260 WEST BROADWAY CONDOMINIUM

Financial Statements
For The Years Ended December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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.

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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.

Lesnard, Mellon, Unterlach & Co, LLP

Plainview, New York
April 2, 2018

260 WEST BROADWAY CONDOMINIUM
BALANCE SHEETS
AS OF DECEMBER 31,

		2017		2016
ASSETS				
Current Assets:				
Cash and cash equivalents	$	264,113	$	17,781
Accounts receivable		12,942		3,498
Prepaid expenses		38,992		30,705
Total Current Assets		316,047		51,984
Reserve Funds: (Note 3)				
Capital reserve fund		257,391		411,233
HVAC replacement reserve fund		45,039		6,896
Total Reserve Funds		302,430		418,129
Other Assets:				
Cash - security deposits		84,629		84,508
Total Assets	$	703,106	$	554,621

The accompanying notes are an integral part of this statement.

260 WEST BROADWAY CONDOMINIUM
BALANCE SHEETS
AS OF DECEMBER 31,

	2017	2016
LIABILITIES AND MEMBERS' DEFICIENCY		
Current Liabilities:		
Accrued loan interest	$ 3,627	$ 5,035
First loan payable - current portion (Note 4)	409,009	392,106
Second loan payable - current portion (Note 4)	117,451	-
Accounts payable	119,600	119,331
Due to unit owners - real estate tax refunds (Note 5)	35,801	35,801
Advance common charges	24,906	20,953
Accrued wages and payroll taxes	5,093	4,469
Total Current Liabilities	715,487	577,695
Long-Term and Other Liabilities:		
First loan payable - net of current portion (Note 4)	601,120	1,010,129
Second loan payable - net of current portion (Note 4)	532,549	-
Unamortized debt issuance costs (Note 2)	(5,626)	(8,037)
Net Long-Term Debt	1,128,043	1,002,092
Security deposits payable	89,629	89,508
Total Long-Term and Other Liabilities	1,217,672	1,091,600
Total Liabilities	1,933,159	1,669,295
Members' Deficiency:		
Contributed capital	64,433	64,433
Fund balance (deficiency)	(1,294,486)	(1,179,107)
Total Members' Deficiency	(1,230,053)	(1,114,674)
Total Liabilities and Members' Deficiency	$ 703,106	$ 554,621

The accompanying notes are an integral part of this statement.

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

		2017		2016
Accounts Receivable:				
Workers' compensation credit receivable	$	9,378	$	-
Common charges (net of allowance for doubtful accounts of $107,246 in 2017 and $107,246 in 2016) (Notes 2 and 7)		3,564		3,498
Total Accounts Receivable	$	12,942	$	3,498
Prepaid Expenses:				
Insurance	$	36,513	$	27,609
Service contracts		1,452		1,452
Income taxes		1,027		1,644
Total Prepaid Expenses	$	38,992	$	30,705

The accompanying notes are an integral part of this statement.

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

	2017	2016
REVENUE		
Common charges	$ 747,662	$ 695,500
Assessment (Note 6)	458,482	458,482
HVAC system charges	42,660	23,372
Other unit-owner fees	22,731	49,621
Laundry income	1,652	2,019
Total Revenue	1,273,187	1,228,994
COST OF OPERATIONS		
Administrative expenses	140,064	114,779
Operating expenses	588,622	562,197
Repairs and maintenance	69,821	72,423
Financial expenses	58,114	68,569
Provision for (refund of) income taxes (Note 2)	1,559	(1,303)
Total Cost of Operations	858,180	816,665
Excess of revenue over expenses before other items and major repairs and improvement projects	415,007	412,329
Prior year's workers' compensation credits	9,378	8,647
Interest and dividends	1,516	880
Bad debt expense (Note 7)	-	(107,246)
Excess of revenue over expenses before major repairs and improvement projects	425,901	314,610
Major repairs and improvement projects (Note 3)	(541,280)	(280,070)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ (115,379)	$ 34,540

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,

	2017	2016
Administrative Expenses:		
Management fee	$ 62,612	$ 60,204
Professional fees	55,406	34,844
Other administrative expenses	16,465	13,178
Telephone and communications	5,581	6,553
Total Administrative Expenses	$ 140,064	$ 114,779
Operating Expenses:		
Utilities		
Gas - heat	$ 63,259	$ 55,000
Electricity and gas	48,386	55,837
Water and sewer	33,505	46,556
	145,150	157,393
Payroll		
Wages	264,320	232,104
Health benefits	58,442	64,024
Payroll taxes	21,963	20,070
Workers' compensation and disability insurance	16,490	16,555
	361,215	332,753
Other		
Insurance	73,464	65,657
Miscellaneous operating and permits	8,793	6,394
	82,257	72,051
Total Operating Expenses	$ 588,622	$ 562,197

