

WEST 82ND CONDOMINIUM

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

WEST 82ND CONDOMINIUM

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# Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA  
PATRICIA A. PRUSINSKI, CPA

## Independent Auditor's Report

To: The Board of Managers and Unit Owners of West 82<sup>nd</sup> Condominium

We have audited the accompanying financial statements of West 82<sup>nd</sup> Condominium (the "Condominium"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of revenue, expenses, change in accumulated earnings and cash flows for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West 82<sup>nd</sup> Condominium as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Omission of Required Supplementary Information***

Management has omitted the information about the estimates of future costs of 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, who considers it to be an essential part of financial reporting 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 the missing information.

November 5, 2020

*Marin & Montanye LLP*

WEST 82<sup>ND</sup> CONDOMINIUM

EXHIBIT A

BALANCE SHEETS

As of December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash - Operating account	\$ 38,249	\$ 63,091
Receivables:		
Laundry income	5,472	5,472
Common charges	3,634	4,504
Prepaid Expenses - Insurance	<u>12,428</u>	<u>12,091</u>
<u>TOTAL ASSETS</u>	<u>\$ 59,783</u>	<u>\$ 85,158</u>

LIABILITY AND MEMBERS' EQUITY

CURRENT LIABILITY

Accounts payable and accrued expenses	<u>\$ 19,187</u>	<u>\$ 43,941</u>
<u>TOTAL LIABILITY</u>	19,187	43,941

MEMBERS' EQUITY

Accumulated Earnings	<u>40,596</u>	<u>41,217</u>
<u>TOTAL LIABILITY AND MEMBERS' EQUITY</u>	<u>\$ 59,783</u>	<u>\$ 85,158</u>

See Notes to Financial Statements.

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN ACCUMULATED EARNINGSFor The Years Ended December 31, 2019 and 2018

		<u>2019</u>	<u>2018</u>
<u>REVENUE</u>			
Common charges		\$ 298,496	\$ 298,470
Miscellaneous		<u>32,500</u>	<u>8,500</u>
		330,996	306,970
<u>TOTAL REVENUE</u>			
<u>EXPENSES</u>			
Administrative	Schedule 1	66,301	61,893
Operating	Schedule 2	171,049	176,085
Maintenance	Schedule 3	94,203	114,582
Taxes		<u>64</u>	<u>-0-</u>
		<u>331,617</u>	<u>352,560</u>
<u>TOTAL EXPENSES</u>			
		(621)	(45,590)
<u>NET EXPENSES OVER REVENUE</u>			
Beginning Accumulated Earnings		<u>41,217</u>	<u>86,807</u>
Ending Accumulated Earnings		<u>\$ 40,596</u>	<u>\$ 41,217</u>

WEST 82<sup>ND</sup> CONDOMINIUM

EXHIBIT C & D

STATEMENTS OF CASH FLOWS

EXHIBIT D

For The Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net expenses over revenue	\$ (621)	\$ (45,590)
Adjustments to reconcile net expenses over revenue to cash used by operating activities:		
(Increase) Decrease in receivables	870	(4,504)
Increase (Decrease) in accounts payable and accrued expense	(24,754)	35,581
(Increase) Decrease in prepaid expenses	<u>(337)</u>	<u>157</u>
Total Adjustments	<u>(24,221)</u>	<u>31,234</u>
<u>CASH USED BY OPERATING ACTIVITIES</u>	<u>(24,842)</u>	<u>(14,356)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(24,842)	(14,356)
Cash and cash equivalents at beginning of year	<u>63,091</u>	<u>77,447</u>
Cash and cash equivalents at end of year	<u>\$ 38,249</u>	<u>\$ 63,091</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

EXHIBIT D

	<u>2019</u>	<u>2018</u>
Cash paid during the year:		
Corporate taxes	\$ 64	\$ -0-

See Notes to Financial Statements.

WEST 82<sup>ND</sup> CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

(1) ORGANIZATION

West 82nd Condominium (the "Condominium") was established on October 11, 1990 to qualify as a condominium association. The Condominium consists of 2 units, a residential unit (West 82nd Owners Corp.) with an 84% interest and a commercial unit with a 16% interest. Each unit is responsible for expenses related directly to their use of the premise. Common areas defined in the By-Laws are the responsibility of the Condominium Board who in certain situations, as defined by the Condominium By-Laws, must make a joint decision (each unit having one vote) not majority decisions. The primary purpose of the Condominium is to manage the operations of West 82nd Condominium and maintain the common elements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Condominium considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Accounting Standard Update on the Statements of Cash Flows

The presentation of cash, cash equivalents and restricted cash on the statements of cash flows was updated in accordance with FASB ASU 2016-18. Under the update, cash, cash equivalents and restricted cash are included in the beginning-of-year and end-of-year total amounts instead of being shown as operating, investing or financing activities, which was the previous format.

Recognition of Assets and Depreciation Policy

The Condominium recognizes personal property assets at cost. The property is depreciated over its estimated useful life using the straight-line method of depreciation.

Real property common elements and improvements are not recognized as Condominium assets as the Condominium does not hold title to such property, and disposition is restricted by the Declarations.

