

THE 534 WEST 42ND STREET CONDOMINIUM

**FINANCIAL STATEMENTS
(TAX BASIS)**

DECEMBER 31, 2017

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

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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 owners' equity (tax basis) as of December 31, 2017, and the related statement of revenues and expenses and changes in retained earnings (tax basis), and statement of cash flows (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 the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

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 basis of accounting the corporation uses for income tax purposes.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

April 7, 2018
Woodbury, New York

THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF ASSETS, LIABILITIES AND UNIT OWNERS' EQUITY
(TAX BASIS)
DECEMBER 31, 2017

EXHIBIT A

ASSETS

| | |
|--|------------------------------|
| Current Assets | |
| Cash and cash equivalents | 91,062 |
| Restricted Cash | 20,022 |
| Members' assessment receivable | 2,139 |
| Prepaid Expenses | <u>3,775</u> |
| Total current assets | 116,998 |
| Property and Equipment, net of accumulated depreciation of \$17,754 | <u>21,555</u> |
| Total Assets | <u><u>\$ 138,553</u></u> |

LIABILITIES AND UNIT OWNERS' EQUITY

| | |
|---------------------------------------|------------------------------|
| Current Liabilities | |
| Accounts payable and accrued expenses | <u>\$ 8,737</u> |
| Total current liabilities | 8,737 |
| Unit Owners' Equity | |
| Retained earnings | <u>129,816</u> |
| Total Liabilities and Equity | <u><u>\$ 138,553</u></u> |

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

THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN RETAINED EARNINGS
(TAX BASIS)
DECEMBER 31, 2017

EXHIBIT B

| | |
|---|------------------|
| Revenues | |
| Members' assessment | 119,390 |
| Total revenues | <u>119,390</u> |
| Administrative Expenses | |
| Management fees | 13,200 |
| Professional fees | 4,175 |
| Telephone | 4,806 |
| Office expenses | 1,547 |
| Insurance | 8,154 |
| Total administrative expenses | <u>31,882</u> |
| Operating Expenses | |
| Salaries | 13,200 |
| Gas & Electric | 15,307 |
| Security | 12,803 |
| Water and sewer | 2,162 |
| Payroll taxes | 1,205 |
| Total operating expenses | <u>44,677</u> |
| Maintenance Expenses | |
| Exterminator | 521 |
| Fire Extinguishers | 363 |
| Total maintenance expenses | <u>884</u> |
| Repairs | |
| Elevator | 4,770 |
| Other supplies and repairs | 7,729 |
| Total repairs | <u>12,499</u> |
| Total Expenses | <u>89,942</u> |
| Excess of revenues over expenses before other income(expenses) | <u>\$ 29,448</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
(TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017
(continued)

EXHIBIT B (continued)

| | |
|---------------------------------------|--------------------------------|
| Other income (expense) | |
| Interest income | \$ 6 |
| Depreciation and amortization | <u>(9,248)</u> |
| Excess of revenues over expenses | 20,206 |
| Retained earnings - January 1, 2017 | <u>109,610</u> |
| Retained earnings - December 31, 2017 | <u><u>\$ 129,816</u></u> |

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

**THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF CASH FLOWS
(TAX BASIS)
DECEMBER 31, 2017**

EXHIBIT C

| | |
|---|--------------------------|
| Cash Flows from Operating Activities | |
| Excess of revenues over expenses | \$ 20,206 |
| Adjustment to reconcile net revenues over expenses to net cash provided by operating activities: | |
| Depreciation and amortization | 9,248 |
| Increase (decrease) in cash attributable to changes in assets and liabilities: | |
| Members' maintenance receivable | 3,583 |
| Prepaid expenses | 7,043 |
| Accounts payable and accrued expenses | (1,091) |
| Net cash provided by operating activities | <u>38,989</u> |
| Cash Flows from Investing Activities | |
| Building Improvements | <u>(11,269)</u> |
| Net cash used in investing activities | (11,269) |
| Net increase in cash and cash equivalents | 27,720 |
| Cash and cash equivalents - January 1, 2017 | <u>83,364</u> |
| Cash and cash equivalents - December 31, 2017 | <u><u>\$ 111,084</u></u> |

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

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(TAX BASIS)
DECEMBER 31, 2017

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 Condominium’s basis in land, building and building improvements and in using the modified accelerated cost recovery system (“MACRS”) to depreciate the building improvements.

Members’ Assessments

Condominium members are subject to regular monthly assessments to provide funds for the Condominium’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 Condominium 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, 2017.

Depreciation

The Condominium’s fixed assets are depreciated using accelerated methods over the applicable estimated useful lives of the assets.

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(TAX BASIS)
DECEMBER 31, 2017

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, 2017, there were no funds that exceeded FDIC limits. Through December 31, 2017, non-interest bearing accounts are fully insured.

Income Taxes

The Condominium may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2017, the Condominium elected to file its income tax return as a homeowners' association, in accordance with Internal Revenue Code 528. Under that Section, the Condominium is not taxed on uniform assessments to members and other income received from the Condominium members solely as a function of their membership in the Condominium. The Condominium is taxed at a rate of 30% on its investment income and other non-exempt function income. For the year ended December 31, 2017, 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, 2017:

| | |
|----------------------------------|------------------|
| Virtual Doorman Security Cameras | \$ 9,662 |
| Boiler | 29,647 |
| Accumulated depreciation | <u>(17,754)</u> |
| | <u>\$ 21,555</u> |

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
(TAX BASIS)
DECEMBER 31, 2017

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. Per the agreement with Livingston Management Services Inc, annual fees of \$13,200 is 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. The agreement was renewed in 2018.

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, 2017, the Reserve Fund had a balance of \$20,022.

NOTE 6 - 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.

NOTE 7 - 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 2014.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the Statement of Assets, Liabilities and Members' Equity- tax basis, through , April 7 2018 which represents the date these financial statements were available to be issued. There were no events or transactions that have occurred during the subsequent event reporting period which would require disclosure in the financial statements.