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,

		2017		2016
Repairs and Maintenance:				
Elevator maintenance and repairs	$	24,860	$	26,115
Exterminating		10,381		4,644
Equipment repairs		8,465		849
HVAC maintenance and repairs		7,238		7,209
Materials and supplies		6,391		6,213
Doors, locks and windows		4,700		-
Uniforms		3,623		3,259
Heating, plumbing and boiler		3,558		10,687
Electrical and intercom		588		4,972
Water treatment		17		597
Painting and plastering		-		4,748
Exterior repairs		-		3,130
Total Repairs and Maintenance	$	69,821	$	72,423

		2017		2016
Financial Expenses:				
First loan interest (Note 4)	$	50,326	$	66,158
Second loan interest (Note 4)		5,377		-
Amortization of debt issuance costs (Note 2)		2,411		2,411
Total Financial Expenses	$	58,114	$	68,569

		2017		2016
Major Repairs and Improvement Projects:				
HVAC upgrade projects	$	454,278	$	9,725
Roof furniture		48,529		-
Basement area maintenance		29,745		-
Lighting upgrade - common areas		5,706		-
Exterior restoration		3,022		220,498
Gym equipment		-		24,479
Laundry room		-		17,638
Wood floor replacement		-		7,730
Total Major Repairs and Improvement Projects	$	541,280	$	280,070

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,

	2017	2016
CONTRIBUTED CAPITAL		
Balance - January 1,	$ 64,433	$ 64,433
Transactions during the year	-	-
Balance - December 31,	$ 64,433	$ 64,433
FUND BALANCE (DEFICIENCY)		
Balance - January 1,	$ (1,179,107)	$ (1,213,647)
(Deficiency) excess of revenue over expenses	(115,379)	34,540
Balance - December 31,	$ (1,294,486)	$ (1,179,107)

The accompanying notes are an integral part of this statement.

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before major repairs and improvement projects	$ 425,901	$ 314,610
Adjustments to reconcile excess of revenue over expenses before major repairs and improvement projects to cash provided by operating activities:		
Amortization of debt issuance costs	2,411	2,411
(Increase) decrease in accounts receivable	(9,444)	25,272
(Increase) decrease in prepaid expenses	(8,287)	269
Increase in accounts payable	269	87,635
Increase in other current liabilities	3,169	1,945
Total Adjustments	(11,882)	117,532
Cash Provided By Operating Activities	414,019	432,142
CASH FLOWS FROM INVESTING AND OTHER ACTIVITIES		
Decrease in capital reserve fund	153,842	213,856
(Increase) in HVAC replacement reserve fund	(38,143)	(6,896)
Major repairs and improvement projects	(541,280)	(280,070)
Cash (Used) By Investing And Other Activities	(425,581)	(73,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of first loan payable	(392,106)	(375,705)
Proceeds from second loan payable	650,000	-
Cash Provided (Used) By Financing Activities	257,894	(375,705)
Net increase (decrease) in cash and cash equivalents	246,332	(16,673)
Cash and cash equivalents at beginning of year	17,781	34,454
Cash and Cash Equivalents at End of Year	$ 264,113	$ 17,781
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 57,111	$ 68,135
Income taxes paid - net of refunds	$ 942	$ 293

The accompanying notes are an integral part of this statement.

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 accordance 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.

Reclassification of Accounts

Certain 2016 accounts have been reclassified to conform to the 2017 report presentation. Such reclassifications had no effect on the previously reported excess of revenue over expenses for the year.

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.

Debt Issuance Costs

In accordance with FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs related to a recognized debt liability are required to be presented in the accompanying balance sheets as a direct deduction from the carrying amount of the debt liability. Previously, such costs had been reported as an asset on the Condominium's balance sheets. This change is effective for the 2017 financial statements with retroactive adjustment made to the 2016 financial statements. Debt issuance costs are being amortized over the life of the related debt obligation on the straight-line basis. The amortization of debt issuance costs is reported as a financial expense in the Statements of Operations.

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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. Accounts receivable at the balance sheet date represent past due amounts from unit-owners based on the collectability of accounts receivable. As of December 31, 2017, past due balances are stated at the estimated net realizable value. See Note 7 for additional information.

Income Taxes

Condominium associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2017, the Condominium has elected to be taxed as a homeowners' association. As a homeowners' association, the Condominium's net 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 non-exempt function income, capital base or prescribed minimum amounts. New York City Unincorporated Business Tax is calculated based on net non-exempt function income.

