

350 Bleecker Street Apartment Corp.
Financial Statements
December 31, 2020 and 2019

350 Bleecker Street Apartment Corp.
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December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors and Shareholders of

350 Bleecker Street Apartment Corp.

We have audited the accompanying financial statements of 350 Bleecker Street Apartment Corp. (the "Corporation") which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors (the "Board") 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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 the Board, 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 the Corporation as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

The Corporation has not presented 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 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 omission of this supplementary information.

Report on Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 14 through 16 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, and except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected 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.



New York, New York

July 22, 2021

350 Bleecker Street Apartment Corp.

Balance Sheets

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 955,579	\$ 960,398
Restricted cash - security deposits	36,500	46,500
Due from shareholders	72,255	5,561
Due from commercial tenant	62,254	47,743
Prepaid expenses	37,925	41,677
Property and equipment - net	<u>6,215,153</u>	<u>5,798,043</u>
Total Assets	<u><u>\$ 7,379,666</u></u>	<u><u>\$ 6,899,922</u></u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and accrued expenses	\$ 65,168	\$ 77,625
Capital improvements payable	86,524	136,710
Abatements payable	104,910	99,091
Income received in advance	10,602	19,975
Mortgage payable	4,300,000	4,300,000
Less: Mortgage costs - net	(11,335)	(16,774)
Line of credit	249,700	-
Security deposits payable	<u>64,350</u>	<u>63,100</u>
Total Liabilities	<u>4,869,919</u>	<u>4,679,727</u>
Commitment (Note 10)		
Shareholders' Equity		
Capital stock: \$1 par value per share, 20,000 shares authorized, 17,246 shares issued and outstanding	17,246	17,246
Additional paid-in capital	10,671,128	10,671,128
Retained earnings (deficit)	<u>(8,178,627)</u>	<u>(8,468,179)</u>
Total Shareholders' Equity	<u>2,509,747</u>	<u>2,220,195</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 7,379,666</u></u>	<u><u>\$ 6,899,922</u></u>

The accompanying notes are an integral part of these financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Income		
Maintenance charges	\$ 2,353,907	\$ 2,187,656
Less: Abatements	(205,575)	(194,676)
Less: Designated for capital improvements	(210,000)	(130,000)
Operating assessments	308,014	289,216
Commercial rent	316,688	298,078
Transfer fees	88,000	55,800
Other income	55,519	86,428
Sublet fees	28,424	28,824
Laundry income	18,770	29,610
	<u>2,753,747</u>	<u>2,650,936</u>
Expenses		
Real estate taxes	1,768,477	1,703,280
Less: Abatements	(205,575)	(194,676)
Mortgage interest	163,751	160,002
Payroll and related expenses	400,622	394,440
Electric and gas	13,827	22,540
Heating	44,968	39,860
Water and sewer	34,939	37,776
Repairs and maintenance	88,204	105,877
Insurance	62,718	58,790
Management fees	61,036	59,258
Professional fees	47,259	30,058
Corporation taxes	14,692	19,782
Office and administration	21,020	25,444
	<u>2,515,938</u>	<u>2,462,431</u>
Income from Operations	237,809	188,505
Other Items		
Charges designated for capital improvements	210,000	130,000
Depreciation	(152,818)	(146,978)
Interest - amortization of mortgage costs	(5,439)	(5,439)
	<u>289,552</u>	<u>166,088</u>
Net Income	<u>\$ 289,552</u>	<u>\$ 166,088</u>

The accompanying notes are an integral part of these financial statements.

350 Bleecker Street Apartment Corp.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Capital Stock	Additional Paid in Capital	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance - December 31, 2018	\$ 17,246	\$ 10,671,128	\$ (8,634,267)	\$ 2,054,107
Net Income	-	-	166,088	166,088
Balance - December 31, 2019	17,246	10,671,128	(8,468,179)	2,220,195
Net Income	-	-	289,552	289,552
Balance - December 31, 2020	<u>\$ 17,246</u>	<u>\$ 10,671,128</u>	<u>\$ (8,178,627)</u>	<u>\$ 2,509,747</u>

The accompanying notes are an integral part of these financial statements.

