

260 WEST BROADWAY CONDOMINIUM

FINANCIAL STATEMENT

DECEMBER 31, 2007 AND 2006

**REPORT OF INDEPENDENT AUDITORS**

To the Board of Managers and Members  
260 West Broadway Condominium  
New York, New York

We have audited the accompanying balance sheets of 260 West Broadway Condominium (an association of condominium unit owners) as of December 31, 2007 and 2006 and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Condominium Board of Managers. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 5, the Condominium has not estimated the remaining lives and the replacement costs of the building and, therefore, has not presented the estimates of future costs of major repairs and replacements to the financial statements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements as of December 31, 2007 and 2006 taken as a whole. The supplementary information for the years ended December 31, 2007 and 2006 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Susela Macklin LLP*

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
July 31, 2008

260 WEST BROADWAY CONDOMINIUM  
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BALANCE SHEETS  
 AT DECEMBER 31,  
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ASSETS

	<u>2007</u>	<u>2006</u>
<u>CURRENT ASSETS</u>		
Cash - operating account	\$ 231,330	\$ 320,021
Cash - mortgage escrow (Note 6)	-	809,571
Cash - escrow unit owners' (Note 7)	359,446	242,294
Unit owners' receivables	39,633	34,586
Prepaid expenses	<u>8,963</u>	<u>5,390</u>
TOTAL CURRENT ASSETS	<u>639,372</u>	<u>1,411,862</u>
<u>FIXED ASSETS</u>		
Furniture and fixtures	12,878	12,878
Less: Accumulated depreciation	( <u>8,855</u> )	( <u>7,246</u> )
Net fixed assets	<u>4,023</u>	<u>5,632</u>
Deferred mortgage costs, net of amortization	<u>48,279</u>	<u>52,594</u>
TOTAL ASSETS	<u>\$ 691,674</u>	<u>\$1,470,088</u>

LIABILITIES AND FUND BALANCES

<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 79,150	\$ 68,747
Unit owners' deposits payable (Note 7)	359,446	273,794
Mortgages payable bank current portion (Note 6)	272,445	250,469
Common charges received in advance	24,635	26,215
Security deposits payable	<u>9,560</u>	<u>30,313</u>
TOTAL CURRENT LIABILITIES	745,236	649,538
<u>LONG-TERM LIABILITIES</u>		
Mortgages payable bank (Note 6)	3,406,955	3,675,321
<u>UNIT OWNERS' EQUITY</u>		
Capital contributed by unit owners	64,433	64,433
Fund Balance (Deficit)	( <u>3,524,950</u> )	( <u>2,919,204</u> )
Total Liabilities and Fund Balances (Deficit)	<u>\$ 691,674</u>	<u>\$1,470,088</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED DECEMBER 31,

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	<u>2007</u>	<u>2006</u>
REVENUES		
Common charges		
Maintenance	\$ 535,000	\$ 535,000
Mortgage servicing	573,104	573,104
Laundry income	14,178	3,457
Interest income	14,443	48,294
Other income (Note 8)	53,825	10,993
	<u>1,190,550</u>	<u>1,170,848</u>
TOTAL REVENUES		
EXPENSES		
Operating expenses	816,088	851,840
Administrative expenses	240,489	241,210
Capital projects	689,041	1,015,601
Repairs and maintenance	50,318	45,464
Income taxes	-0-	155
Miscellaneous	360	-0-
	<u>1,796,296</u>	<u>2,154,270</u>
Revenues Less Expenses	( 605,746)	( 983,422)
FUND BALANCE, BEGINNING OF YEAR	( <u>2,919,204</u> )	( <u>1,935,782</u> )
FUND BALANCE, END OF YEAR	( <u>\$ 3,524,950</u> )	( <u>\$2,919,204</u> )

