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**260 WEST BROADWAY CONDOMINIUM**

Financial Statements

For The Years Ended December 31, 2021 and 2020

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

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# 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

### **Opinion**

We have audited the accompanying financial statements of 260 WEST BROADWAY CONDOMINIUM, which comprise the balance sheets (with supporting schedules) as of December 31, 2021 and 2020, and the related statements of revenues and expenses (with supporting schedules), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 260 WEST BROADWAY CONDOMINIUM as of December 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 260 WEST BROADWAY CONDOMINIUM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 260 WEST BROADWAY CONDOMINIUM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 260 WEST BROADWAY CONDOMINIUM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 260 WEST BROADWAY CONDOMINIUM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Omission of Required Supplementary Information about Future Major Repairs and Improvement Projects**

As discussed in Note 2, 260 WEST BROADWAY CONDOMINIUM has omitted the supplementary information on future major repairs and improvement projects 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, which considers it to be an essential part of financial reporting and 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 this missing information.

*Risand, Mellina, Unterbach + Co, LLP*

Plainview, New York  
April 28, 2022

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

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 78,853	\$ 240,932
Accounts receivable	7,044	22,230
Prepaid expenses	40,114	38,222
	<u>126,011</u>	<u>301,384</u>
<b>Total Current Assets</b>		
<b>Reserve Funds: (Note 3)</b>		
Capital reserve fund	513,830	294,802
HVAC replacement reserve fund	39,773	9,231
	<u>553,603</u>	<u>304,033</u>
<b>Total Reserve Funds</b>		
<b>Other Assets:</b>		
Cash - security deposits	241,738	177,576
Utility deposit - Con Edison	-	1,320
	<u>241,738</u>	<u>178,896</u>
<b>Total Other Assets</b>		
<b>Total Assets</b>	<u><u>\$ 921,352</u></u>	<u><u>\$ 784,313</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Second loan payable - current portion (Note 4)	\$ 143,209	\$ 136,283
Accounts payable	137,306	69,175
Due to unit owners - real estate tax refunds (Note 5)	35,801	35,801
Advance common charges	20,804	21,983
Accrued wages and payroll taxes	4,122	4,304
Total Current Liabilities	<u>341,242</u>	<u>267,546</u>
<b>Long-Term and Other Liabilities:</b>		
Second loan payable - net of current portion (Note 4)	-	143,209
Net Long-Term Debt	-	143,209
Security deposits payable	246,738	182,576
Deferred revenue from special assessment (Notes 2 and 6)	30,594	70,521
Total Long-Term and Other Liabilities	<u>277,332</u>	<u>396,306</u>
Total Liabilities	<u>618,574</u>	<u>663,852</u>
<b>Members' Equity:</b>		
Contributed capital	64,433	64,433
Fund balance	238,345	56,028
Total Members' Equity	<u>302,778</u>	<u>120,461</u>
Total Liabilities and Members' Equity	<u><u>\$ 921,352</u></u>	<u><u>\$ 784,313</u></u>

The accompanying notes are an integral part of this statement.

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

	2021	2020
<b>Accounts Receivable:</b>		
Common charges (Note 2)	\$ 7,044	\$ 18,011
Due from vendor	-	4,219
Total Accounts Receivable	\$ 7,044	\$ 22,230
 <b>Prepaid Expenses:</b>		
Insurance	\$ 37,006	\$ 36,770
Income taxes	1,656	-
Service contracts	1,452	1,452
Total Prepaid Expenses	\$ 40,114	\$ 38,222

The accompanying notes are an integral part of this statement.

