

**THE 392 CENTRAL PARK WEST
CONDOMINIUM**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

THE 392 CENTRAL PARK WEST CONDOMINIUM

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers and Unit Owners of
The 392 Central Park West Condominium

Opinion

We have audited the accompanying financial statements of The 392 Central Park West Condominium, which comprise the balance sheet as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The 392 Central Park West Condominium as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 The 392 Central Park West Condominium and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 The 392 Central Park West Condominium's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the 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 The 392 Central Park West Condominium's 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 The 392 Central Park West Condominium's 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management discloses the estimated remaining lives and replacement costs of the common property to supplement the basic financial statements (see note 3). Such information is the responsibility of management and, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because management did not have the information available. We do not express an opinion or provide any assurance on the information.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Board of Managers and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly state in all material respects in relation to the financial statements as a whole.

Farber, Blicht, Eyerman & Herzog, LLP

THE 392 CENTRAL PARK WEST CONDOMINIUM

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,048,317	\$ 5,634,218
Common charges receivable	36,002	25,106
Prepaid expenses	<u>109,364</u>	<u>97,441</u>
Total assets	<u>\$ 6,193,683</u>	<u>\$ 5,756,765</u>
 LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 191,153	\$ 102,837
Common charges received in advance	<u>262</u>	<u>200</u>
Total liabilities	191,415	103,037
Members' equity	<u>6,002,268</u>	<u>5,653,728</u>
Total liabilities and members' equity	<u>\$ 6,193,683</u>	<u>\$ 5,756,765</u>

THE 392 CENTRAL PARK WEST CONDOMINIUM

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Member assessments - common charges	\$ 2,596,334	\$ 2,585,873
Member assessments - special assessments	304,236	301,649
Parking	203,658	211,818
Miscellaneous	106,663	102,131
Laundry license fees	62,480	68,160
Storage	56,820	54,894
Fitness center	-	24,925
	<u>3,330,191</u>	<u>3,349,450</u>
Total revenues		
Expenses:		
Operating	2,237,355	2,373,253
Maintenance	393,594	330,057
Administrative	354,091	377,230
	<u>2,985,040</u>	<u>3,080,540</u>
Total expenses		
Excess of revenues over expenses before interest and dividend income	345,151	268,910
Interest and dividend income	3,389	52,970
Excess of revenues over expenses	<u>\$ 348,540</u>	<u>\$ 321,880</u>

The accompanying notes are an integral part of the financial statements

THE 392 CENTRAL PARK WEST CONDOMINIUM

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Balance - January 1, 2020	\$ 5,331,848
Excess of revenues over expenses	<u>321,880</u>
Balance - December 31, 2020	5,653,728
Excess of revenues over expenses	<u>348,540</u>
Balance - December 31, 2021	<u>\$ 6,002,268</u>

THE 392 CENTRAL PARK WEST CONDOMINIUM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess of revenues over expenses	<u>\$ 348,540</u>	<u>\$ 321,880</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
Common charges receivable	(10,896)	(2,316)
Prepaid expenses	(11,923)	(18,361)
Accounts payable and accrued expenses	88,316	(34,280)
Common charges received in advance	<u>62</u>	<u>(1,624)</u>
	<u>65,559</u>	<u>(56,581)</u>
Net cash provided by operating activities	<u>414,099</u>	<u>265,299</u>
Net increase in cash and cash equivalents	414,099	265,299
Cash and cash equivalents at beginning of year	<u>5,634,218</u>	<u>5,368,919</u>
Cash and cash equivalents at end of year	<u>\$ 6,048,317</u>	<u>\$ 5,634,218</u>

THE 392 CENTRAL PARK WEST CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. **Organization and Purpose**

The 392 Central Park West Condominium (The "Condo") was incorporated in the State of New York in January 1991. The primary purpose of the Condo is to manage the operations of the real property and maintain the common elements at the premises known as 392 Central Park West, New York, NY. The building contains 414 units.

2. **Summary of Significant Accounting Policies**

Date of Management Report

The Condo has evaluated events occurring subsequent to December 31, 2021 through April 4, 2022, the date on which the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

Basis of presentation

The Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting.

Reserve fund

The Condo's reserve fund is comprised of cash and cash equivalents. These funds are not subject to any restriction on usage.

Property and equipment

Real property and common areas acquired from the Condo's sponsor and related improvements to such property are not recorded in the Condo's financial statements because those properties are owned by the individual unit owners in common and not by the Condo.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments consisting primarily of cash, money market accounts and certificates of deposit. At times, such investments may be in excess of the FDIC limit. The Condo does not keep a separate reserve fund and the cash and cash equivalents are not subject to any restriction on usage.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

THE 392 CENTRAL PARK WEST CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. Summary of Significant Accounting Policies (continued)

Estimates (continued)

These estimates are based on management's best knowledge of historical trends, actions that the Condominium may take in the future, and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available, although management does not believe such changes will materially affect the financial statements in any individual year.

Income taxes

The Condo qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the years ended December 31, 2021 and 2020. Under that section, the Condo is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Condo property. Net non-exempt function income, which includes earned interest and revenues received from non-members, is taxed at 30% by the Federal government and at a lesser rate by the State of New York.

Common charges and special assessments

The annual budget and assessments of owners are determined by the Board of Managers. The Condo retains excess operating funds at the end of the operating year, if any, for use in future operating periods. There was no increase in common charges for 2021 and a 3% increase in 2022. The Board of Managers has allocated a portion of the monthly common charges to be used for future repairs and replacements.