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

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	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(\$ 605,746)	(\$ 983,422)
Amortization	4,314	3,356
Depreciation	1,609	2,252
(Increase) Decrease in:		
Unit owners' receivables	( 5,047)	( 19,382)
Prepaid expenses	( 3,572)	15,949
Increase (Decrease) in:		
Accounts payable and accrued expenses	10,403	15,968
Unit owners' deposits payable	85,652	216,642
Common charges received in advance	( 1,580)	( 6,940)
Security deposit payable	( 20,753)	28,813
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 ( 534,720)	 ( 726,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long - term debt	( 246,390)	( 226,267)
 NET INCREASE (DECREASE) IN CASH	 ( 781,110)	 ( 953,031)
CASH AT BEGINNING OF YEAR	<u>1,371,886</u>	<u>2,324,917</u>
CASH AT END OF YEAR	<u>\$ 590,776</u>	<u>\$ 1,371,886</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year For:		
Interest	\$ 326,715	\$ 346,838
Income Taxes	-0-	155

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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NOTE 1: NATURE OF ORGANIZATION

260 West Broadway Condominium, a homeowners' association, was incorporated in the State of New York. The association is responsible for the operation and maintenance of the common property of 260 West Broadway Condominium. The association is comprised of members representing the ownership of fifty two residential units and one commercial unit.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with the accounting principles prescribed by the audit and accounting guide for common interest realty associations issued by the American Institute of Certified Public Accountants. The guide describes conditions and procedures unique to the industry (including condominium associations) and illustrates the form and content of financial statements of common interest realty associations as well as informative disclosures relating to such statements. In addition, the guide requires that all revenues from unit-owners, including maintenance charges and special assessments, be recognized as revenue in the statement of revenue and expenses, except where the assessment is applicable to expenditures to be incurred in a future period.

Use of Estimates

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

Fixed Assets

Common property is not recognized on the condominium's financial statements because it is owned by individual unit owners in common and not by the Condominium. The Condominium capitalizes its personal property at cost and depreciates the assets using the modified accelerated cost recovery system of depreciation over the estimated useful lives of the assets.

Repairs and replacements to common property are not recognized as capital assets and are expensed.

260 WEST BROADWAY CONDOMINIUM

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments

Association members are subject to monthly assessments (common charges) to provide funds for the association's operating expenses, future capital acquisitions and major repairs and replacements.

Financial Statement Presentation

For comparative purposes only certain revenue and expense items have been reclassified. This reclassification has no effect on the Revenues Less Expenses previously reported for the year 2006.

NOTE 3: CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Condominium considers all highly liquid debt instruments purchased with original maturity of three months or less to be cash equivalents.

At December 31, 2007 and 2006 the Condominium's deposits exceeded federal depository insurance coverage by approximately \$462,000 and \$1,172,000 respectively.

NOTE 4: INCOME TAXES

The Condominium has elected to be taxed as a homeowners' association. As a homeowners' association, it is taxed on its net nonexempt function income at a flat rate of 30%. Exempt function income, which consists primarily of members' assessments (common charges), is not taxable.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the Board of Managers developed a plan to fund those needs. When funds are required for major repairs and replacements, the association plans to utilize segregated funds, increase maintenance assessments (common charges), or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.



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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
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**NOTE 6: MORTGAGES PAYABLE - BANK**

On February 1, 2002, the Condominium borrowed \$2,000,000 from National Consumer Cooperative Bank (NCB). Principal including interest at the rate of 9.16% per annum is payable monthly in the amount of \$20,628, pursuant to a 15 year amortization schedule, commencing April 1, 2002. The principal amount together with all accrued and unpaid interest matures on March 1, 2017.

On April 20, 2005, the Condominium borrowed an additional \$2,500,000 from National Consumer Cooperative Bank (NCB). Principal including interest at the rate of 7.94% is payable monthly pursuant to a 12 year amortization schedule. The principal amount together with all accrued and unpaid interest matures on March 1, 2017.

