

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)

Financial Statements

Years Ended December 31, 2022, and 2021

(With Independent Auditor's Report)

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
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**Independent Auditor's Report**

To the Shareholders of
148 West 23rd Street Owners, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of 148 West 23rd Street Owners, Inc. which comprise the balance sheets as of December 31, 2022, and 2021, and the related statements of operations, accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 148 West 23rd Street Owners, Inc. as of December 31, 2022, and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 148 West 23rd Street Owners, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on the Financial Statements

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 148 West 23rd Street Owners, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 148 West 23rd Street Owners, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 148 West 23rd Street Owners, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 7, 148 West 23rd Street Owners, Inc. has omitted the supplementary information on future major repairs and replacements 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, which considers it to be an essential part of financial reporting and 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 this missing information.

Russell B. Blank, CPA

Lake Success, New York
June 15, 2023

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)

Balance Sheets

December 31,	2022	2021
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,738,498	\$ 1,339,398
Tenant – Shareholders’ Maintenance Receivable	47,008	44,957
Prepaid Insurance	64,000	60,230
Land, Building and Improvements, less Accumulated Depreciation of \$22,952,546 in 2022 and \$22,518,580 in 2021	<u>8,591,530</u>	<u>8,460,329</u>
Total Assets	<u>\$ 10,441,035</u>	<u>\$ 9,904,914</u>
<u>LIABILITIES AND SHAREHOLDERS’ DEFICIT</u>		
Liabilities		
Mortgage Payable - Net of Unamortized Mortgage Costs	\$ 11,873,196	\$ 11,854,862
Accounts Payable	419,257	673,042
Abatements Due to Shareholders	128,420	128,607
Alteration Deposit Payable	32,854	78,300
Tenant – Shareholders’ Maintenance Received in Advance	38,009	6,062
Security Deposits Payable	<u>61,800</u>	<u>61,800</u>
Total Liabilities	<u>12,553,536</u>	<u>12,802,673</u>
Shareholders’ Deficit		
Common Stock, \$1 Par Value 200,000 Shares Authorized, 180,732 Issued and Outstanding	180,732	180,732
Additional Paid-In Capital	11,361,149	11,361,149
Accumulated Deficit	<u>(13,654,382)</u>	<u>(14,439,640)</u>
Total Shareholders’ Deficit	<u>(2,112,501)</u>	<u>(2,897,759)</u>
Total Liabilities and Shareholders’ Deficit	<u>\$ 10,441,035</u>	<u>\$ 9,904,914</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Statements of Operations and Accumulated Deficit

For the Years Ended December 31,	2022	2021
Income		
Maintenance Income	\$ 2,863,593	\$ 2,810,941
Special Assessment – Coop Abatement	276,827	260,254
Rental Income and Storage Fees	30,590	38,970
Miscellaneous Income	<u>34,035</u>	<u>13,338</u>
Total Income	<u>3,203,045</u>	<u>3,123,503</u>
Expenses		
Real Estate Taxes	1,623,680	1,589,887
Payroll and Payroll Expenses	676,257	573,295
Mortgage Interest	383,211	383,211
Repairs and Maintenance	287,930	142,099
Gas and Electric	118,124	123,519
Water and Sewer	72,230	75,299
Management Fees	58,000	60,041
Professional Fees	15,847	56,838
Insurance	73,534	67,410
Administrative	27,827	26,612
Income Taxes	<u>7,800</u>	<u>9,520</u>
Total Expenses Before Other Items	<u>3,344,441</u>	<u>3,107,731</u>
(Loss) Income Before Other Items	(141,396)	15,772
Other Items		
Capital Assessment Income	1,124,640	1,343,933
Flip Taxes	235,980	106,022
Depreciation	<u>(433,966)</u>	<u>(463,471)</u>
Net Income	785,258	1,002,256
Accumulated Deficit – Beginning of Year	<u>(14,439,640)</u>	<u>(15,441,896)</u>
Accumulated Deficit – Ending of Year	<u>\$ (13,654,382)</u>	<u>\$ (14,439,640)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Statements of Cash Flows

For the Years Ended December 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 785,258	\$ 1,002,256
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	433,966	463,471
Noncash Interest	18,333	18,333
Changes in Operating Assets and Liabilities		
Tenant - Shareholders' Maintenance Receivable	(2,051)	(24,082)
Prepaid Insurance	(3,770)	(5,449)
Accounts Payable	(299,418)	85,417
Maintenance Charges Received in Advance	31,947	404
Net Cash Provided by Operating Activities	<u>964,265</u>	<u>1,540,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Building Improvements	(451,178)	(1,981,211)
Purchase of Equipment & Furniture	(113,989)	0
Net Cash Used in Investing Activities	<u>(565,167)</u>	<u>(1,981,211)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	399,099	(440,861)
Cash and Cash Equivalents – Beginning of Year	<u>1,339,398</u>	<u>1,780,259</u>
Cash and Cash Equivalents – Ending of Year	<u>\$ 1,738,497</u>	<u>\$ 1,339,398</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for		
Interest	<u>\$ 364,878</u>	<u>\$ 364,878</u>
Income Taxes	<u>\$ 7,800</u>	<u>\$ 9,520</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Notes to Financial Statements
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

