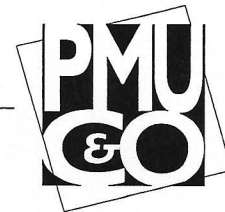
For The Years Ended December 31, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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.

Prisend, Mellina, Unterleek + Co, LLP

Plainview, New York
April 7, 2015

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

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 58,606	\$ 16,198
Accounts receivable	10,439	26,818
Prepaid expenses	30,060	21,553
	<hr/>	<hr/>
Total Current Assets	99,105	64,569
Reserve Fund: (Note 3)	389,328	728,743
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	488,433	793,312
	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Cash - security deposits	132,813	114,643
Deferred loan closing costs (Note 4)	18,080	22,394
	<hr/>	<hr/>
Total Other Assets and Deferred Charges	150,893	137,037
	<hr/>	<hr/>
Total Assets	<u>\$ 639,326</u>	<u>\$ 930,349</u>

The accompanying notes are an integral part of this statement.

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

	<u>2014</u>	<u>2013</u>
LIABILITIES AND MEMBERS' DEFICIENCY		
Current Liabilities:		
Accrued loan interest	\$ 8,872	\$ 12,133
First loan payable - current portion (Note 4)	209,426	190,920
Second loan payable - current portion (Note 4)	278,127	256,684
Due to unit-owners - real estate tax refunds (Note 5)	35,801	35,801
Accounts payable	29,015	24,463
Advance common charges	20,636	8,139
Accrued wages and payroll taxes	2,229	1,306
Accrued income taxes	971	2,755
Major repairs and improvement projects payable	-	30,812
	<hr/>	<hr/>
Total Current Liabilities	585,077	563,013
	<hr/>	<hr/>
Long-Term and Other Liabilities:		
First loan payable - net of current portion (Note 4)	295,507	504,933
Second loan payable - net of current portion (Note 4)	436,936	715,063
Security deposits payable	137,813	119,643
	<hr/>	<hr/>
Total Long-Term and Other Liabilities	870,256	1,339,639
	<hr/>	<hr/>
Total Liabilities	1,455,333	1,902,652
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Members' Deficiency:		
Contributed capital	64,433	64,433
Fund balance (deficiency)	(880,440)	(1,036,736)
	<hr/>	<hr/>
Total Members' Deficiency	(816,007)	(972,303)
	<hr/>	<hr/>
Total Liabilities and Members' Deficiency	\$ 639,326	\$ 930,349
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The accompanying notes are an integral part of this statement.

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

	<u>2014</u>	<u>2013</u>
Accounts Receivable:		
Common charges	\$ 10,439	\$ 26,668
Accrued interest	-	150
	<u>10,439</u>	<u>26,818</u>
Total Accounts Receivable	<u>\$ 10,439</u>	<u>\$ 26,818</u>
Prepaid Expenses:		
Insurance	<u>\$ 30,060</u>	<u>\$ 21,553</u>

The accompanying notes are an integral part of this statement.

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

	<u>2014</u>	<u>2013</u>
REVENUE		
Common charges	\$ 695,499	\$ 695,499
Operating assessment (Note 6)	573,103	573,103
Other unit-owner fees	11,869	6,103
Laundry income	1,962	1,219
	<hr/>	<hr/>
Total Revenue	1,282,433	1,275,924
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	83,826	101,477
Operating expenses	534,031	512,144
Repairs and maintenance	60,265	83,243
Financial expenses (Note 4)	122,239	159,169
Provision for income taxes (Note 2)	81	2,558
	<hr/>	<hr/>
Total Cost Of Operations	800,442	858,591
	<hr/>	<hr/>
Excess of revenue over expenses before other items, amortization expense and major repairs and improvement projects	481,991	417,333
Interest and dividends	1,204	2,298
Prior years' workers' compensation credits	1,814	4,365
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Excess of revenue over expenses before amortization expense and major repairs and improvement projects	485,009	423,996
Less: Amortization expense	4,314	4,314
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Excess of revenue over expenses before major repairs and improvement projects	480,695	419,682
Less: Major repairs and improvement projects (Note 3)	324,399	120,490
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EXCESS OF REVENUE OVER EXPENSES	<u>\$ 156,296</u>	<u>\$ 299,192</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>2014</u>	<u>2013</u>
Administrative Expenses:		
Management fee	\$ 55,662	\$ 53,521
Professional fees	14,124	27,219
Other administrative expenses	7,193	13,733
Telephone and communications	6,847	7,004
	<hr/>	<hr/>
Total Administrative Expenses	\$ 83,826	\$ 101,477
	<hr/> <hr/>	<hr/> <hr/>
 Operating Expenses:		
Utilities		
Gas heat	\$ 46,701	\$ 53,100
Electricity and gas	41,311	37,602
Water and sewer	39,704	37,476
	<hr/>	<hr/>
	127,716	128,178
	<hr/>	<hr/>
Payroll		
Wages	237,767	241,529
Health benefits	68,240	58,128
Payroll taxes	20,411	22,334
Workers' compensation and disability insurance	15,085	9,389
	<hr/>	<hr/>
	341,503	331,380
	<hr/>	<hr/>
Other		
Insurance	57,444	49,973
Miscellaneous operating and permits	7,368	2,613
	<hr/>	<hr/>
	64,812	52,586
	<hr/>	<hr/>
Total Operating Expenses	\$ 534,031	\$ 512,144
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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,**

