

DRAFT
2/29/16

THE 534 WEST 42ND STREET CONDOMINIUM

**FINANCIAL STATEMENTS
(INCOME TAX BASIS)**

DECEMBER 31, 2015

DRAFT

**THE 534 WEST 42ND STREET CONDOMINIUM
FINANCIAL STATEMENTS
(INCOME TAX BASIS)**

CONTENTS

	<u>PAGE NO.</u>
Independent Accountants' Review Report	1
Exhibit "A" - Statement of Assets, Liabilities and Unit Owner's Equity (Income Tax Basis) as of December 31, 2015	2
Exhibit "B" - Statement of Revenues and Expenses and Change in Retained Earnings (Income Tax Basis) for the year ended December 31, 2015	3 - 4
Exhibit "C" - Statement of Cash Flows (Income Tax Basis) for the year ended December 31, 2015	5
Notes to Financial Statements	6 - 9

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The 534 West 42nd Condominium
c/o Livingston Management Services
225 West 35th Street - 15th Floor
New York, NY 10001

We have reviewed the accompanying financial statements of 534 West 42nd Street Condominium (a corporation), which comprise the statement of assets, liabilities and unit owner's equity (income tax basis) as of December 31, 2015, and the related statements of revenues and expenses and changes in retained earnings (income tax basis), and statement of cash flows (income tax basis) for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the condominium's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the income tax basis of accounting as described in Note 2.

March 1, 2016
Woodbury, New York

DRAFT

**THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF ASSETS, LIABILITIES AND UNIT OWNER'S EQUITY
(INCOME TAX BASIS)
DECEMBER 31, 2015**

EXHIBIT A

ASSETS

Current Assets

Cash and cash equivalents	\$ 75,775
Member's maintenance receivable	6,415
Prepaid Expenses	17,787
Total current assets	<u>99,977</u>

Property and Equipment, net of accumulated
depreciation of \$2,898

6,764

Total Assets

\$ 106,741

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities

Accounts payable and accrued expenses	\$ 9,388
Total current liabilities	<u>9,388</u>

Unit Owner's Equity

Retained earnings

97,353

Total Liabilities and Equity

\$ 106,741

See independent accountants' review report and
accompanying notes to financial statements.

THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF REVENUES AND EXPENSES AND RETAINED EARNINGS
(INCOME TAX BASIS)
DECEMBER 31, 2015

EXHIBIT B

Revenue	
Common charges	\$ 119,390
CAM income	5,518
Total revenue	<u>124,908</u>
Administrative Expenses	
Management fees	13,200
Professional fees	6,620
Telephone	5,852
Office expenses	3,253
Insurance	9,180
Total administrative expenses	<u>38,105</u>
Operating Expenses	
Salaries	13,708
Gas & Electric	19,606
Security	5,580
Water and sewer	2,064
Payroll taxes	1,596
Taxes & Licenses	434
Total operating expenses	<u>42,988</u>
Maintenance Expenses	
Exterminator	643
Fire Extinguishers	4,376
Cleaning and snow removal	95
Total maintenance expenses	<u>5,114</u>
Repairs	
Electric	1,924
Elevator	4,420
Plumbing	3,600
Other supplies and repairs	16,541
Total repairs	<u>26,485</u>
Total Expenses	<u>112,692</u>
Excess revenue over expenses before other income(expenses)	<u>\$ 12,216</u>

See independent accountants' review report and
accompanying notes to financial statements.

THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF REVENUES AND EXPENSES AND RETAINED EARNINGS
(INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2015
(continued)

EXHIBIT B (continued)

Other income (expense)	
Interest income	\$ 13
Depreciation and amortization	<u>(1,932)</u>
Excess revenue over expenses'	10,297
Retained earnings - January 1, 2015	<u>87,056</u>
Retained earnings - December 31, 2015	<u>\$ 97,353</u>

DRAFT

See independent accountants' review report and
accompanying notes to financial statements.

**THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF CASH FLOWS
(INCOME TAX BASIS)
DECEMBER 31, 2015**

EXHIBIT C

Cash Flows from Operating Activities

Excess revenue over expenses	\$ 10,297
Adjustment to reconcile net revenue over expenses to net cash provided by operating activities:	
Depreciation and amortization	1,932
Increase (decrease) in cash attributable to changes in assets and liabilities:	
Member's maintenance receivable	(1,036)
Prepaid expenses	(457)
Accounts payable and accrued expenses	2,020
Deferred common charges	(3,432)
Net cash provided by operating activities	<u>9,324</u>
Net increase in cash and cash equivalents	9,324
Cash and cash equivalents - January 1, 2015	<u>66,451</u>
Cash and cash equivalents - December 31, 2015	<u><u>\$ 75,775</u></u>

See independent accountants' review report and
accompanying notes to financial statements.

**THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(INCOME TAX BASIS)
DECEMBER 31, 2015**

NOTE 1- NATURE OF ORGANIZATION

The 534 West 42nd Street Condominium (“the Condominium”) is an association of condominium owners organized on September 11, 2008 pursuant to Article 9-B of the Real Property Law of the State of New York for the purpose of operating and maintaining the common property of the residential units of 534 West 42nd Street, New York, NY. The Condominium consists of seven residential units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the income tax basis (accrual method) of accounting, and are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. The principle differences in presenting these financial statements on the income tax basis versus generally accepted accounting principles are the Company’s basis in land, building and building improvements and in using the modified accelerated cost recovery system (“MACRS”) to depreciate the building improvements.

Cash and Cash Equivalents

The Condominium Association considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Member Assessments

Association members are subject to regular monthly assessments to provide funds for the Association’s operating expenses based upon the annual budget as approved by the Boards of Directors. Members could also be subject to special assessments for capital acquisitions and major repairs and replacements, if necessary. It is the opinion of the Board of Directors that the Association will collect any balances due from unit owners who have delinquent assessments and, accordingly, no allowance for uncollectible amounts have been provided as of December 31, 2015.

Depreciation

The Condominium’s fixed assets are depreciated using the straight-line method over the applicable estimated Federal useful lives of the assets.

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(INCOME TAX BASIS)
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Association to a concentration of credit risk include cash and restricted cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are accounts insured up to \$250,000 per depositor. As of December 31, 2015, there were no funds that exceeded FDIC limits. Through December 31, 2015, non-interest bearing accounts are fully insured.

Income Taxes

Homeowners' associations may be taxed either as a homeowners' association or as a regular corporation. For the years ended December 31, 2015, the Association elected to file its income tax return as a homeowners' association, in accordance with Internal Revenue Code 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from the Association members solely as a function of their membership in the Association. The Association is taxed at a rate of 30% on its investment income and other non-exempt function income. For the years ended December 31, 2015, there was no material income tax expense.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting (accrual method) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015:

Virtual Doorman Security Cameras	\$ 9,662
Accumulated depreciation	<u>(2,898)</u>
	<u>\$ 6,764</u>

**THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(INCOME TAX BASIS)
DECEMBER 31, 2015**

NOTE 4 - MANAGEMENT AGREEMENT

On July 7, 2014, the Condominium hired Livingston Management Services Inc. as the new managing agent and to assume the duties of Silverstein Property Group LLC. The Condominium's agreement with Livingston Management Services Inc. is for one year, starting July 7, 2014 until July 6, 2015, with annual fees of \$13,200 payable in equal monthly installments of \$1,100. The agreement will continue on an annual basis with the same aforementioned terms. The agreement is cancellable by either party with written notice.

NOTE 5 - RESTRICTED CASH AND RESERVE FUNDS

At inception, the Condominium set aside \$13,500 into a Reserve Account of approximately 11% of the entire budget. The funds are to be used as a reserve to pay for periodic capital replacements or repairs, as so required by the Board of Managers of the Condominium. At December 31, 2015, the Reserve Fund had a balance of \$20,010.

NOTE 6 - WORKING CAPITAL RESERVE

In accordance with the Association's governing documents, each Association member is required to pay a one-time special assessment equal to two months of member assessments upon the members' initial entrance into the Association. These funds are to be used for working capital purposes at the discretion of the Board of Directors. For the year ended December 31, 2015, no funds were authorized to be used from the reserve fund.

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Condominium's offering plan requires that funds be accumulated for future major repairs and replacements. Contributions to the funds are based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, any amounts accumulated in the funds may not be adequate to meet all future needs for major repairs and replacements.

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(INCOME TAX BASIS)
DECEMBER 31, 2015

NOTE 8 - TAX UNCERTAINTIES

The Company's policy is to record interest expense and penalties on tax assessments in operating expenses. There was no interest and penalties expense recorded and no accrued interest and penalties for the period. The Company's Federal and state tax returns are open for examination for the years after 2012.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 1, 2016, the date these financial statements were available to be issued.

DRAFT