All expenditures for real property common elements and improvements are reflected as an expense in the reporting period incurred.

Revenue Recognition

Condominium members are subject to monthly common charges to provide funds for the Condominium's operating expenses, future capital acquisitions, and repairs and replacements. An operating assessment is recognized as income when the related performance obligation (the purpose of the assessment) is satisfied. The performance obligations, relating to capital assessments, are satisfied and recorded as income when these funds are expended for their designated purpose. In accordance with FASB ASU 606, a capital assessment that is not expended in the current year will be deferred to subsequent years and will only be recognized as income when the performance obligation is satisfied.

Member Assessments Receivable

Assessments receivables at the balance sheet date represent fees due from unit-owners. The Condominium's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Condominium considers all assessments receivables at December 31, 2019 to be collectible. Accordingly, no allowance for doubtful accounts has been recorded. If any receivables become uncollectible, they will be charged to operations when that determination is made. Any excess assessments at year end are retained by the Condominium for use in future years.

Any excess assessments at year end are retained by the Condominium for use in future years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

WEST 82<sup>ND</sup> CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Reclassification

Certain items in the 2018 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net loss.

(3) STATEMENTS OF CASH FLOWS

The following tables provide a reconciliation of cash and cash equivalents reported within the balance sheets that adds to the total of the same amounts as shown on the statements of cash flows as of December 31, 2019 and 2018.

Cash - Operating Account	<u>2019</u>	<u>2018</u>
Total cash and cash equivalents	\$ 38,249	\$ 63,091
as shown on the statements of cash flows	<u>\$ 38,249</u>	<u>\$ 63,091</u>

(4) RELATED PARTY TRANSACTIONS

As of December 31, 2019 and 2018, the Sponsor, 107-111 West 82nd Associates, owns 16% of the common interest. The monthly common charges totaled \$3,980 for these units in 2019 and 2018. There are \$3,634 arrears on these units at year end.

The principal owners of the managing agent are also the Sponsor of the West 82nd Condominium. As of December 31, 2019, the Condominium paid \$13,200 in management fees to Marin Management, the managing agent.

(5) INCOME TAX

Condominiums may be taxed either as a condominium association or as a regular corporation. As a regular corporation, the Condominium is taxed on net income at the Federal rate. As a condominium association, the Condominium is taxed on non-exempt function income, such as interest income, at a rate of 30%. For the year ended December 31, 2019, the Condominium has elected to be taxed as a condominium association. The Condominium is also subject to New York State Franchise tax based on the higher of net income or capital and, beginning in 1996, New York City Unincorporated Business tax based on net income. Current tax expense is \$64.

Under the Tax Cuts and Jobs Act tax passed into law on December 22, 2017, the carryforwards of net operating losses ("NOL") generated for tax years beginning after December 31, 2017 no longer expire. However, these losses can only be used to offset 80% of taxable income in any one year. Losses incurred prior to years beginning January 1, 2018 can continue to be used to offset 100% of taxable income.

As of December 31, 2019, the Condominium had a total NOL of \$56,635. The NOL of \$53,877 will expire in various years through 2037. The remaining NOL of \$2,758 generated from 2018 taxable loss does not expire under present tax law. It is believed that the Condominium will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore no deferred tax assets have been recognized.

The Condominium's Federal, State and City tax returns are subject to examination by the applicable taxing authority for a period of three years after filing the returns.



WEST 82<sup>ND</sup> CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

(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 and current 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 Condominium may have the right to borrow, utilize available cash, increase common charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

(7) CONTRACT

During the year ended December 31, 2017, the Condominium entered into a contract with Champion Combustion for the gas conversion of the boiler in the amount of \$62,006. As of December 31, 2019, the contract has been paid in full.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2020, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements, except as discussed below.

In early 2020, the COVID-19 Coronavirus spread in the United States. As a result, this may cause the Condominium to experience disruptions that could severely impact its ability to carry out its activities. The impact of the outbreak of the COVID-19 Coronavirus continues to rapidly evolve. The extent to which the COVID-19 Coronavirus may impact the Condominium will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Due to any unknown factors that may come to light if this Coronavirus outbreak and any associated protective or preventative measures expand, as of the date of the auditor's report, the Condominium cannot reasonably estimate the impact to its activities, revenues, financial conditions or results of operations, however, such impact could be significantly negative.

# Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA  
PATRICIA A. PRUSINSKI, CPA

## Independent Accountant's Report On Supplementary and Prospective Information

To: The Board of Managers and Unit Owners of West 82<sup>nd</sup> Condominium

We have audited the financial statements of West 82<sup>nd</sup> Condominium as of and for the years ended December 31, 2019 and 2018, and our report thereon dated November 5, 2020, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supporting Schedules and Comparative Schedule of Revenue and Expenditures - Budget and Historical are presented for purposes of additional analysis and are 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, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits 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 stated in all material respects in relation to the financial statements as a whole.