The loans are collateralized by the assets of the condominium, including but not limited to, a first security interest in the Condominium's present and future accounts, contract rights, general intangibles, furniture, fixtures, equipment, supplies and all other personal property of the condominium, receivables from unit owners, rights of the Condominium under Section 339-z and 339-aa of the Condominium Act, and all awards instituted in connection with rights of eminent domain.

The Condominium, pursuant to agreement with NCB, maintains an escrow account for the funding of future capital improvements subject to the approval of NCB. The balance in the escrow account at 12/31/2007 and 12/31/2006 was -0- and \$809,570 respectively.

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NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
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NOTE 6: MORTGAGES PAYABLE - BANK (continued)

The members of the Condominium are not personally liable pursuant to the terms of the mortgage notes.

The aggregate maturities of the mortgages payable for years subsequent to December 31, 2007 are estimated as follows:

For the year ending December 31,

2008	272,445
2009	296,361
2010	322,386
2011	350,710
2012	381,536
Thereafter	<u>2,055,962</u>
	<u>\$3,679,400</u>

NOTE 7: UNIT OWNERS' DEPOSITS PAYABLE

The difference in the accounts, unit owners' deposits payable and cash escrow unit owners' in the amount of \$31,500 for 2006 is maintained in the cash operating account.

Note 8: OTHER INCOME

	<u>2007</u>	<u>2006</u>
Late charges	\$ 9,994	\$ 6,993
Site Fee	10,333	4,000
Miscellaneous Income (prior period corrections to unit owners' deposits and security deposits payable which are immaterial and are not reflected in the 2006 Financial Statements)	<u>33,498</u>	<u>-0-</u>
	<u>\$ 53,825</u>	<u>\$ 10,993</u>

SUPPLEMENTARY INFORMATION

260 WEST BROADWAY CONDOMINIUM

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SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31,

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	<u>2007</u>	<u>2006</u>
<u>SCHEDULE OF OPERATING EXPENSES:</u>		
Salaries and wages	\$ 218,124	\$ 224,255
Payroll taxes	20,515	23,335
Payroll charges	2,503	2,309
Utilities	124,238	112,181
Water & sewer	22,376	17,291
Uniforms	-0-	1,188
Telephone	3,961	5,247
Insurance	76,027	78,974
Security and protection	642	3,156
License, permits and fees	6,059	8,689
Interest on mortgages	324,926	357,839
Office costs	8,555	10,095
Amortization	4,314	3,356
Depreciation	1,609	2,252
Miscellaneous and bank charges	2,239	1,673
	<u>\$ 816,088</u>	<u>\$ 851,840</u>
<u>SCHEDULE OF ADMINISTRATIVE EXPENSES:</u>		
Management	\$ 36,000	\$ 35,400
Accounting	6,500	5,530
Legal	7,565	30,187
Architect and engineering	190,424	170,093
	<u>\$ 240,489</u>	<u>\$ 241,210</u>
<u>SCHEDULE OF CAPITAL PROJECTS:</u>		
Window Blocking	\$ -0-	\$ 18,982
Elevator Modernization	-0-	106,912
Doors, Locks and Windows	137,455	22,285
Lobby, hallway and common area refurbishment	551,586	867,422
	<u>\$ 689,041</u>	<u>\$1,015,601</u>

The accompanying notes are an integral part of these financial statements.

260 WEST BROADWAY CONDOMINIUM  
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SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31,  
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	<u>2007</u>	<u>2006</u>
<u>SCHEDULE OF REPAIRS AND MAINTENANCE:</u>		
Heating and boiler	\$ 2,827	\$ 3,886
Plumbing	14,211	10,598
Air conditioning and electrical	-0-	12,870
Elevator	11,929	5,202
Roof	4,323	-0-
Miscellaneous	210	657
Building supplies	13,112	8,425
Exterminating	3,706	3,826
	<u>\$ 50,318</u>	<u>\$ 45,464</u>

The accompanying notes are an integral part of these financial statements.