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Net income	\$ 289,552	\$ 166,088
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	158,257	152,417
Changes in assets and liabilities		
Due from shareholders	(66,694)	(3,294)
Due from commercial tenant	(14,511)	(25,313)
Prepaid expenses	3,752	5,306
Accounts payable and accrued expenses	(12,457)	(3,222)
Abatements payable	5,819	(1,367)
Income received in advance	(9,373)	12,967
Security deposits payable	1,250	35,520
Net Cash Provided by Operating Activities	<u>355,595</u>	<u>339,102</u>
Cash Flows from Investing Activities		
Additions to property and equipment	(569,928)	(414,517)
Capital improvements payable	(50,186)	114,746
Net Cash Used in Investing Activities	<u>(620,114)</u>	<u>(299,771)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	250,000	-
Repayment on line of credit	(300)	-
Net Cash Provided by Financing Activities	<u>249,700</u>	<u>-</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(14,819)	39,331
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>1,006,898</u>	<u>967,567</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 992,079</u>	<u>\$ 1,006,898</u>
Cash and cash equivalents	\$ 955,579	\$ 960,398
Restricted cash - security deposits	36,500	46,500
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 992,079</u>	<u>\$ 1,006,898</u>
Supplemental Disclosure		
Cash Paid During the Year for		
Interest expense	<u>\$ 163,751</u>	<u>\$ 160,002</u>

The accompanying notes are an integral part of these financial statements.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 Organization

350 Bleecker Street Apartment Corp. (the "Corporation"), a cooperative housing corporation, began operations in July 1985 under the laws of the State of New York to provide housing to shareholders on a cooperative basis. The Corporation's property, which is located in the Borough of Manhattan, consists of 140 residential apartments (some of which have been subsequently combined), commercial space, and a parking garage.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements were prepared using the accrual method of accounting. The Corporation prepares its tax returns using the cash method of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to make certain estimates and assumptions that may 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.

Recently Adopted Accounting Pronouncements - Revenue from Contracts with Customers

Effective January 1, 2019, the Corporation adopted Accounting Standards Update 2014-09 "Revenue from Contracts with Customers". This standard requires revenue to be recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Corporation adopted the standard using the modified retrospective transition method. The Corporation applied ASU No. 2014-09 only to contracts that were not completed prior to January 1, 2019. The adoption of the new revenue standard had no effect to the opening balance of shareholders' equity at January 1, 2019.

Note 2 Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements - Restricted Cash

Effective January 1, 2019, the Condominium adopted ASU 2016-18, Statement of Cashflows: Restricted Cash. ASU 2016-18 is intended to eliminate the diversity in practice related to the classification of restricted cash. ASU 2016-18 requires that the change in restricted cash be reported with cash when reconciling between beginning and ending amounts in the statement of cash flows. There was no adjustment to the cash flow statement as a result of adopting this new accounting guidance at January 1, 2019.

Cash and Cash Equivalents

For purposes of the balance sheets and statements of cash flows, the Corporation considers all highly liquid investments acquired with a maturity of three months or less to be cash and cash equivalents.

Restricted Cash Deposits/Security Deposits

Restricted cash deposits represent monies collected by the Corporation to cover damages that result from shareholders' moving in or out of the building and damages that result from shareholders' alterations.

Property and Equipment

Property and equipment are stated at cost. Expenditures which represent improvements to property are capitalized, while repairs and maintenance are charged to operations. Depreciation is computed using rates adequate to depreciate the cost of applicable assets over their expected useful lives.

Mortgage and Line of Credit Costs

Mortgage and line of credit acquisition costs of approximately \$54,000 are amortized on a straight-line basis, which approximates the yield method, over the term of the loans. Amortization of mortgage costs are classified as interest expense in the accompanying statement of operations.

Maintenance Charges and Assessments / Due from Shareholders

Shareholders are subject to monthly charges based upon the annual budget. The purpose of maintenance charges and assessments are to provide funds for operating expenses and capital improvements. Monthly maintenance charges and assessments represent multiple performance obligations which, on a standalone basis, are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for maintenance charges and assessments are satisfied over time on a daily pro-rata basis using the input method. Any excess of revenues over expenses at year end are retained by the Corporation for use in the succeeding year.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Maintenance Charges and Assessments / Due from Shareholders (Continued)

Due from shareholders at the balance sheet dates represent maintenance and other charges due from shareholders. According to the by-laws, the Corporation shall, at all times, have a first lien upon the shares of each shareholder to secure the payment by such shareholder. The Board of Directors' (the Board) intention is to reacquire shares of stock relating to severely delinquent units and sell them to recover the delinquent fees. All shareholder receivables have been deemed collectible at both December 31, 2020 and 2019.