The Condominium's tax returns for all years since 2014 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 funds) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - **RESERVE FUNDS**

Capital Reserve Fund

During 2017 and 2016, the following transactions have taken place in the Condominium's capital reserve fund.

	2017	2016
Balance - January 1,	$ 411,233	$ 625,089
Interest and dividends - net of bank fees	1,392	754
Net transfers (to) operations primarily to pay for major repairs and improvement projects	(155,234)	(214,610)
Balance - December 31,	$ 257,391	$ 411,233

Note 3 - **RESERVE FUNDS** (continued)

Capital Reserve Fund (continued)

The capital reserve fund is invested as follows:

	2017	2016
Merrill Lynch - Preferred Deposit Program	$ 202,132	$ 331,231
Signature Bank - Money Market Accounts	55,259	80,002
Balance - December 31,	$ 257,391	$ 411,233

HVAC Replacement Reserve Fund

During 2016, the Board of Managers established an HVAC Replacement Reserve Fund in order to provide a capital fund for future replacement of the HVAC System equipment and infrastructure that the Condominium owns and to which certain apartment owners are connected (the "HVAC System Subscribers"). This HVAC Replacement Reserve Fund holds contributions charged to each HVAC Subscriber on a monthly basis, which are in addition to their monthly common charges. The HVAC Replacement Reserve Fund contribution is calculated by the Board of Managers as the present value of $2,000/ton of capacity assumed future replacement cost with a 20 year estimated useful life for the equipment and a 2% annual interest rate.

Prior to HVAC Phase II commissioning (in early 2018), the HVAC System has 96.5 tons of subscribed capacity and under the above calculations, the annual contribution from subscribers to the HVAC Replacement Reserve Fund is approximately $7,600.

During 2017 and 2016, the following transactions have taken place.

	2017	2016
Balance - January 1,	$ 6,896	$ -
Transfers from owners for facade penetration repairs *	20,426	-
Additional transfers from operating accounts	10,189	-
Monthly funding	7,593	6,960
Bank charges	(65)	(64)
Balance - December 31,	$ 45,039	$ 6,896

The HVAC Replacement Reserve Fund is held in a money market account at Merrill Lynch.

* Certain HVAC Phase I and Phase II Owners paid for the cost of facade penetration remediation to restore the building facade from penetrations that were part of legacy HVAC systems installed by these owners. As per their HVAC System Agreement, these Owners were required to remediate these facade penetrations. The Board of Mangers supervised this repair project and took funds into escrow from these Owners.

Note 4 - **LOANS PAYABLE**

First Loan 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 amortized. 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 three years, the following principal payments are required.

Year	Amount
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, 2017, this amount was approximately $59,800 and the Condominium had a balance of $257,391 in the capital reserve fund (Note 3).

Second Loan Payable

On July 31, 2017, the Condominium obtained a second loan payable, in a maximum draw amount of $1,000,000, from the Lender. Proceeds from this facility may be used only to pay for improvements to the Property. Per an amendment to the loan agreement dated December 11, 2017, the second loan payable has a five and one-half year term, which matures on December 31, 2022, with advances permitted during the first five months through December 31, 2017 (the "Draw Period"). The loan 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. As of December 31, 2017, the end of the Draw Period, the second loan payable had an outstanding balance of $650,000.

During the Draw Period, the loan required payments of interest only at a rate equal to the Prime Rate plus 0.25% per annum. As of December 31, 2017 (commencing with the January 31, 2018 payment), the loan requires sixty monthly payments of $12,256, applied first to interest at a rate of 4.90% with the balance as a reduction of principal to fully amortize the $650,000 of drawn loan proceeds over a five year period through December 31, 2022.

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.

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

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

Year	Amount
2018	$ 117,451
2019	123,420
2020	129,637
2021	136,283
2022	143,209

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, 2017, $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 its first loan 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 to $38,207 per month. It is the Board of Managers' intention to continue this assessment until the loan payable is satisfied. During 2017 and 2016, the assessment generated $458,482, per annum. During 2018, the assessment was increased to $50,433 per month in order to pay debt service on the Condominium's first loan and new second loan payable (Note 4). This assessment is included on each unit-owner's monthly bill as a financial assessment.

Note 7 - **OTHER MATTER**

During 2016, the Board of Managers deemed $107,246 of current and prior year common charges and fees related to one unit-owner to be uncollectible. This amount has been recorded in the accompanying financial statements as a bad debt expense.

Note 8 - **DEPOSIT INSURANCE ACCOUNTS**

The Condominium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2017, the Condominium held approximately $69,000 of cash in excess of 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, 2017 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 April 2, 2018, the date that the financial statements were available to be issued.