	2014	2013
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 30,237	\$ 24,524
Equipment repairs	9,041	3,373
Materials and supplies	7,873	11,845
Exterminating	4,181	4,050
Heating, plumbing and boiler	3,712	8,404
Doors, locks and windows	1,573	13,887
Water service	1,418	22
Uniforms	1,277	1,698
Electrical and intercom	953	-
Exterior repairs	-	15,440
	<u>\$ 60,265</u>	<u>\$ 83,243</u>
	<u>\$ 60,265</u>	<u>\$ 83,243</u>
 Financial Expenses: (Note 4)		
First loan interest	\$ 55,115	\$ 72,119
Second loan interest	67,124	87,050
	<u>\$ 122,239</u>	<u>\$ 159,169</u>
	<u>\$ 122,239</u>	<u>\$ 159,169</u>
 Major Repairs and Improvement Projects:		
HVAC upgrade project	\$ 204,393	\$ -
Exterior restoration	120,006	108,716
Lobby air conditioning	-	11,774
	<u>\$ 324,399</u>	<u>\$ 120,490</u>
	<u>\$ 324,399</u>	<u>\$ 120,490</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>2014</u>	<u>2013</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,	\$ (1,036,736)	\$ (1,335,928)
Excess of revenue over expenses	<u>156,296</u>	<u>299,192</u>
Balance - December 31,	<u>\$ (880,440)</u>	<u>\$ (1,036,736)</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,**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before major repairs and improvement projects	\$ 480,695	\$ 419,682
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
Decrease (increase) in accounts receivable	16,379	(15,602)
(Increase) in prepaid expenses	(8,507)	(1,965)
Increase (decrease) in accounts payable	4,552	(27,853)
Increase (decrease) in other current liabilities	8,375	(19,888)
Total Adjustments	25,113	(60,994)
Cash Provided By Operating Activities	505,808	358,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in reserve fund (Note 3)	339,415	36,232
Major repairs and improvement projects	(324,399)	(120,490)
(Decrease) increase in major repairs and improvements payable	(30,812)	30,812
Cash (Used) By Investing Activities	(15,796)	(53,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of first loan payable	(190,920)	(174,050)
Amortization of second loan payable	(256,684)	(236,894)
Cash (Used) By Financing Activities	(447,604)	(410,944)
Net increase (decrease) in cash and cash equivalents	42,408	(105,702)
Cash and cash equivalents at beginning of year	16,198	121,900
Cash and Cash Equivalents at End of Year	\$ 58,606	\$ 16,198
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 125,500	\$ 162,161
Income taxes paid (refunded) - net	\$ 1,865	\$ (1,788)

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.

Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to significant unobservable inputs when market prices are not readily available or are unreliable (Level 3). Generally accepted accounting principles define fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs to the valuation methodology include quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical assets or liabilities, or other significant observable inputs.

Level 3 inputs to the valuation methodology are unobservable inputs for the asset or liability which reflect management's assumptions about the factors market participants would use in determining fair value and are based on the best information available.

As of December 31, 2013, the Corporation had \$115,000 of certificates of deposit valued using Level 2 inputs. See Note 3 for additional information.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014 to be collectible. Accordingly, no allowance for doubtful accounts is required.

Income Taxes

Condominium associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2014, 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 2011 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Statement of Cash Flows

The Condominium considers all highly 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 2014 and 2013, the following transactions have taken place in the Condominium's reserve fund.

	<u>2014</u>	<u>2013</u>
Balance - January 1,	\$ 728,743	\$ 764,975
Interest and dividends - net of bank fees	1,218	2,615
Net transfers to operations - major repairs and improvement projects	(340,633)	(38,847)
Balance - December 31,	<u>\$ 389,328</u>	<u>\$ 728,743</u>

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 3 - RESERVE FUND

The reserve fund is invested as follows:

	<u>2014</u>	<u>2013</u>
Merrill Lynch - Business and Preferred Deposit Programs	\$ 310,687	\$ 361,348
Signature Bank - Money Market Accounts	78,641	-
Capital One - Money Market Accounts	-	252,395
Certificates of Deposit held at Merrill Lynch	<u>-</u>	<u>115,000</u>
Balance - December 31,	<u>\$ 389,328</u>	<u>\$ 728,743</u>

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 three years.

<u>Year</u>	<u>Amount</u>
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 three years.

<u>Year</u>	<u>Amount</u>
2015	\$ 278,127
2016	301,271
2017	135,665

Notes to Financial Statements

Note 4 - **LOANS PAYABLE** (continued)

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, 2014, approximately \$35,800 of previous years' refunds were due to various unit-owners.

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 2014 and 2013, the assessment generated \$573,103 per annum. This assessment is included on the monthly bills of the unit owners as a financial assessment.

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, 2014 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 7, 2015, the date that the financial statements were available to be issued.