148 West 23rd Street Owners, Inc. (the Corporation) was incorporated in the State of New York on November 16, 1981. The Corporation is a cooperative housing corporation whose principal asset consists of a twelve-story building located at 148 West 23rd Street, New York, NY. The Corporation is responsible for the maintenance and preservation of the common property.

Basis of Presentation

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

The Corporation maintains various bank and money market accounts that, at times, may exceed federally insured credit limits of \$250,000. The Corporation has not experienced any losses on such accounts and believes it is not exposed to any significant risk with respect to such balances.

Land, Building, Improvements and Depreciation

Land, building and improvements as described in Note 3, are stated at cost. Significant additions or improvements extending assets lives are capitalized; normal maintenance and repair costs are expensed as incurred. Depreciation is computed using appropriate straight-line and accelerated methods over the useful lives of the assets for both financial reporting and income tax purposes. The costs of fully depreciated assets still in use are included in the respective asset and accumulated depreciation accounts. When items are sold or returned, related gains or losses are included in the results of operations.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Notes to Financial Statements
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant - Shareholders Assessments Receivable

Tenant - Shareholders are subject to monthly assessments to provide funds for the Corporation's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Corporation's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Tenant – Shareholders Assessments Receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Corporation's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. No allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$44,957 and \$47,008, respectively.

Corporate Taxes

The financial statements do not contain a provision for federal income tax due to cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. Because the future utilization of these tax carryforward losses is uncertain, no related deferred tax asset account has been reflected in the accompanying financial statements. Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (stockholders), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the years ended December 31, 2022, and 2021 is patronage income within the meaning of Subchapter T. New York State Franchise and New York City Corporation Taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the Corporation's capital base.

In addition, management believes the Corporation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2022, and 2021. As of December 31, 2022, the tax years that remain subject to examination by taxing authorities begin with 2020.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Notes to Financial Statements
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with general accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure for contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassification

Certain items in the 2022 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on the previously reported accumulated deficit.

Subsequent Events

Subsequent events were evaluated through June 15, 2023, which is the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents as of December 31, 2022, and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash – Bank United Checking	\$ 0	\$ 122,901
Cash – Capital One	<u>794,023</u>	<u>588,313</u>
Total Cash – Operating	<u>794,023</u>	<u>711,214</u>
Apple Bank – Money Market	371,157	370,630
Capital One – Money Market	345,751	
Restricted Cash – Merrill Lynch	173,076	171,051
Mortgage Reserve Santander	<u>26,942</u>	<u>26,939</u>
Total Cash - Restricted	<u>1,710,950</u>	<u>1,279,834</u>
Security Deposit - Chase	<u>27,548</u>	<u>59,564</u>
Total Cash and Cash Equivalents	<u>\$ 1,738,498</u>	<u>\$ 1,339,398</u>

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Notes to Financial Statements
December 31, 2022

NOTE 3 LAND, BUILDING AND IMPROVEMENTS

Land, building and improvements as of December 31, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 919,660	\$ 919,660
Building	17,473,400	17,473,400
Improvements	12,521,386	12,070,208
Lobby	485,784	485,784
Furniture and Fixtures	<u>143,846</u>	<u>29,857</u>
	31,544,076	30,978,909
Less Accumulated Depreciation	<u>22,952,546</u>	<u>22,518,580</u>
Land Building and Improvements	<u>\$ 8,591,530</u>	<u>\$ 8,460,329</u>

Depreciation expense for the years ended December 31, 2022, and 2021 was \$433,966 and \$463,471, respectively.

NOTE 4 MORTGAGE PAYABLE

On November 18, 2019 the Corporation refinanced its mortgage with a new mortgage with Apple Bank in the amount of \$12,000,000 collateralized by the property and equipment described in Note 3. The loan is for 10 years requiring monthly payments of interest only of \$29,990, commencing January 2020 and bearing interest at a rate of 2.999%. Prepayments of greater than 10% of the principal annually are subject to a prepayment penalty.

Pursuant to this refinancing the Corporation incurred a prepayment penalty of \$196,962 for the year ended December 31, 2019.

