

THE 534 WEST 42ND STREET CONDOMINIUM
FINANCIAL STATEMENTS (TAX BASIS)
YEAR ENDED DECEMBER 31, 2023

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FINANCIAL STATEMENTS
(TAX BASIS)
DECEMBER 31, 2023

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
The 534 West 42nd Condominium
225 West 35th Street - 15th Floor
New York, NY 10001

Management is responsible for the accompanying financial statements of 534 West 42nd Condominium (the "Condominium"), which comprise the Statement of Assets, Liabilities, and Unit Owners' Equity - Tax Basis as of December 31, 2023, and the related Statement of Revenues and Expenses and Change 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. These financial statements have been prepared in accordance with the tax basis of accounting, which management has determined is an acceptable financial reporting framework.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Our responsibility is to assist management in the presentation of these financial statements in accordance with the tax basis of accounting. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, or provide any assurance on these financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared using the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

HK CPA & Tax Consulting P.C.
Bethpage, NY
December 11, 2024

FINANCIAL STATEMENTS

THE 534 WEST 42ND STREET CONDOMINIUM
STATEMENT OF ASSETS, LIABILITIES, AND UNIT OWNERS' EQUITY
(TAX BASIS)
AS OF DECEMBER 31, 2023

<i>December 31,</i>	2023
ASSETS	
Assets	
Cash and cash equivalents	\$97,606
Restricted cash	4,226
Prepaid expenses	11,309
Members' assessment receivable	6,248
Property and Equipment, net of accumulated depreciation	0
TOTAL ASSETS	\$119,390
LIABILITIES AND UNIT OWNERS' EQUITY	
Liabilities	
Account payable and accrued expenses	8,057
Total Liabilities	\$8,057
Unit Owners' Equity	
Retained earnings	111,333
Total Unit Owners' Equity	\$111,333
TOTAL LIABILITIES AND UNIT OWNERS' EQUITY	\$ 119,390

See accompanying notes and independent accountant's compilation report.

THE 534 WEST 42ND STREET CONDOMINIUM

STATEMENT OF REVENUES AND EXPENSES AND

CHANGES IN RETAINED EARNINGS

(TAX BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2023

<i>Year Ended December 31,</i>	2023
Revenues	
Members' assessment	\$118,930
Special assessments	121,637
Commercial rent	8,816
Total Revenues	249,384
Operating Expenses	
Payroll	24,729
Repairs and maintenance	41,092
Contract services	7,097
Electricity and gas	28,043
Water	(3,421)
Inspections	6,901
Depreciation	2,049
Total Operating Expenses	106,490
Administrative Expenses	
Professional and Legal fees	54,148
Management fees	11,800
Insurance	20,026
Office expense	10,329
Total administrative expenses	96,302
Total Expense	202,793
Excess of expenses over revenues before other income (expenses)	46,591
Retained earnings - beginning	64,742
Accumulated Surplus - Ending	\$111,333

See accompanying notes and independent accountant's compilation report.

THE 534 WEST 42ND STREET CONDOMINIUM

STATEMENT OF CASH FLOWS

(TAX BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2023

<i>Year Ended December 31,</i>	2023
Cash Flows from Operating Activities	
Net income	\$46,591
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	
Changes in operating assets and liabilities:	
Members' assessment receivable	(4,307)
Prepaid expenses	(2,505)
Depreciation	2,049
Accounts payable and accrued expenses	(7,063)
Net Cash (Used in) Provided by Operating Activities	34,765
Cash, cash equivalents and restricted cash - beginning of year	67,068
Cash, cash equivalents and restricted cash - end of year	\$ 101,833
Reconciliation of cash, cash equivalents and restricted cash to statement of assets, liabilities and unit owners' equity:	
Cash and cash equivalents	\$ 97,606
Restricted cash	4,226
Total cash, cash equivalents and restricted cash	\$ 101,833

See accompanying notes and independent accountant's compilation report.

