
260 WEST BROADWAY CONDOMINIUM

Financial Statements

For The Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 2, 260 WEST BROADWAY CONDOMINIUM has omitted the supplementary information on future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Risand, Mellina, Unterlack & Co., LLP

Plainview, New York
March 16, 2017

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

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,781	\$ 34,454
Accounts receivable	3,498	28,770
Prepaid expenses	30,705	30,974
	51,984	94,198
Total Current Assets	51,984	94,198
 Reserve Funds: (Note 3)		
Capital reserve fund	411,233	625,089
HVAC replacement reserve fund	6,896	-
	418,129	625,089
Total Reserve Funds	418,129	625,089
 Other Assets and Deferred Charges:		
Cash - security deposits	84,508	103,718
Deferred loan closing costs (Note 2)	8,037	10,448
	92,545	114,166
Total Other Assets and Deferred Charges	92,545	114,166
Total Assets	\$ 562,658	\$ 833,453

The accompanying notes are an integral part of this statement.

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

	<u>2016</u>	<u>2015</u>
LIABILITIES AND MEMBERS' DEFICIENCY		
Current Liabilities:		
Accrued loan interest	\$ 5,035	\$ 7,013
Loan payable - current portion (Note 4)	392,106	375,705
Accounts payable	119,331	31,696
Due to unit owners - real estate tax refunds (Note 5)	35,801	35,801
Advance common charges	20,953	17,584
Accrued wages and payroll taxes	4,469	3,915
Total Current Liabilities	<u>577,695</u>	<u>471,714</u>
Long-Term and Other Liabilities:		
Loan payable - net of current portion (Note 4)	1,010,129	1,402,235
Security deposits payable	89,508	108,718
Total Long-Term and Other Liabilities	<u>1,099,637</u>	<u>1,510,953</u>
Total Liabilities	<u>1,677,332</u>	<u>1,982,667</u>
Members' Deficiency:		
Contributed capital	64,433	64,433
Fund balance (deficiency)	(1,179,107)	(1,213,647)
Total Members' Deficiency	<u>(1,114,674)</u>	<u>(1,149,214)</u>
Total Liabilities and Members' Deficiency	<u>\$ 562,658</u>	<u>\$ 833,453</u>

The accompanying notes are an integral part of this statement.

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

	2016	2015
Accounts Receivable:		
Common charges (net of allowance for doubtful accounts of \$107,246 in 2016 and \$0 in 2015) (Notes 2 and 8)	\$ 3,498	\$ 28,770
Prepaid Expenses:		
Insurance	\$ 27,609	\$ 30,926
Income taxes	1,644	48
Service contracts	1,452	-
Total Prepaid Expenses	\$ 30,705	\$ 30,974

The accompanying notes are an integral part of this statement.

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

	<u>2016</u>	<u>2015</u>
REVENUE		
Common charges	\$ 695,500	\$ 695,500
Assessment (Note 6)	458,482	534,896
Other unit-owner fees	49,621	3,908
HVAC system charges	23,372	-
Laundry income	2,019	822
	<hr/>	<hr/>
Total Revenue	1,228,994	1,235,126
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	114,779	102,426
Operating expenses	562,197	551,751
Repairs and maintenance	72,423	67,375
Financial expenses (Note 4)	66,158	82,649
(Refund) provision for income taxes (Note 2)	(1,303)	1,412
	<hr/>	<hr/>
Total Cost of Operations	814,254	805,613
	<hr/>	<hr/>
Excess of revenue over expenses before other items, amortization expense and major repairs and improvement projects	414,740	429,513
Prior years' workers' compensation credits	8,647	2,170
Interest and dividends	880	906
Bad debt expense (Note 8)	(107,246)	-
Make-whole premium payment - loan refinancing (Note 4)	-	(89,624)
	<hr/>	<hr/>
Excess of revenue over expenses before amortization expense and major repairs and improvement projects	317,021	342,965
Less: Amortization expense	2,411	19,687
	<hr/>	<hr/>
Excess of revenue over expenses before major repairs and improvement projects	314,610	323,278
Less: Major repairs and improvement projects (Note 3)	280,070	656,484
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EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 34,540</u>	<u>\$ (333,206)</u>

The accompanying notes are an integral part of this statement.