Transfer Fees

It is the Corporation's policy to charge transfer fees to shareholders upon the resale of shares applicable to their apartments equal to 2% of the gross sales price of the unit. Transfer fees are recognized as revenue as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for transfer fees is satisfied on the closing date of the apartment when the shares are legally transferred.

Subsequent Events

The Board has evaluated events and transactions that occurred through the date of the auditors' report, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Note 3 Property and Equipment

Property and equipment consisted of the following, at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, equipment and furniture and fixtures	<u>5,840,010</u>	<u>5,270,083</u>
	19,162,715	18,592,788
Less: Accumulated depreciation	<u>12,947,562</u>	<u>12,794,745</u>
Total	<u>\$ 6,215,153</u>	<u>\$ 5,798,043</u>

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 4 Mortgage Indebtedness

Indebtedness consists of a \$4,300,000 mortgage note payable to National Consumer Cooperative Bank ("NCB"). The mortgage is secured by the property, requires payments of interest only at the fixed rate of 3.67% per annum, and matures February 1, 2023. Prepayment is subject to penalties, as set forth in the agreement.

In addition, the Corporation has available a \$500,000 line of credit with NCB. The line of credit is secured by a second mortgage on the property, bears interest at the greater of 4.5%, or one-month LIBOR plus 3.75%, and also matures February 1, 2023. Payments of interest and a required principal payment of \$100 per month are due monthly. The Corporation is also required to pay a facilities maintenance fee of \$1,250 per annum if no monies have been drawn on the line of credit. The Corporation borrowed from the line of credit and has an outstanding balance of \$249,700 and December 31, 2020. At December 31, 2019, the Corporation had \$500,000 available on the line of credit.

Note 5 Commercial Rent

The Corporation is the lessor under a master lease agreement for the rental of its commercial space and parking garage. The lease, which expires July 31, 2060, requires minimum rent of \$86,000 per annum. The Corporation is also entitled to additional rents based on a percentage of the increase in real estate taxes and certain operating expenses in excess of base amounts. For the years ended December 31, 2020 and 2019, these additional rents totaled approximately \$231,000 and \$212,000, respectively.

On a periodic basis, the Board evaluates the collectability of accounts receivable from commercial tenants. Accounts receivable due from the commercial tenant has been deemed collectible at both December 31, 2020 and 2019.

Note 6 Real Estate Abatements

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are credited against the real estate tax due on the property, and the Corporation is required to pass on the abatements to the eligible shareholders. For the years ended December 31, 2020 and 2019, abatements received by the Corporation totaled \$205,575 and \$194,676, respectively.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 7 Corporation Taxes

The Corporation is subject to taxation as a cooperative corporation for federal, state, and local purposes. A cooperative corporation is required to classify its income and expenses as patronage or nonpatronage. Expenses attributable to producing patronage income cannot be deducted from nonpatronage income. As a result, nonpatronage income in excess of allocable expenses is subject to income tax, even if the Corporation generates an overall taxable loss. The Board believes there is substantial authority to classify all its activity as patronage, and accordingly, for the years ended December 31, 2020 and 2019, no provision for income tax is required.

At December 31, 2020 and 2019, the Corporation had a net operating loss carryover of approximately \$3,450,000 and \$3,850,000, respectively, which may be used to offset future taxable income. The federal net operating loss carryforwards at December 31, 2020, will expire between the years 2021 and 2034 for losses incurred prior to January 1, 2018 (approximately \$3,380,000). Net operating losses incurred starting January 1, 2018 (approximately \$70,000) do not expire. The Corporation is unable to determine the future benefit, if any, of the loss carryover and accordingly, a valuation allowance has been provided to offset any potential future benefit.

In addition to taxes based on income, New York State and New York City calculate tax based on alternative and minimum tax bases, of which the applicable taxes have been recorded in the accompanying financial statements.