New authoritative accounting pronouncements

The Condo does not anticipate the adoption of recently issued accounting pronouncements will have a significant impact on its results of operations, financial position or cash flows.

3. Future Major Repairs and Replacements

The Condo's governing documents do not require the accumulation of funds to finance estimated future repairs and replacements. The Condo has not conducted a study to determine the remaining useful lives of the components of common property and the estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Condo has the right to borrow, utilize available cash, increase maintenance charges, pass special assessments, or delay repairs and replacements until the funds are available.

THE 392 CENTRAL PARK WEST CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Concentration of Credit Risk

As of December 31, 2021, a single investor in the Condo owned 41 units. For the year ended December 31, 2021, monthly common, parking and assessment charges of approximately \$26,000 were attributable to the units owned by this investor.

As of December 31, 2020, a single investor in the Condo owned 48 units. For the year ended December 31, 2020, monthly common, parking and assessment charges of approximately \$31,000 were attributable to the units owned by this investor.

5. Multi-Employer Plan

The Condominium has a collective bargaining agreement with 32BJ Service Employees International Union, which details rates of pay, hours of work and conditions of employment for those covered employees. All employees of the Condominium are covered by the union agreement. The employees are covered by a union sponsored, collectively bargained, and multi-employer defined benefit pension plan. Contributions to the plan are determined in accordance with the provisions of the negotiated labor contract.

Pursuant to the Employee Retirement Income Security Act, as amended, an employer upon withdrawing from a multi-employer plan is required to pay its share of the plan's unfunded vested benefits. The Condominium has no intention of withdrawing from the plan.

The plan information for 32BJ Service Employees International Union multi-employer defined benefit plan is as follows:

Legal Name of Pension Plan	Building Service 32BJ Pension Fund
Union Plan Employer ID#	13-1879376
Plan Number	001
Year End Date of Plan	June 30, 2021
Certified Pension Zone Status	July 1, 2021 – Critical
Contributions Represent More Than 5%	No

A funding Improvement Plan or Rehabilitation Plan (as defined by ERISA) was implemented.

A surcharge has not been paid to the plan.

THE 392 CENTRAL PARK WEST CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Multi-Employer Plan (continued)

Certified pension zone status (as defined by the Pension Protection Act) represents the level at which the plan is funded. A plan is in “endangered” status if its funded percentage is less than 80%. A plan is in “critical” status if the percentage is less than 65% (other factors may also apply). A plan is in “critical and declining” status if it is in the critical status and is projected to become insolvent within 15 years. When a plan enters any of the aforementioned status, it is required to adopt a rehabilitation plan.

The total contributions made to the plan by the Company under the multi-employer plan for 2021 and 2020 were approximately \$88,900 and \$84,500, respectively.

6. Commitments and Contingencies

The Condo has a managing agent that handles the operations of the property. Management fees for the year ended December 31, 2021 and 2020 were approximately \$212,000 and \$205,000, respectively.

As of December 31, 2021 there is an outstanding complaint remaining against the Condo and certain members of the Board of Managers. The outstanding complaint is in discovery and at this time, management cannot estimate the monetary outcome of the claim.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Condo’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Condo’s customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Condo’s financial condition or results of operations is uncertain.

7. Subsequent Events

A future major hallway renovation was approved for the building for approximately \$4,000,000, commencing in the year 2022.

SUPPLEMENTARY INFORMATION

THE 392 CENTRAL PARK WEST CONDOMINIUM

SCHEDULES OF EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Schedule I - operating expenses:		
Payroll and payroll taxes	\$ 953,976	\$ 1,062,003
Union welfare and pension	370,240	354,417
Insurance - workers' compensation	36,463	36,601
Insurance - general	175,044	148,201
Utilities	458,229	498,142
Exterminating and cleaning	8,435	10,283
Licenses and permits	8,246	6,804
Protection services	217,200	237,411
Uniforms expenses	<u>9,522</u>	<u>19,391</u>
Total operating expenses	<u>\$ 2,237,355</u>	<u>\$ 2,373,253</u>
Schedule II - maintenance expenses:		
Plumbing and heating	\$ 81,936	\$ 57,336
Elevator maintenance	51,425	35,120
General building repairs	67,632	87,323
Hardware and supplies	51,876	39,604
Landscaping	<u>140,725</u>	<u>110,674</u>
Total maintenance expenses	<u>\$ 393,594</u>	<u>\$ 330,057</u>
Schedule III - administrative expenses:		
Management fees	\$ 212,306	\$ 204,585
Professional fees - accounting fees	13,950	13,950
Professional fees - legal fees	13,878	2,212
Professional fees - other consulting fees	56,543	48,927
Telephone, office and sundry	<u>57,414</u>	<u>107,556</u>
Total administrative expenses	<u>\$ 354,091</u>	<u>\$ 377,230</u>

THE 392 CENTRAL PARK WEST CONDOMINIUM

SCHEDULE OF MISCELLANEOUS INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Schedule IV - miscellaneous income:		
Late charge	\$ 3,200	\$ 1,550
Other	928	8,360
Move in/out fees	34,300	27,300
Repairs	13,439	10,034
Subleasing and processing fees	<u>54,796</u>	<u>54,887</u>
Total miscellaneous income	<u>\$ 106,663</u>	<u>\$ 102,131</u>