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

	2016	2015
Administrative Expenses:		
Management fee	\$ 60,204	\$ 57,888
Professional fees	34,844	27,266
Other administrative expenses	13,178	10,432
Telephone and communications	6,553	6,840
	<u>114,779</u>	<u>102,426</u>
Total Administrative Expenses	<u>\$ 114,779</u>	<u>\$ 102,426</u>
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 55,837	\$ 39,071
Gas - heat	55,000	54,584
Water and sewer	46,556	43,198
	<u>157,393</u>	<u>136,853</u>
 Payroll		
Wages	232,104	240,482
Health benefits	64,024	63,719
Payroll taxes	20,070	21,354
Workers' compensation and disability insurance	16,555	20,581
	<u>332,753</u>	<u>346,136</u>
 Other		
Insurance	65,657	62,619
Miscellaneous operating and permits	6,394	6,143
	<u>72,051</u>	<u>68,762</u>
Total Operating Expenses	<u>\$ 562,197</u>	<u>\$ 551,751</u>

The accompanying notes are an integral part of this statement.

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

	2016	2015
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 26,115	\$ 26,212
Heating, plumbing and boiler	10,687	9,760
HVAC maintenance and repairs	7,209	-
Materials and supplies	6,213	9,328
Electrical and intercom	4,972	1,167
Painting and plastering	4,748	600
Exterminating	4,644	4,181
Uniforms	3,259	5,710
Exterior repairs	3,130	-
Equipment repairs	849	5,127
Water treatment	597	523
Doors, locks and windows	-	4,767
	\$ 72,423	\$ 67,375
	\$ 72,423	\$ 67,375

Financial Expenses: (Note 4)

Loan interest	\$ 66,158	\$ 51,080
First loan interest	-	14,131
Second loan interest	-	17,438
	\$ 66,158	\$ 82,649
	\$ 66,158	\$ 82,649

Major Repairs and Improvement Projects:

Exterior restoration	\$ 220,498	\$ 123,141
Gym equipment	24,479	-
Laundry room	17,638	12,521
HVAC upgrade project	9,725	520,822
Wood floor replacement	7,730	-
	\$ 280,070	\$ 656,484
	\$ 280,070	\$ 656,484

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,**

	2016	2015
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,	\$ (1,213,647)	\$ (880,441)
Excess (deficiency) of revenue over expenses	34,540	(333,206)
Balance - December 31,	\$ (1,179,107)	\$ (1,213,647)

The accompanying notes are an integral part of this statement.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before major repairs and improvement projects	\$ 314,610	\$ 323,278
Adjustments to reconcile excess of revenue over expenses before major repairs and improvement projects to cash provided by operating activities:		
Amortization expense	2,411	19,687
Decrease (increase) in accounts receivable	25,272	(18,331)
Decrease (increase) in prepaid expenses	269	(914)
Increase in accounts payable	87,635	2,680
Increase (decrease) in other current liabilities	1,945	(4,196)
Total Adjustments	117,532	(1,074)
Cash Provided By Operating Activities	432,142	322,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in capital reserve fund	213,856	(235,761)
(Increase) in HVAC replacement reserve fund	(6,896)	-
Major repairs and improvement projects	(280,070)	(656,484)
Cash (Used) By Investing Activities	(73,110)	(892,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of loan payable	(375,705)	(222,060)
Proceeds from new loan payable	-	2,000,000
Repayment of former first loan payable	-	(437,196)
Repayment of former second loan payable	-	(624,734)
Amortization of former first loan payable	-	(67,737)
Amortization of former second loan payable	-	(90,329)
(Increase) in deferred loan closing costs	-	(12,055)
Cash (Used) Provided By Financing Activities	(375,705)	545,889
Net (decrease) in cash and cash equivalents	(16,673)	(24,152)
Cash and cash equivalents at beginning of year	34,454	58,606
Cash and Cash Equivalents at End of Year	\$ 17,781	\$ 34,454

SUPPLEMENTAL DISCLOSURES (NOTE 7)

The accompanying notes are an integral part of this statement.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 1 - THE ASSOCIATION

260 WEST BROADWAY CONDOMINIUM (the "Condominium") commenced operations during 1982 in accordance with the terms of an offering plan pursuant to Article 9-B of the Real Property Law of the State of New York. The Condominium consists of 52 residential units (prior to combinations) and one commercial unit located at 260 Broadway, New York, New York. The primary purpose of the Condominium is to manage the operations of the Property and maintain the common elements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in 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.