The Corporation evaluates its tax provisions and accruals and believes that they are appropriate based upon current facts and circumstances. The Corporation's income tax returns are subject to examination by taxing authorities for a period of three years from the filing date of the tax returns. There are currently no tax examinations in progress.

Note 8 Future Major Repairs and Replacements

The Corporation has not presented a study of 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. The Corporation's governing documents do not require the accumulation of funds to finance future major repairs and replacements. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to utilize available cash, increase maintenance charges, impose special assessments, borrow, and delay repairs and replacements until the funds are available or, any combination of the above. The effect on future charges to shareholders has not been determined at this time.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 9 Concentrations

Sponsor

At December 31, 2020, the Sponsor owned shares attributable to 10 apartments, representing approximately \$242,000 (approximately 10%) of total maintenance charges and assessments for the year then ended. At December 31, 2019, the Sponsor owned shares attributable to 11 apartments, representing approximately \$243,000 (approximately 11%) of total maintenance charges and assessments for the year then ended.

Credit Risk

The Corporation maintains cash balances and investments at institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). The insurance provided by SIPC is for losses caused by failure of the financial institution, not against losses caused by the changes in the market value of investments held by the financial institution. At times during the year, account balances exceed insured levels. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

Note 10 Commitment

The Corporation has entered into an agreement for the rehabilitation and installation of a backflow preventor system totaling approximately \$95,000 plus other costs in connection with the project. As of December 31, 2020, work has not commenced.

Note 11 Charges Designated for Capital Improvements

The Corporation has designated a portion of maintenance charges to fund capital improvements for the year ended December 31:

2019	\$130,000 (\$7.54 per share)
2020	\$210,000 (\$12.18 per share)
2021	\$210,000 (\$12.18 per share)

Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. As the maintenance charges designated for capital improvements are for explicit purpose of replenishing the capital reserve fund, the performance obligation for these charges and are satisfied when the charges are imposed.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 12 Other Matter – COVID-19

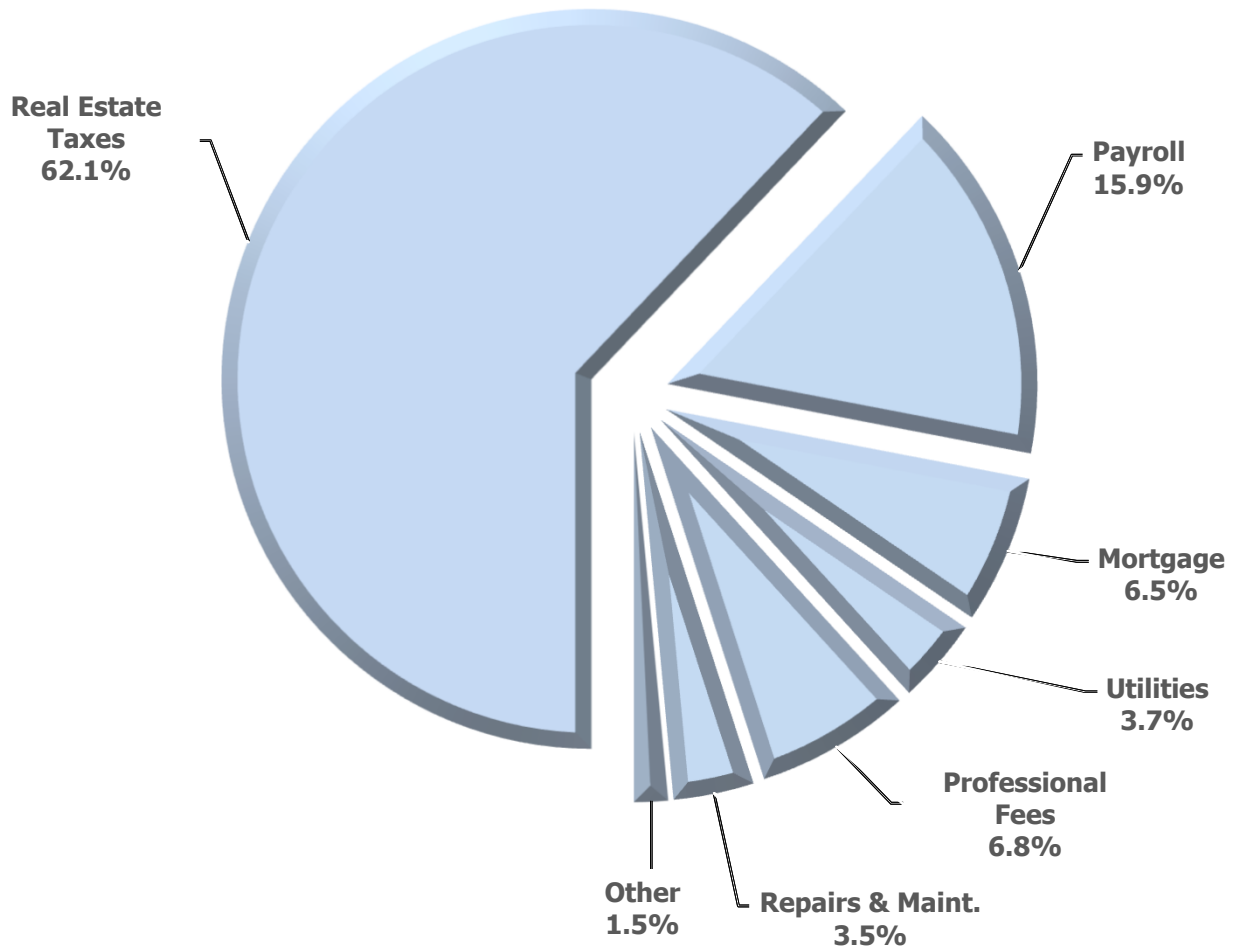
In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the impact of the spread of the COVID-19 coronavirus continues in the United States and around the world, the Corporation may experience disruptions that could impact its ability to carry out all of its activities. As of the date of the auditors' report, the Board cannot reasonably estimate the impact to the Corporation's future activities, revenues, financial condition or results of operations.