**260 WEST BROADWAY CONDOMINIUM  
STATEMENTS OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Common charges	\$ 1,058,466	\$ 1,058,466
Assessment - debt service (Note 6)	147,910	314,702
HVAC system charges	26,506	20,740
Other unit-owner fees	17,044	16,566
	<hr/>	<hr/>
Total Revenues	1,249,926	1,410,474
	<hr/>	<hr/>
<b>EXPENSES</b>		
Administrative expenses	119,442	109,904
Operating expenses	850,481	715,856
Repairs and maintenance	86,789	73,997
Financial expenses	10,794	19,314
Provision for income taxes (Note 2)	294	2,169
	<hr/>	<hr/>
Total Expenses	1,067,800	921,240
	<hr/>	<hr/>
<b>Excess of revenues over expenses before other items, special assessments and major repairs and improvement projects</b>	182,126	489,234
Interest and dividends	191	554
Common charge adjustment (Note 8)	-	2,595
	<hr/>	<hr/>
<b>Excess of revenues over expenses before special assessments and major repairs and improvement projects</b>	182,317	492,383
Special assessments - net of deferral (Notes 2 and 6)	104,928	32,249
Major repairs and improvement projects (Note 3)	(104,928)	(53,861)
	<hr/>	<hr/>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 182,317</u>	<u>\$ 470,771</u>

The accompanying notes are an integral part of this statement.



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

	<u>2021</u>	<u>2020</u>
<b>Administrative Expenses:</b>		
Management fee	\$ 73,247	\$ 70,430
Professional fees	21,213	16,384
Other administrative expenses	18,542	16,149
Telephone and communications	6,440	6,941
	<u>        </u>	<u>        </u>
Total Administrative Expenses	<u>\$ 119,442</u>	<u>\$ 109,904</u>
<b>Operating Expenses:</b>		
Utilities		
Gas - heat	\$ 108,437	\$ 65,914
Electricity and gas	67,526	45,720
Water and sewer	28,744	25,145
	<u>        </u>	<u>        </u>
	204,707	136,779
	<u>        </u>	<u>        </u>
Payroll		
Wages	345,697	315,809
Union benefits (Note 7)	143,080	120,181
Payroll taxes	30,761	27,306
Workers' compensation and disability insurance	18,751	25,736
	<u>        </u>	<u>        </u>
	538,289	489,032
	<u>        </u>	<u>        </u>
Other		
Insurance	92,432	81,555
Miscellaneous operating and permits	15,053	8,490
	<u>        </u>	<u>        </u>
	107,485	90,045
	<u>        </u>	<u>        </u>
Total Operating Expenses	<u>\$ 850,481</u>	<u>\$ 715,856</u>

The accompanying notes are an integral part of this statement.

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

	<b>2021</b>	<b>2020</b>
<b>Repairs and Maintenance:</b>		
Elevator maintenance and repairs	\$ 27,652	\$ 26,789
HVAC maintenance and repairs	19,668	9,603
Equipment	16,176	8,891
Materials and supplies	7,376	16,982
Heating, plumbing and boiler	6,665	3,107
Exterminating	4,436	4,377
Painting and plastering	2,850	-
Doors, locks and windows	1,533	2,688
Water treatment	433	530
Electrical and intercom	-	588
Uniforms	-	442
Total Repairs and Maintenance	\$ 86,789	\$ 73,997
 <b>Financial Expenses:</b>		
Second loan interest (Note 4)	\$ 10,794	\$ 17,440
First loan interest (Note 4)	-	1,070
Amortization of debt issuance costs (Note 2)	-	804
Total Financial Expenses	\$ 10,794	\$ 19,314
 <b>Major Repairs and Improvement Projects:</b>		
Exterior upgrade	\$ 63,621	\$ -
Elevator upgrade	41,307	-
Flood mitigation	-	32,249
Plumbing upgrades	-	21,612
Total Major Repairs and Improvement Projects	\$ 104,928	\$ 53,861

The accompanying notes are an integral part of this statement.

