
260 WEST BROADWAY CONDOMINIUM

Financial Statements

For The Years Ended December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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, Waterbach & Co., LLP

Plainview, New York
March 23, 2016

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

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 34,452	\$ 58,606
Accounts receivable	28,770	10,439
Prepaid expenses	30,975	30,060
	<hr/>	<hr/>
Total Current Assets	94,197	99,105
Reserve Fund: (Note 3)	625,089	389,328
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	719,286	488,433
	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Cash - security deposits	103,718	132,813
Deferred loan closing costs (Note 2)	10,448	18,080
	<hr/>	<hr/>
Total Other Assets and Deferred Charges	114,166	150,893
	<hr/>	<hr/>
Total Assets	<u>\$ 833,452</u>	<u>\$ 639,326</u>

The accompanying notes are an integral part of this statement.

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

	<u>2015</u>	<u>2014</u>
LIABILITIES AND MEMBERS' DEFICIENCY		
Current Liabilities:		
Accrued loan interest	\$ 7,013	\$ 8,872
Loan payable - current portion (Note 4)	375,705	-
First loan payable - current portion (Note 4)	-	209,426
Second loan payable - current portion (Note 4)	-	278,127
Due to unit-owners - real estate tax refunds (Note 5)	35,801	35,801
Accounts payable	31,696	29,015
Advance common charges	17,584	20,636
Accrued wages and payroll taxes	3,915	2,229
Accrued income taxes	-	971
Total Current Liabilities	471,714	585,077
Long-Term and Other Liabilities:		
Loan payable - net of current portion (Note 4)	1,402,235	-
First loan payable - net of current portion (Note 4)	-	295,507
Second loan payable - net of current portion (Note 4)	-	436,936
Security deposits payable	108,718	137,813
Total Long-Term and Other Liabilities	1,510,953	870,256
Total Liabilities	1,982,667	1,455,333
Members' Deficiency:		
Contributed capital	64,433	64,433
Fund balance (deficiency)	(1,213,648)	(880,440)
Total Members' Deficiency	(1,149,215)	(816,007)
Total Liabilities and Members' Deficiency	\$ 833,452	\$ 639,326

The accompanying notes are an integral part of this statement.

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

	<u>2015</u>	<u>2014</u>
Accounts Receivable:		
Common charges	\$ 28,770	\$ 10,439
	<u> </u>	<u> </u>
Prepaid Expenses:		
Insurance	\$ 30,927	\$ 30,060
	<u> </u>	<u> </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>2015</u>	<u>2014</u>
REVENUE		
Common charges	\$ 695,500	\$ 695,499
Assessment (Note 6)	534,896	573,103
Other unit-owner fees	3,902	11,869
Laundry income	822	1,962
	<hr/>	<hr/>
Total Revenue	1,235,120	1,282,433
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	102,427	83,826
Operating expenses	551,748	534,031
Repairs and maintenance	67,373	60,265
Financial expenses (Note 4)	82,649	122,239
Provision for income taxes (Note 2)	1,412	81
	<hr/>	<hr/>
Total Cost Of Operations	805,609	800,442
	<hr/>	<hr/>
Excess of revenue over expenses before other items, amortization expense and major repairs and improvement projects	429,511	481,991
Prior years' workers' compensation credits	2,170	1,814
Interest and dividends	906	1,204
Make-whole premium payment - loan refinancing (Note 4)	(89,624)	-
	<hr/>	<hr/>
Excess of revenue over expenses before amortization expense and major repairs and improvement projects	342,963	485,009
Less: Amortization expense	19,687	4,314
	<hr/>	<hr/>
Excess of revenue over expenses before major repairs and improvement projects	323,276	480,695
Less: Major repairs and improvement projects (Note 3)	656,484	324,399
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(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	<u>\$ (333,208)</u>	<u>\$ 156,296</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,**