SUPPLEMENTARY INFORMATION

350 Bleecker Street Apartment Corp.**Actual vs. Budget****For the Year Ended December 31, 2020**

	<u>Actual</u>	<u>Budget (Unaudited)</u>
Income		
Maintenance charges	\$ 2,353,907	\$ 2,353,885
Less: Abatements	(205,575)	(210,000)
Less: Designated for capital improvements	(210,000)	(210,000)
Operating assessments	308,014	310,000
Commercial rent	316,688	302,000
Transfer fees	88,000	-
Other income	55,519	49,700
Sublet fees	28,424	27,500
Laundry income	18,770	27,000
	<u>2,753,747</u>	<u>2,650,085</u>
Total Income		
Expenses		
Real estate taxes	1,768,477	1,844,405
Less: Abatements	(205,575)	(210,000)
Mortgage interest	163,751	174,000
Payroll	293,226	305,000
Payroll taxes	23,819	25,000
Pension and welfare	69,971	92,000
Other payroll related expenses	13,606	18,500
Electric and gas	13,827	20,000
Heating	44,968	46,000
Water and sewer	34,939	42,000
Building supplies	22,023	25,000
Elevator maintenance	12,646	17,000
Other repairs and maintenance	53,535	64,542
Insurance	62,718	61,700
Management fees	61,036	60,282
Professional fees	47,259	34,500
Corporation taxes	14,692	14,000
Office and administration	21,020	16,156
	<u>2,515,938</u>	<u>2,650,085</u>
Total Expenses		
Income from Operations	<u>\$ 237,809</u>	<u>\$ -</u>

350 Bleecker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2020



350 Bleecker Street Apartment Corp.
Schedule of Increases in Shareholders' Cost Basis
December 31, 2020

Special assessments and the portion of maintenance charges designated for capital improvements, and the portion of maintenance charges applicable to the payment of principal on the mortgage indebtedness, can increase a shareholders' cost basis in their stock of the corporation. These increases, on a per share basis, are as follows, for the years ended December 31:

2020	\$ 12.18
2019	7.54
2018	8.70
2017	9.92
2016	9.74
2015	9.74
2014	9.74
2013	9.28
2012	4.65
2011 - 2003	-
2002	1.82
2001	1.55
2000	7.92