We have also compiled the accompanying forecast of West 82<sup>nd</sup> Condominium for the year ending December 31, 2020, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the information. We have not examined the forecasted information and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedule or assumptions. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecasted information and this report are intended solely for the information and use of the Board of Managers and Unit Owners of West 82<sup>nd</sup> Condominium and are not intended to be and should not be used by anyone other than these specified parties.

November 5, 2020 for Historical Statements

November 19, 2019 for Forecasted Statements

*Marin & Montanye LLP*

WEST 82<sup>ND</sup> CONDOMINIUM

SUPPORTING SCHEDULES - OPERATING EXPENSES

For The Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ADMINISTRATIVE EXPENSES</u>		<u>Schedule 1</u>
Management fee	\$ 13,200	\$ 13,200
Legal	210	-0-
Auditing	4,100	4,100
Miscellaneous administrative	5,266	2,560
Insurance	36,066	34,188
Consultant	2,576	3,000
Telephone	<u>4,883</u>	<u>4,845</u>
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>\$ 66,301</u>	<u>\$ 61,893</u>
<u>OPERATING EXPENSES</u>		<u>Schedule 2</u>
Fuel	\$ 56,278	\$ 65,871
Electricity and gas	3,008	2,807
Water and sewer	32,920	32,387
Payroll	60,658	56,247
Payroll taxes	4,906	4,715
Workers' compensation and disability	3,366	3,410
Employees' health plan	9,188	9,353
Permits	<u>725</u>	<u>1,295</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 171,049</u>	<u>\$ 176,085</u>
<u>MAINTENANCE EXPENSES</u>		<u>Schedule 3</u>
Elevator maintenance	\$ 17,323	\$ 18,752
Supplies	5,610	7,720
General repairs	12,355	19,382
Heating and plumbing repairs	11,514	10,470
Special repairs - Gas conversion and gas line sleeve	45,602	55,806
Exterminating	<u>1,799</u>	<u>2,452</u>
<u>TOTAL MAINTENANCE EXPENSES</u>	<u>\$ 94,203</u>	<u>\$ 114,582</u>

COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET, HISTORICAL AND FORECASTYears Ended December 31, 2019, 2018 (Historical) and Year Ending December 31, 2020 (Forecasted)

	<u>2019</u>		<u>2018</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>
	<u>Unaudited</u>			
<b><u>REVENUE</u></b>				
Common Charges:				
Residential unit	\$ 250,720	\$ 250,741	\$ 250,715	\$ 250,720
Professional unit	47,780	47,755	47,755	47,780
Miscellaneous	<u>-0-</u>	<u>32,500</u>	<u>8,500</u>	<u>30,000</u>
<b><u>TOTAL REVENUE</u></b>	<u>298,500</u>	<u>330,996</u>	<u>306,970</u>	<u>328,500</u>
<b><u>EXPENDITURES</u></b>				
Repairs, maintenance and supplies	40,000	75,081	93,378	40,000
Service contracts	21,500	19,122	21,204	21,500
Auditing	4,100	4,100	4,100	4,300
Consulting	-0-	2,576	3,000	3,000
Insurance	35,600	36,066	34,188	37,800
Fuel	64,000	56,278	65,871	60,000
Management fee	13,200	13,200	13,200	39,200
Payroll and related costs	70,400	68,930	64,372	13,200
Miscellaneous administrative	3,200	5,266	2,560	70,400
Electricity and gas	2,800	3,008	2,807	3,000
Water and sewer	33,300	32,920	32,387	2,550
Corporate taxes	100	64	-0-	100
Telephone	5,000	4,883	4,845	5,000
Legal	-0-	210	-0-	-0-
Employees' health plan	9,600	9,188	9,353	11,000
Permits	<u>700</u>	<u>725</u>	<u>1,295</u>	<u>700</u>
<b><u>TOTAL EXPENDITURES</u></b>	<u>303,500</u>	<u>331,617</u>	<u>352,560</u>	<u>311,750</u>
<b><u>SURPLUS (DEFICIT)</u></b>	<u>\$ (5,000)</u>	<u>\$ (621)</u>	<u>\$ (45,590)</u>	<u>\$ 16,750</u>

See Accountant's Compilation Report and Summary of Significant Accounting Policies and Assumptions.

WEST 82ND CONDOMINIUM

YEAR ENDING DECEMBER 31, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

- NOTE A: The financial forecast presents, to the best of management's knowledge and belief, the Condominium's expected results of operations for the forecast period. Accordingly, the forecast reflects its judgement, as of November 19, 2019, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein, are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
- NOTE B: Basis of Accounting - The accompanying forecast is presented using the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.
- NOTE C: Income Tax - For federal tax purposes, the Condominium is treated as a regular corporation. As a regular corporation Federal income tax will be based on net income. The Association is also subject to New York State franchise tax and New York City unincorporated tax.
- NOTE D: Revenue - Common charges are computed based on each unit owners percentage of common interest. Common charges used in the forecast are \$24,875 per month.
- NOTE E: Expenses - Fuel expense reflects current market conditions. Utility increases are due to increases in rates set by the appropriate regulatory agencies. Insurance expense has been increased to reflect current premiums in force.