	2015	2014
Administrative Expenses:		
Management fee	\$ 57,888	\$ 55,662
Professional fees	27,266	14,124
Other administrative expenses	10,433	7,193
Telephone and communications	6,840	6,847
	\$ 102,427	\$ 83,826
	\$ 102,427	\$ 83,826
 Operating Expenses:		
Utilities		
Gas - heat	\$ 54,584	\$ 46,701
Water and sewer	43,198	39,704
Electricity and gas	39,071	41,311
	136,853	127,716
	136,853	127,716
Payroll		
Wages	240,481	237,767
Health benefits	63,718	68,240
Payroll taxes	21,353	20,411
Workers' compensation and disability insurance	20,581	15,085
	346,133	341,503
	346,133	341,503
Other		
Insurance	62,619	57,444
Miscellaneous operating and permits	6,143	7,368
	68,762	64,812
	68,762	64,812
Total Operating Expenses	\$ 551,748	\$ 534,031

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,**

	2015	2014
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 26,211	\$ 30,237
Heating, plumbing and boiler	9,759	3,712
Materials and supplies	9,328	7,873
Uniforms	5,710	1,277
Equipment repairs	5,127	9,041
Doors, locks and windows	4,767	1,573
Exterminating	4,181	4,181
Electrical and intercom	1,167	953
Painting and plastering	600	-
Water treatment	523	1,418
	\$ 67,373	\$ 60,265
	\$ 67,373	\$ 60,265
 Financial Expenses: (Note 4)		
Loan interest	\$ 51,080	\$ -
First loan interest	14,131	55,115
Second loan interest	17,438	67,124
	\$ 82,649	\$ 122,239
	\$ 82,649	\$ 122,239
 Major Repairs and Improvement Projects:		
HVAC upgrade project	\$ 520,822	\$ 204,393
Exterior restoration	123,141	120,006
Laundry room	12,521	-
	\$ 656,484	\$ 324,399
	\$ 656,484	\$ 324,399

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>2015</u>	<u>2014</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,	\$ (880,440)	\$ (1,036,736)
(Deficiency) excess of revenue over expenses	(333,208)	156,296
Balance - December 31,	<u>\$ (1,213,648)</u>	<u>\$ (880,440)</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,**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before major repairs and improvement projects	\$ 323,276	\$ 480,695
Adjustments to reconcile excess of revenue over expenses before major repairs and improvement projects to cash provided by operating activities:		
Amortization expense	19,687	4,314
(Increase) decrease in accounts receivable	(18,331)	16,379
(Increase) in prepaid expenses	(915)	(8,507)
Increase in accounts payable	2,681	4,552
(Decrease) increase in other current liabilities	(4,196)	8,375
Total Adjustments	(1,074)	25,113
Cash Provided By Operating Activities	322,202	505,808
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in reserve fund	(235,761)	339,415
Major repairs and improvement projects	(656,484)	(324,399)
(Decrease) in major repairs and improvement projects payable	-	(30,812)
Cash (Used) By Investing Activities	(892,245)	(15,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new loan payable	2,000,000	-
Repayment of former first loan payable	(437,196)	-
Repayment of former second loan payable	(624,734)	-
Amortization of new loan payable	(222,060)	-
Amortization of former first loan payable	(67,737)	(190,920)
Amortization of former second loan payable	(90,329)	(256,684)
(Increase) in deferred loan closing costs	(12,055)	-
Cash Provided (Used) By Financing Activities	545,889	(447,604)
Net (decrease) increase in cash and cash equivalents	(24,154)	42,408
Cash and cash equivalents at beginning of year	58,606	16,198
Cash and Cash Equivalents at End of Year	\$ 34,452	\$ 58,606

SUPPLEMENTAL DISCLOSURES (NOTE 7)

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, borrow or delay repairs and replacements until funds are available.

Deferred Loan Closing Costs

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

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, 2015 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, 2015, 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 2012 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 2015 and 2014, the following transactions have taken place in the Condominium's reserve fund.