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

	2021	2020
<b>CONTRIBUTED CAPITAL</b>		
Balance - January 1,	\$ 64,433	\$ 64,433
Transactions during the year	-	-
Balance - December 31,	\$ 64,433	\$ 64,433
<b>FUND BALANCE</b>		
Balance - January 1,	\$ 56,028	\$ (414,743)
Excess of revenue over expenses	182,317	470,771
Balance - December 31,	\$ 238,345	\$ 56,028

The accompanying notes are an integral part of this statement.

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

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses before special assessments and major repairs and improvement projects	\$ 182,317	\$ 492,383
<b>Adjustments to reconcile excess of revenues over expenses before special assessments and major repairs and improvement projects to cash provided by operating activities:</b>		
Amortization of debt issuance costs	-	804
Decrease in accounts receivable	15,186	2,528
(Increase) decrease in prepaid expenses	(1,892)	12,677
Increase (decrease) in accounts payable	68,131	(20,135)
(Decrease) in other current liabilities	(1,361)	(12,730)
Decrease in utility deposit	1,320	-
Total Adjustments	81,384	(16,856)
Cash Provided By Operating Activities	263,701	475,527
<b>CASH FLOWS FROM INVESTING AND OTHER ACTIVITIES</b>		
(Increase) in capital reserve fund	(219,028)	(86,134)
(Increase) decrease in HVAC replacement reserve fund	(30,542)	19,945
(Decrease) increase in deferred revenue from special assessment	(39,927)	59,835
Special assessments - net of deferral	104,928	32,249
Major repairs and improvement projects	(104,928)	(53,861)
Cash (Used) By Investing And Other Activities	(289,497)	(27,966)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of former first loan payable	-	(174,480)
Amortization of second loan payable	(136,283)	(129,637)
Cash (Used) By Financing Activities	(136,283)	(304,117)
Net (decrease) increase in cash and cash equivalents	(162,079)	143,444
Cash and cash equivalents at beginning of year	240,932	97,488
Cash and Cash Equivalents at End of Year	\$ 78,853	\$ 240,932
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 10,794	\$ 19,136
Income taxes paid - net of refunds	\$ 1,950	\$ 2,750

The accompanying notes are an integral part of this statement.

## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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#### 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **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, 2021, \$299,966 of the Condominium's investments in certificates of deposit were valued using Level 2 inputs. See Note 3 for additional information.

## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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

##### **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 Improvement Projects**

The Condominium's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and improvement projects. 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 improvement projects that may be required. When funds are required for major repairs and improvement projects, 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. 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 Revenues and Expenses.

##### **Revenue Recognition and Accounts Receivable**

In accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, the Condominium recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Condominium expects to be entitled in exchange for those goods or services.

Members are subject to monthly common charges and operating assessments based on their respective ownership in order to provide funds for the Condominium's operating expenses. Such amounts are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Condominium's performance obligations related to its common charges and operating assessments are satisfied over time on a daily pro-rata basis. Special assessments, if any, provide funds for the Condominium's major repairs and improvements projects and to replenish the capital reserve fund. The performance obligations related to special assessments are satisfied when the funds are expended for their designated purpose.

Common charges and assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the members. The Condominium's policy is to retain legal counsel and place liens on the units of members whose assessments are unreasonably delinquent. Any excess assessments at year end are retained by the Condominium for use in future years. As of December 31, 2021 and 2020, the Condominium's accounts receivable from members were \$7,044 and \$18,011, respectively. Based upon past experience and other factors, the Condominium considers all accounts receivable at December 31, 2021 to be collectible. Accordingly, no allowance for doubtful accounts is required.

## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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

##### Deferred Revenue (Contract Liability) From Special Assessments Received In Advance

The Condominium recognizes special assessment revenue from members as the related performance obligations are satisfied. A deferred revenue (contract liability) from special assessments received in advance is recorded when the Condominium has received payment in advance of the satisfaction of the performance obligations related to a special assessment. As of December 31, 2021 and 2020, the Condominium's deferred revenue (contract liability) from special assessments received in advance was \$30,594 and \$70,521, respectively.