THE 534 WEST 42ND STREET CONDOMINIUM

Notes to Financial Statements

1. NATURE OF ORGANIZATION

The 534 West 42nd Street Condominium (“the Condominium”) is an association of condominium owners organized on September 11, 2008, under Article 9-B of the Real Property Law of the State of New York. The Condominium's primary purpose is to operate and maintain the common property of the residential units located at 534 West 42nd Street, New York, NY. The Condominium comprises seven residential units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the income tax basis of accounting, which differs from accounting principles generally accepted in the United States of America (U.S. GAAP). The primary differences are as follows:

- 1) **Accounts Receivable:**
Under U.S. GAAP, accounts receivable is evaluated for collectability, and an allowance for doubtful accounts is recorded if necessary. Under the income tax basis, bad debts are recognized only when deemed uncollectible and written off.
- 2) **Capital Reserve Funds:**
U.S. GAAP requires capital improvement reserve funds to be classified as liabilities until expended. Under the income tax basis, these funds are recorded as equity contributions.
- 3) **Revenue Recognition:**
Under U.S. GAAP, operating assessments are recognized over the fiscal year, and replacement reserves are recognized when related expenditures occur. Unspent reserves are reported as liabilities. For tax purposes, replacement reserve contributions are recorded as capital.
- 4) **Depreciation:**
U.S. GAAP requires capital assets to be depreciated over their estimated useful lives. For tax purposes, depreciation follows statutory recovery periods under the Modified Accelerated Cost Recovery System (MACRS). Certain qualifying property may also be expensed under Section 179 or benefit from special first-year bonus depreciation.
- 5) **Uncertain Tax Positions:**
Under U.S. GAAP, uncertain tax positions must be evaluated, and liabilities are recognized for probable outcomes. No such evaluation is required under the income tax basis of accounting.

These financial statements are prepared solely on the income tax basis of accounting and are not intended to conform to U.S. GAAP.

Members' Assessments/Members' Assessments receivable

Condominium members are subject to regular monthly assessments to fund the Condominium's operating expenses based on the annual budget approved by the Board of Directors. Members may also be subject to special assessments for capital acquisitions, major repairs, and replacements when necessary. The Board of Directors believes that all balances due from unit owners with delinquent assessments are collectible. Accordingly, no allowance for uncollectible accounts has been recorded as of December 31, 2023.

Depreciation

The Condominium's fixed assets are depreciated using accelerated methods over their estimated useful lives, as determined by the applicable tax guidelines. Depreciation is calculated based on the Modified Accelerated Cost Recovery System (MACRS) prescribed by the Internal Revenue Code.

THE 534 WEST 42ND STREET CONDOMINIUM

Notes to Financial Statements

Concentration of Credit Risk

The Condominium maintains its cash balances in bank accounts that, at times, may exceed federally insured limits. The Condominium has not experienced any losses in these accounts and believes the risk of significant credit loss is minimal.

Cash and Cash Equivalents

The Condominium considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Condominium may elect to be taxed as a homeowners' association or as a regular corporation. For the year ended December 31, 2023, the Condominium filed its income tax return as a homeowners' association under Internal Revenue Code Section 528. Under this election, the Condominium is exempt from tax on uniform assessments and other income from unit owners solely related to their membership in the association. However, it is subject to a 30% tax on investment income and other non-exempt function income. For the year ended December 31, 2022, the Condominium had 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, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities at the financial statement date. Actual results could differ from these estimates, potentially resulting in significant variances in reported net income from period to period.

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023, are summarized as follows:

Description	Amount
Virtual Doorman Security Cameras	9,662
Boiler	29,647
Less: Accumulated depreciation	(39,309)
Total	<u>0</u>

Depreciation expense for the year ended December 31, 2023, was \$2,049.

4. MANAGEMENT AGREEMENT

Livingston Management Services Inc. serves as the managing agent for the Condominium. Per the agreement, management fees were \$750 per month through April 2023. Effective May 2023, the monthly fee increased to \$1,100. The agreement will continue annually under these terms unless modified. Either party may cancel the agreement with written notice.

5. RESTRICTED CASH AND RESERVE FUNDS

The reserve funds are designated for periodic capital replacements or repairs, as required by the Board of Directors of the Condominium. During 2023, a portion of the reserve funds was used, resulting in a decrease in the balance. As of December 31, 2023, the Reserve Fund had a balance of \$4,226.44.

THE 534 WEST 42ND STREET CONDOMINIUM

Notes to Financial Statements

6. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Condominium has not conducted a study to determine the remaining useful lives of the components of common property or to estimate the costs of major repairs and replacements that may be required in the future. The Condominium's offering plan mandates that funds be accumulated for future repairs and replacements. Contributions to these funds are based on estimates of future needs for maintaining common property components. However, actual expenditures may differ from these estimates, and such variations could be material. As a result, the accumulated funds may not be sufficient to cover all future costs for major repairs and replacements.

7. TAX UNCERTAINTIES

The Condominium's policy is to record interest expense and penalties related to tax assessments as operating expenses. There were no accrued interest or penalties for the year ended December 31, 2023. The Condominium's federal and state tax returns are open for examination for the years after 2018.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2024, the date on which these financial statements were available to be issued, to determine whether any events require recognition or disclosure.