	<u>2015</u>	<u>2014</u>
Balance - January 1,	\$ 389,328	\$ 728,743
Excess proceeds from loan refinancing (Note 4)	729,210	-
Interest and dividends - net of bank fees	775	1,218
Net transfers (to) operations primarily to pay for major repairs and improvement projects	(494,224)	(340,633)
Balance - December 31,	<u>\$ 625,089</u>	<u>\$ 389,328</u>

The reserve fund is invested as follows:

Merrill Lynch - Preferred Deposit Program	\$ 546,087	\$ 310,687
Signature Bank - Money Market Accounts	<u>79,002</u>	<u>78,641</u>
Balance - December 31,	<u>\$ 625,089</u>	<u>\$ 389,328</u>

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 4 - LOANS PAYABLE

On April 30, 2015, the Condominium obtained a loan payable, in the original principal amount of \$2,000,000, from City National Bank (the "Lender"). The loan initially required payments of principal in the amount of \$33,333.33 per month plus interest. Per an amendment to the loan agreement dated July 31, 2015, effective August 1, 2015 and commencing with the September 1, 2015 payment, the loan requires equal monthly payments of \$36,987, applied first to interest at a rate of 4.17% per annum with the balance as a reduction of principal based on a five year amortization schedule. The loan is scheduled to mature on April 30, 2020 at which time it will be fully repaid. It is collateralized by all of the Condominium's interests including its cash and reserve accounts, accounts receivable, furniture, fixtures and equipment, common charges and assessments.

The loan may be prepaid in whole or in part, subject to a declining scale prepayment penalty as defined in the loan documents. During the last six months of the term, the loan may be prepaid without penalty.

During the next five years, the following principal payments are required.

<u>Year</u>	<u>Amount</u>
2016	\$ 375,705
2017	392,106
2018	409,009
2019	426,640
2020	174,480

Pursuant to the loan documents, the Condominium must maintain a general operating and replacement reserve account in a minimum amount of 8% of the Condominium's annual common charges. As of December 31, 2015, this amount was approximately \$55,600 and the Condominium had a balance of \$625,089 in the reserve fund (Note 3).

An \$89,624 make-whole premium payment was incurred as part of the refinancing transaction. During 2015, this amount was expensed for both financial reporting and income tax purposes.

Prior to the refinancing, the Condominium had a first loan payable, in the original principal amount of \$2,000,000, with National Cooperative Bank ("NCB"). The Condominium was 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 was self-amortizing and scheduled to mature on March 1, 2017. At closing, the outstanding loan balance of \$437,196 was repaid in full.

Prior to the refinancing, the Condominium had a second loan payable, in the original principal amount of \$2,500,000, with NCB. The Condominium was 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 was self-amortizing and scheduled to mature on March 1, 2017. At closing, the outstanding loan balance of \$624,734 was repaid in full.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

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. As of December 31, 2015, \$35,801 of prior years' refunds were due to various unit-owners.

Note 6 - ASSESSMENT

In order to generate funds to cover the debt service on the loans payable (Note 4), the Condominium previously established an ongoing assessment of \$47,759 per month. During September 2015, the Condominium's ongoing assessment was reduced by 20% to \$38,207 per month. It is the Board of Managers' intention to continue this assessment until the loan payable is satisfied. During 2015 and 2014, the assessment generated \$534,896 and \$573,103, respectively. This assessment is included on each unit-owner's monthly bill as a financial assessment.

Note 7 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2015</u>	<u>2014</u>
Interest paid (includes prepayment penalty during 2015)	\$ 174,131	\$ 125,500
Income taxes paid - net of refunds	\$ 2,431	\$ 1,865

Note 8 - 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 due to concentration of credit risk in such accounts.

Note 9 - 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, 2015 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 10 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through March 23, 2016, the date that the financial statements were available to be issued.