##### Income Taxes

Condominium associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2021, 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 2018 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 2021 and 2020, the following transactions have taken place in the Condominium's capital reserve fund.

	<u>2021</u>	<u>2020</u>
Balance - January 1,	\$ 294,802	\$ 208,668
Net transfers from operations	158,000	-
Partial proceeds from special assessments (Note 6)	77,326	73,667
Monthly funding	2,532	1,898
Interest and dividends - net of bank fees	66	429
Net transfers (to) from HVAC replacement reserve fund	( 18,896)	55,250
Net transfers (to) operations primarily to pay for major repairs and improvement projects	-	( 45,110)
Balance - December 31,	<u>\$ 513,830</u>	<u>\$ 294,802</u>

## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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

##### Capital Reserve Fund (continued)

The capital reserve fund is held as follows:

	<u>2021</u>	<u>2020</u>
Certificates of Deposit held at Merrill Lynch*	\$ 300,000	\$ -
Merrill Lynch - Preferred Deposit Program and Cash	176,337	238,960
Signature Bank - Money Market Accounts	<u>37,493</u>	<u>55,842</u>
Balance - December 31,	<u>\$ 513,830</u>	<u>\$ 294,802</u>

\* As of December 31, 2021, the Corporation held two certificates of deposit at Merrill Lynch in denominations of less than \$250,000 per banking institution. The certificates of deposit had an average yield of 0.20% with maturity dates of March 22, 2022 and March 31, 2022.

##### 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 2021 and 2020, the following transactions have taken place in the HVAC Replacement Reserve Fund.

	<u>2021</u>	<u>2020</u>
Balance - January 1,	\$ 9,231	\$ 29,176
Net transfers from (to) capital reserve fund	18,896	( 55,250)
Net transfers from operating	6,650	-
Monthly funding	5,061	5,696
Bank charges	( 65)	( 95)
Partial proceeds from special assessment (Note 6)	-	55,250
Net transfers (to) operations primarily to pay for major repairs and improvement projects	<u>-</u>	<u>( 25,546)</u>
Balance - December 31,	<u>\$ 39,773</u>	<u>\$ 9,231</u>

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



## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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#### Note 4 - LOANS PAYABLE

##### Former First Loan Payable

On April 30, 2015, the Condominium obtained a \$2,000,000 loan payable 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 required 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. During 2020, this loan was fully satisfied.

##### 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.

During the year ending December 31, 2022, principal payments of \$143,209 are required.

#### Note 5 - REAL ESTATE TAX MATTERS

On behalf of the residential unit-owners, the Condominium routinely engages special legal counsel to protest the assessed valuation of the Property used for real estate taxation purposes. Currently, protests are "open" for tax years 2019/20, 2020/21 and 2021/22.

As of December 31, 2021, a balance of \$35,801, representing prior year cash refunds, net of legal fees, remained to be distributed to the unit-owners.

## 260 WEST BROADWAY CONDOMINIUM

### Notes to Financial Statements

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#### Note 6 - ASSESSMENTS

##### Assessment - Debt Service

In order to generate funds to cover the debt service on the former first loan payable (Note 4), the Condominium initially established an ongoing assessment of \$47,759 per month. During September 2015, the Condominium's ongoing assessment was reduced to \$38,207 per month. During 2018, the assessment was increased to \$50,433 per month in order to pay debt service on the Condominium's first loan and second loan payable (Note 4). During January 2020, the assessment was reduced to \$26,225 per month due to the anticipated maturity of the first loan payable on April 30, 2020. During 2021, the assessment was reduced to \$12,326 per month to pay debt service on the second loan payable. This assessment is included on each unit-owner's monthly bill as a financial assessment and will continue through December 31, 2022. During 2021 and 2020, the Condominium recorded \$147,910 and \$314,702, respectively, from the assessment.