Recognition of Assets

Real property and common areas acquired from the Sponsor and subsequent major repairs or improvements to such property are not recorded in the Condominium's financial statements because those properties are owned by the individual unit-owners in common and not by the Condominium.

Future Major Repairs and Replacements

The Condominium's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. Consistent with general practice in New York City, the Condominium has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Condominium has the right to utilize available cash reserves, increase common charges, implement special assessments, borrow or delay repairs and replacements until funds are available.

Deferred Loan Closing Costs

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

Member Assessments and Accounts Receivable Unit-Owners

Unit-owners are subject to monthly assessments to provide funds for the Condominium's operating expenses, future capital acquisitions, and major repairs and replacements. This income is recognized when due and payable. Any excess assessments at year-end are retained by the Condominium for use in future years. Accounts receivable at the balance sheet date represent fees due from unit-owners. The Condominium's policy is to retain legal counsel and place liens on the units of members whose assessments are unreasonably delinquent. 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, 2016, past due balances are stated at the estimate net realizable value. See Note 8 for additional information.

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Condominium associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2016, the Condominium has elected to be taxed as a homeowners' association. As a homeowners' association, the Condominium's non-exempt function income is taxed at a special Federal tax rate.

New York State Franchise tax is calculated at the higher of tax based on net taxable income, capital or prescribed minimum amounts. New York City Unincorporated Business Tax is calculated based on net taxable income.

The Condominium's tax returns for all years since 2013 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Statement of Cash Flows

The Condominium considers all highly liquid investments (not allocated to the reserve fund) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - RESERVE FUNDS

Capital Reserve Fund

During 2016 and 2015, the following transactions have taken place in the Condominium's capital reserve fund.

	<u>2016</u>	<u>2015</u>
Balance - January 1,	\$ 625,089	\$ 389,328
Interest and dividends - net of bank fees	755	775
Net transfers (to) operations primarily to pay for major repairs and improvement projects	(214,610)	(494,224)
Excess proceeds from loan refinancing (Note 4)	<u>-</u>	<u>729,210</u>
Balance - December 31,	<u>\$ 411,234</u>	<u>\$ 625,089</u>

The reserve fund is invested as follows:

Merrill Lynch - Preferred Deposit Program	\$ 331,231	\$ 546,087
Signature Bank - Money Market Accounts	<u>80,003</u>	<u>79,002</u>
Balance - December 31,	<u>\$ 411,234</u>	<u>\$ 625,089</u>

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 3 - RESERVE FUNDS (continued)

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 a \$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.

Currently, the HVAC System has 96.5 tons of subscribed capacity and under the above calculation estimates the annual contribution from subscribers to the HVAC Replacement Reserve Fund is approximately \$7,532.

During 2016, the following transactions have taken place.

	<u>2016</u>
Monthly funding	\$ 6,960
Bank charges	(65)
Balance - December 31,	<u>\$ 6,895</u>

The HVAC Replacement Reserve Fund is invested in a Merrill Lynch Cash Account.

Note 4 - LOANS PAYABLE

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

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

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

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

Pursuant to the loan documents, the Condominium must maintain a general operating and replacement reserve account in a minimum amount of 8% of the Condominium's annual common charges. As of December 31, 2016, this amount was approximately \$55,600 and the Condominium had a balance of \$418,129 in the reserve fund (Note 3).

260 WEST BROADWAY CONDOMINIUM

Notes to Financial Statements

Note 5 - REAL ESTATE TAX MATTERS

On behalf of the unit-owners, the Condominium routinely protests the taxable assessed valuations utilized by New York City for real estate taxation purposes. As of December 31, 2016, \$35,801 of prior years' refunds were due to various unit-owners.

Note 6 - ASSESSMENT

In order to generate funds to cover the debt service on the 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 by 20% to \$38,207 per month. It is the Board of Managers' intention to continue this assessment until the loan payable is satisfied. During 2016 and 2015, the assessment generated \$458,482 and \$534,896, respectively. This assessment is included on each unit-owner's monthly bill as a financial assessment.

Note 7 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2016</u>	<u>2015</u>
Interest paid (includes prepayment penalty during 2015)	\$ 68,135	\$ 174,131
Income taxes paid - net of refunds	\$ 293	\$ 2,431

Note 8 - 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 9 - DEPOSIT INSURANCE ACCOUNTS

The Condominium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2016, the Condominium held approximately \$88,000 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 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, 2016 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 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through March 16, 2017, the date that the financial statements were available to be issued.