

THE 534 WEST 42ND STREET CONDOMINIUM

**FINANCIAL STATEMENTS
(-INCOME TAX BASIS-)**

DECEMBER 31, 2014

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

CONTENTS

	<u>PAGE NO.</u>
Independent Accountants' Review Report	1
Exhibit "A" - Statements of Assets, Liabilities and Unit Owner's Equity (-Income Tax Basis-) as of December 31, 2014	2
Exhibit "B" - Statements of Revenues and Expenses and Change in Retained Earnings (-Income Tax Basis-) for the year ended December 31, 2014	3 - 4
Exhibit "C" - Statement of Cash Flows (-Income Tax Basis-) for the year ended December 31, 2014	5
Notes to Financial Statements	6 - 9



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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 statement of assets, liabilities and unit owner's equity (-income tax basis-) of 534 West 42nd Street Condominium as of December 31, 2014 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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 is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with the income tax basis of accounting as describe in Note 2.

Zapken & Loeb L.L.P.

July 22, 2015
Woodbury, New York

**THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF ASSETS, LIABILITIES AND UNIT OWNER'S EQUITY
(-INCOME TAX BASIS-)
DECEMBER 31, 2014**

EXHIBIT A

ASSETS

Current Assets

Cash and cash equivalents	\$ 66,451
Member's maintenance receivable	5,379
Prepaid Expenses	<u>17,329</u>
Total current assets	89,159
Property and equipment, net of accumulated depreciation of \$966	<u>8,696</u>
Total Assets	<u><u>97,855</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities

Accounts payable and accrued expenses	\$ 7,367
Deferred common charges	<u>3,432</u>
Total current liabilities	10,799
Unit Owner's Equity	
Retained earnings	<u>87,056</u>
Total Liabilities and Equity	<u><u>97,855</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 RETAINED EARNINGS
(-INCOME TAX BASIS-)
FOR THE YEAR ENDED DECEMBER 31, 2014

	EXHIBIT B
Revenue	
Common charges	\$ 119,390
Special Assessment	4,831
Total revenue	<u>124,221</u>
Administrative Expenses	
Management fees	17,806
Professional fees	5,329
Telephone	3,380
Office expenses	85
Insurance	<u>12,224</u>
Total administrative expenses	<u>38,824</u>
Operating Expenses	
Salaries	6,262
Gas & Electric	12,926
Security	2,649
Water and sewer	1,980
Payroll taxes	773
Fines	700
Taxes & Licenses	<u>538</u>
Total operating expenses	<u>25,828</u>
Maintenance Expenses	
Exterminator	841
Service Contracts	7,013
Fire Extinguishers	3,534
Cleaning and snow removal	<u>7,885</u>
Total maintenance expenses	<u>19,273</u>
Repairs	
Electric	8,970
Elevator	2,940
Plumbing	9,978
Other supplies and repairS	<u>1,161</u>
Total repairs	<u>23,049</u>
Total Expenses	<u>106,974</u>
Excess revenue over expenses before other income(expenses')	<u>17,247</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, 2014
(continued)**

EXHIBIT B (CONT)

Other income (expense)	
Interest income	\$ 38
Depreciation and amortization	<u>(966)</u>
 Excess revenue over expenses'	 16,319
Retained earnings - January 1, 2014	<u>70,737</u>
Retained earnings - December 31, 2014	<u>\$ 87,056</u>

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

**THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF CASH FLOWS
(-INCOME TAX BASIS-)
FOR THE YEAR ENDED DECEMBER 31, 2014**

EXHIBIT C

Cash Flows from Operating Activities		
Excess revenue over expenses	\$	16,319
Adjustment to reconcile net revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	966	
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Member's maintenance receivable	(6,806)	
Prepaid expenses	(17,329)	
Accounts payable and accrued expenses	5,117	
Deferred common charges	3,432	
Net cash provided by operating activities	<u>1,699</u>	
Cash Flows used in Investing Activities		
Capital expenditures	<u>(9,662)</u>	
Cash Flows used in Financing Activities		
Changes in Loan & Exchange	<u>(9,554)</u>	
Net decrease in cash and cash equivalents	(17,517)	
Cash and cash equivalents - January 1, 2014	<u>83,968</u>	
Cash and cash equivalents - December 31, 2014	<u>\$ 66,451</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, 2014

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, 2014.

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, 2014**

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, 2014, there were no funds that exceeded FDIC limits. Through December 31, 2014, 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, 2014, 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, 2014, 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, 2014:

Virtual Doorman Security Cameras	\$ 9,662
Accumulated depreciation	<u>(966)</u>
	<u>\$ 8,696</u>

THE 534 WEST 42ND STREET CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
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DECEMBER 31, 2014

NOTE 4 - MANAGEMENT AGREEMENT

The Condominium contracted with Silverstein Property Group LLC as its managing agent, with monthly fees of \$1,800 per month through July 6, 2014.

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, 2014, the Reserve Fund had a balance of \$19,997.

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, 2014, 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
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DECEMBER 31, 2014**

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 2011.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 22, 2015, the date these financial statements were available to be issued.