

260 WEST BROADWAY CONDOMINIUM
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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, 2011 and 2010 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 audits.

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, 2011 and 2010 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 taken as a whole. The supplementary information 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.

Jessie Macklin LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, NY
May 21, 2012

260 WEST BROADWAY CONDOMINIUM
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 BALANCE SHEETS
 AT DECEMBER 31,
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ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash - operating account	\$ 466,063	\$ 165,529
Cash - reserve fund	351,303	242,196
Cash - escrow accounts	153,084	261,029
Cash - other	29,889	29,993
Unit owners' receivables	21,094	197,911
Prepaid expenses	<u>19,428</u>	<u>16,130</u>
 TOTAL CURRENT ASSETS	 <u>1,040,861</u>	 <u>912,788</u>
<u>FIXED ASSETS</u>		
Furniture and fixtures	12,878	12,878
Less: Accumulated depreciation	<u>(12,878)</u>	<u>(12,304)</u>
 Net fixed assets	 <u>-0-</u>	 <u>574</u>
 Deferred mortgage costs, net of amortization	 <u>31,022</u>	 <u>35,336</u>
 TOTAL ASSETS	 <u>\$1,071,883</u>	 <u>\$ 948,698</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 75,246	\$ 62,496
Unit owners' deposits payable	119,366	114,646
Mortgages payable bank current portion	381,536	350,709
Common charges received in advance	16,491	12,717
Security deposits payable	6,000	5,000
Tax refund due owners	<u>37,748</u>	<u>37,748</u>
 TOTAL CURRENT LIABILITIES	 636,387	 583,316
<u>LONG-TERM LIABILITIES</u>		
Mortgages payable bank	2,073,757	2,451,051
<u>UNIT OWNERS' EQUITY - (DEFICIT)</u>		
Capital contributed by unit owners	64,433	64,433
Fund Balance (Deficit)	<u>(1,702,694)</u>	<u>(2,150,102)</u>
 TOTAL UNIT OWNERS' EQUITY (DEFICIT)	 <u>(1,638,261)</u>	 <u>(2,085,669)</u>
 Total Liabilities and Fund Balances (Deficit)	 <u>\$1,071,883</u>	 <u>\$ 948,698</u>

The accompanying notes are an integral part of these financial statements

260 WEST BROADWAY CONDOMINIUM
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 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED DECEMBER 31,
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	<u>2011</u>	<u>2010</u>
REVENUES		
Common charges		
Maintenance	\$ 695,500	\$ 695,500
Mortgage servicing	573,104	573,104
Laundry income	4,533	-0-
Interest income	1,163	940
Other income	<u>42,685</u>	<u>74,367</u>
TOTAL REVENUES	<u>1,316,985</u>	<u>1,343,911</u>
EXPENSES		
Operating expenses	476,753	454,472
Administrative expenses	76,630	64,394
Capital projects	36,410	-0-
Repairs and maintenance	54,273	55,184
Income taxes	1,395	1,197
Miscellaneous	-0-	4,206
	<u>645,461</u>	<u>579,453</u>
Revenues Less Expenses before Mortgage Interest Expense	671,524	764,458
Mortgage Interest Expense	<u>224,116</u>	<u>252,666</u>
Revenues Less Expenses	447,408	511,792
FUND BALANCE, BEGINNING OF YEAR	(<u>2,150,102</u>)	(<u>2,661,894</u>)
FUND BALANCE, END OF YEAR	<u>(\$1,702,694)</u>	<u>(\$2,150,102)</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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	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 447,408	\$ 511,792
Amortization	4,314	4,314
Depreciation	574	1,150
(Increase) Decrease in:		
Unit owners' receivables	176,817	(68,070)
Prepaid expenses	(3,298)	3,176
Increase (Decrease) in:		
Accounts payable and accrued expenses	12,750	(65,606)
Common charges received in advance	3,774	1,082
Security deposit payable	1,000	-0-
Unit owners deposits payable	4,720	-0-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 648,059	 387,838
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long - term debt	(<u>346,467</u>)	(<u>318,125</u>)
 NET INCREASE IN CASH	 301,592	 69,713
CASH AT BEGINNING OF YEAR	<u>698,747</u>	<u>629,034</u>
CASH AT END OF YEAR	<u>\$1,000,339</u>	<u>\$ 698,747</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year For:		
Interest	\$ 226,637	\$ 254,979
Income taxes	-0-	1,757