In addition, the Corporation obtained a secured line of credit in the amount of \$1,000,000 from Apple Bank, replacing the Line of Credit with Investors Bank, with an interest rate of LIBOR plus 3.00% with a minimum of 5.00%. As of December 31, 2022, and 2021 there was no balance owing on this line.

Mortgage payable less unamortized mortgage costs as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Mortgage Payable – Apple Bank	\$ 12,000,000	\$ 12,000,000
Unamortized Mortgage Costs	<u>(126,804)</u>	<u>(145,138)</u>
Mortgage Payable – Net of Unamortized Mortgage Costs	<u>\$ 11,873,196</u>	<u>\$ 11,854,862</u>

Mortgage costs of \$183,333 are being amortized, using the straight-line method, over the 10-year term of the mortgage.

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Notes to Financial Statements
December 31, 2022

NOTE 5 PROPERTY MANAGING AGENT AGREEMENT

Effective January 1, 2022 the Corporation hired Akam to succeed Tudor Realty Services to serve as the property managing agent. The agreement provides for the managing agent to be in charge of (a) collecting all rents and other charges, (b) maintaining the building premises adequately, (c) entering into building contracts, (d) purchasing of supplies, keeping all books and records of the Company, (f) managing all building personnel, (g) procuring insurance, etc.

NOTE 6 INCOME TAXES

The Corporation qualifies under Section 216 of the Internal Revenue Code as a cooperative housing corporation.

A tax court case ruled that real estate cooperatives are subject to Subchapter T of the Internal Revenue Code. Subchapter T provides that a membership organization that is operated primarily to furnish services to its members must allocate its income between patronage and non-patronage and is permitted to deduct expenses attributable to the furnishing of such services only to the extent of the patronage income derived during the year from its members.

Patronage net operating losses which have not been applied to prior years are carried forward, up to a maximum of twenty years, to reduce tax if any in those years. Patronage carry forward losses have accumulated totaling approximately \$14,200,000 through December 31, 2022 and expire between 2021 and 2038. The Corporation is unable to determine the future benefit, if any, of the carry forward losses.

New York State and City impose a tax on the net capital value of the Corporation.

NOTE 7 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Company has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the Board of Directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Company plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE 8 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Corporation operates.

RUSSELL B. BLANK

Certified Public Accountant

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Independent Auditor's Report
On Supplementary Information

To The Shareholders of
148 West 23rd Street Owners, Inc.
New York, New York

I have audited the financial statements of 148 West 23rd Street Owners, Inc. (A Cooperative Housing Corp.) as of and for the years ended December 31, 2022, and 2021, and my report thereon dated June 15, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. My audits were conducted for the purpose of forming an opinion on the 2022 and 2021 financial statements as a whole. The accompanying 2022 and 2021 schedule of supplemental information shown on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subject to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Russell B. Blank, CPA

Lake Success, New York

June 15, 2023

148 WEST 23rd STREET OWNERS, INC.
(A Cooperative Housing Corporation)
Supplemental Information
December 31, 2022

For the Years Ended December 31,	2022	2021
<u>Miscellaneous Income</u>		
Laundry Income	\$ 9,039	\$ 10,200
Other Income	19,785	2,667
Interest Income	5,211	471
Total	<u>\$ 34,035</u>	<u>\$ 13,338</u>
<u>Payroll and Payroll Expenses</u>		
Payroll and Payroll taxes	\$ 251,264	\$ 257,071
Health Insurance and Benefits	34,266	40,383
Workers' Compensation Insurance	9,650	8,898
Payroll Processing Fees	1,709	3,529
Security Service	379,368	263,414
Total	<u>\$ 676,257</u>	<u>\$ 573,295</u>
<u>Gas and Electric</u>		
Gas and Electric	\$ 69,094	\$ 63,768
Electric	49,030	59,751
Total	<u>\$ 118,124</u>	<u>\$ 123,519</u>
<u>Repairs and Maintenance</u>		
Supplies	\$ 15,713	\$ 15,462
Elevator	24,596	20,769
Plumbing and Heating	93,462	52,926
Exterminator	7,042	6,807
Electrical Repairs	13,208	233
Apartment Repairs	52,739	8,807
General Repairs	1,202	10,769
TV/Cable	3,704	3,201
Intercom Repairs	2,573	3,121
Miscellaneous	73,693	20,004
Total	<u>\$ 287,930</u>	<u>\$ 142,099</u>
<u>Professional Fees</u>		
Architects	\$ 0	\$ 18,752
Accounting	9,215	9,030
Other Professional	1,677	8,785
Legal Fees	4,956	20,271
Total	<u>\$ 15,847</u>	<u>\$ 56,838</u>