##### Special Assessments

During 2021, the Condominium implemented two special assessments (\$40,001 and \$25,000) to raise funds to pay for future major repairs and improvement projects and to replenish the reserve fund for the cost of previously completed projects. The assessments were billed to the unit-owners over twelve consecutive months during the year. During 2021, a portion of the special assessments was recorded as revenue and a portion was deferred (Note 2). During 2022, both assessments are expected to be continued.

During 2019, the Condominium implemented a \$110,500 special assessment to raise funds for flood mitigation and handicap access projects. This assessment was billed to the unit-owners over twelve consecutive months from November 1, 2019 to October 31, 2020. During 2020, the Condominium billed \$92,084 of the assessment. During 2020, a portion of the special assessment was recorded as revenue and a portion was deferred (Note 2).

#### Note 7 - UNION BENEFITS

Effective January 1, 2019, the Condominium entered into an agreement with the Service Employees International Union ("SEIU") Local 32BJ. Union benefits are being phased in through 2022. Effective January 1, 2019, the Condominium's employees were covered by SEIU Local 32BJ's union sponsored, collectively bargained, multiemployer defined benefit pension and annuity plans. Health insurance coverage under the SEIU Local 32BJ plan commenced on January 1, 2019. Effective July 1, 2020, the Condominium began contributing to the pension and annuity funds. The union agreement expired on April 20, 2022. However, the Realty Advisory Board on Labor Relations, Inc. and the SEIU Local 32BJ have agreed in principle to a new agreement through April 20, 2026. As of the date of issuance of the accompanying financial statements, the agreement was pending ratification by the union's members. The Condominium makes contributions to the plans based on the number of weeks worked by each employee covered under the union contract. During 2021 and 2020, the Condominium contributed \$143,080 and \$120,181, respectively, to the Plan of which \$31,915 and \$15,438, respectively, was for pension expense. The Condominium's contributions to the Plan were less than 5% of the Plan's total contributions.

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### Notes to Financial Statements

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#### Note 7 - **UNION BENEFITS** (continued)

Contributions to the Building Service 32BJ Pension Fund (Employer Identification Number 13-1879376, Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Condominium's employees. The risks of participating in a multiemployer pension plan are different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Condominium chooses to stop participating in its multiemployer pension plan, the Condominium may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" are at least 80% funded. As of July 1, 2021, the Fund's most recently available certified zone status was "yellow". However, the Fund is considered to be in "critical status" for the plan year beginning July 1, 2021 since its actuary has determined that the Fund will have a funding deficiency in its current plan year.

As part of the Fund's efforts to improve its funding situation, the Trustees of the Fund previously adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Inc. and the SEIU Local 32BJ. The current union agreement (the "2018 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2022, the contribution rate was \$126.75 per week per employee. Information as to the Condominium's portion of the unfunded vested benefits and Plan assets has not been determined and normally will not be calculated without a withdrawal from the Plan. The Condominium has no intention of withdrawing from the Plan.

#### Note 8 - **OTHER MATTER - DUE FROM UNIT-OWNER**

During 2013, one of the commercial units was converted into a residential unit. The common charges allocated to residential units include the cost of the lobby staff. Such costs were never billed to this residential unit-owner. During 2019, additional common charges of \$16,117 were retroactively billed to the unit. During 2020, the Condominium collected an additional \$2,595 of common charges.

#### Note 9 - **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.

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### **Notes to Financial Statements**

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#### **Note 10 - 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, 2021 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 11 - CONTINGENCIES**

During March 2020, a worldwide pandemic emerged which is known as the Coronavirus ("COVID-19"). COVID-19 has caused the New York metropolitan area to significantly curtail its economic and social activities. As of the date of issuance of the accompanying financial statements, the financial and operational impacts of COVID-19 on the Condominium and its members were uncertain and cannot be reasonably estimated.

#### **Note 12 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through April 28, 2022, the date that the financial statements were available to be issued.