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, 2011 AND 2010
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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 estimated.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments

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

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. As of December 31, cash and cash equivalents consisted of the following:

	<u>2011</u>	<u>2010</u>
Operating Account	\$ 466,063	\$ 165,529
Tax Escrow	38,438	146,383
Escrow Unit Owners	114,646	114,646
Reserve Fund	351,303	242,196
LandLord Account	826	931
Reich & Tang	<u>29,063</u>	<u>29,062</u>
	<u>\$1,000,339</u>	<u>\$ 698,747</u>

In 2009, the board of managers decided to increase the Reserve Fund to a balance of \$350,000. In June of 2010, the amount of \$108,130, which was to bring the fund to this balance, was deposited into the Tax Escrow account which was then transferred to the Reserve account in February of 2011. Both the Tax Escrow account and Reserve account are interest bearing accounts.

At December 31, 2011 and 2010 the Condominium's deposits exceeded federal depository insurance coverage by approximately \$320,000 and \$420,000 respectively. Subsequent to the balance sheet date, the condominium lessened its credit risk by transferring funds into other financial institutions.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
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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 Condominium's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Condominium 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 Condominium 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.

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 the Condominium Act, and all awards instituted in connection with rights of eminent domain.

260 WEST BROADWAY CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011 are estimated as follows:

For the year ending December 31,

2012	381,536
2013	415,086
2014	451,602
2015	491,348
2016	533,094
Thereafter	<u>182,627</u>
	<u><u>\$2,455,293</u></u>

Note 7: OTHER INCOME

	<u>2011</u>	<u>2010</u>
Late charges	\$ 42,441	\$ 65,362
Miscellaneous Income	<u>244</u>	<u>9,005</u>
	<u><u>\$ 42,685</u></u>	<u><u>\$ 74,367</u></u>

Note 8: REAL ESTATE TAX REFUND

In 2008, the New York City Department of Finance issued tax refunds of \$96,058. The refund was credited only to various tax lots contingent on the owner signing an agreement regarding any prior owner of their unit claiming the refund or part of it. At December 31, 2011 and 2010, \$-0- and \$-0- were credited back to unit owners who signed an agreement. A separate escrow account was established to deposit these funds. Interest thereon was retained by the Condominium.

Note 9: SUBSEQUENT EVENTS:

The Condominium has evaluated subsequent events through May 21, 2012 which is the date through which financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

260 WEST BROADWAY CONDOMINIUM
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 SUPPLEMENTARY INFORMATION
 FOR THE YEARS ENDED DECEMBER 31,
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<u>SCHEDULE OF OPERATING EXPENSES:</u>	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 222,879	\$ 208,768
Payroll taxes	20,382	19,785
Payroll charges	3,895	3,698
Utilities	96,689	92,354
Water & sewer	18,257	15,499
Uniforms	2,516	1,635
Telephone	10,485	6,998
Insurance	84,773	88,870
Security and protection	1,812	482
License, permits and fees	1,726	2,502
Office costs	5,797	6,941
Amortization	4,314	4,314
Depreciation	574	1,150
Miscellaneous and bank charges	<u>2,654</u>	<u>1,476</u>
	<u>\$ 476,753</u>	<u>\$ 454,472</u>

<u>SCHEDULE OF ADMINISTRATIVE EXPENSES:</u>		
Management	\$ 49,483	\$ 48,887
Accounting	9,000	9,000
Legal	12,707	1,905
Architect and engineering	<u>5,440</u>	<u>4,602</u>
	<u>\$ 76,630</u>	<u>\$ 64,394</u>

<u>SCHEDULE OF CAPITAL PROJECTS:</u>		
Doors, locks and windows	4,000	-0-
Compactor	9,581	-0-
Pumps and piping	<u>22,829</u>	<u>-0-</u>
	<u>\$ 36,410</u>	<u>\$ -0-</u>

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 SUPPLEMENTARY INFORMATION
 FOR THE YEARS ENDED DECEMBER 31,
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	2011	2010
<u>SCHEDULE OF REPAIRS AND MAINTENANCE:</u>		
Plumbing	\$ 13,886	8,827
Air conditioning and electrical	697	3,104
Elevator	19,176	22,826
Miscellaneous	954	3,915
Building supplies	16,249	8,075
Exterminating	3,311	3,658
Door/window	-0-	4,779
	\$ 54,273	\$ 55,184