

350 Bleecker Street Apartment Corp.

Financial Statements

December 31, 2017

350 Bleecker Street Apartment Corp.
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Independent Auditors' Report

To the Board of Directors and Shareholders of
350 Bleecker Street Apartment Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of 350 Bleecker Street Apartment Corp., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The corporation's 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.

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 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 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 corporation'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 corporation's 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 350 Bleecker Street Apartment Corp. as of December 31, 2017 and 2016, and the results of its operations, changes in shareholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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.

Kleiman & Weinsbank

New York, New York
May 23, 2018

350 Bleecker Street Apartment Corp.
Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 813,322	\$ 849,455
Due from Shareholders	2,276	-
Due from Commercial Tenant	16,709	16,311
Prepaid Real Estate Taxes	333,421	315,575
Prepaid Expenses	55,421	58,621
Property and Equipment - Net	5,426,853	5,243,973
Security Deposit Held	12,980	-
	<u>12,980</u>	<u>-</u>
Total Assets	<u>\$ 6,660,982</u>	<u>\$ 6,483,935</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 60,361	\$ 80,582
Capital Improvements Payable	219,246	-
Real Estate Taxes Payable to Commercial Tenant	-	310,400
Abatements Payable	87,699	81,359
Income Received in Advance	18,931	14,595
Mortgage Payable	4,300,000	4,300,000
Less: Mortgage Costs - Net	(27,652)	(33,091)
Security Deposits Payable	28,080	15,100
	<u>28,080</u>	<u>15,100</u>
Total Liabilities	<u>4,686,665</u>	<u>4,768,945</u>
Shareholders' Equity		
Capital Stock	17,246	17,246
Additional Paid in Capital	10,671,128	10,671,128
Retained Earnings (Deficit)	(8,714,057)	(8,973,384)
	<u>(8,714,057)</u>	<u>(8,973,384)</u>
Total Shareholders' Equity	<u>1,974,317</u>	<u>1,714,990</u>
Total Liabilities and Shareholders' Equity	<u>\$ 6,660,982</u>	<u>\$ 6,483,935</u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Operations
For the Years Ended December 31, 2017 and 2016

	2017	2016
Income		
Maintenance Charges	\$ 2,035,025	\$ 1,966,044
Less: Abatements	(184,274)	(154,991)
Less: Designated for Capital Improvements	(171,000)	(168,000)
Operating Assessments	249,550	218,679
Commercial Rent	258,609	237,085
Transfer Fees	160,120	221,710
Laundry Income	23,115	23,493
Sublet Fees	37,884	49,328
Other Income	80,646	62,335
Total Income	2,489,675	2,455,683
Expenses		
Real Estate Taxes	1,498,138	1,350,829
Less: Abatements	(184,274)	(154,991)
Mortgage Interest	160,002	160,440
Payroll and Related Expenses	377,371	403,759
Electric and Gas	20,461	21,847
Heating	32,598	31,391
Water and Sewer	40,349	39,417
Repairs and Maintenance	114,599	104,011
Insurance	57,310	60,451
Management Fees	55,856	54,229
Professional Fees	50,439	67,922
Corporation Taxes	16,374	15,137
Office and Administration	22,130	21,821
Total Expenses	2,261,353	2,176,263
Income from Operations	228,322	279,420
Other Items		
Charges Designated for Capital Improvements	171,000	168,000
Depreciation	(134,556)	(127,807)
Interest - Amortization of Mortgage Costs	(5,439)	(5,439)
Net Income	\$ 259,327	\$ 314,174

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Shareholders' Equity
For the Years Ended December 31, 2017 and 2016

	Capital Stock	Additional Paid in Capital	Retained Earnings (Deficit)
Balance - December 31, 2015	\$ 17,246	\$ 10,671,128	\$ (9,287,558)
Net Income	<u>-</u>	<u>-</u>	<u>314,174</u>
Balance - December 31, 2016	17,246	10,671,128	(8,973,384)
Net Income	<u>-</u>	<u>-</u>	<u>259,327</u>
Balance - December 31, 2017	<u><u>\$ 17,246</u></u>	<u><u>\$ 10,671,128</u></u>	<u><u>\$ (8,714,057)</u></u>

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Net Income	<u>\$ 259,327</u>	<u>\$ 314,174</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	139,995	133,246
(Increase) Decrease in Due from Shareholders	(2,276)	9,528
(Increase) Decrease in Due from Commercial Tenant	(398)	25,105
(Increase) Decrease in Prepaid Real Estate Taxes	(17,846)	(308,658)
(Increase) Decrease in Prepaid Expenses	3,200	15,310
Increase (Decrease) in Accounts Payable	199,025	(17,785)
Increase (Decrease) in Real Estate Taxes Payable	(310,400)	310,400
Increase (Decrease) in Abatements Payable	6,340	11,088
Increase (Decrease) in Income Received in Advance	4,336	2,212
Increase (Decrease) in Security Deposits	<u>-</u>	<u>(5,500)</u>
Total Adjustments	<u>21,976</u>	<u>174,946</u>
Net Cash Provided (Used) by Operating Activities	<u>281,303</u>	<u>489,120</u>
Cash Flows From Investing Activities:		
Additions to Property and Equipment	<u>(317,436)</u>	<u>(228,998)</u>
Net Cash Provided (Used) by Investing Activities	<u>(317,436)</u>	<u>(228,998)</u>
Net Increase (Decrease) in Cash and Equivalents	(36,133)	260,122
Cash and Equivalents, Beginning of Year	<u>849,455</u>	<u>589,333</u>
Cash and Equivalents, End of Year	<u><u>\$ 813,322</u></u>	<u><u>\$ 849,455</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest Expense	\$ 160,002	\$ 160,440

See accompanying notes to financial statements.

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

Note 1 - Organization:

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 137 residential apartments (some of which have been subsequently combined), commercial space, and a parking garage, of which 16 apartments are owned by the sponsor at December 31, 2017. Maintenance charges and operating assessments applicable to the sponsor totaled approximately \$290,000 (14% of total maintenance charges and operating assessments) for the year ended December 31, 2017.

The corporation is authorized to issue shares of \$1 par value capital stock, of which 17,246 shares are issued and outstanding at December 31, 2017 and 2016.

Note 2 - Summary of Significant Accounting Policies:

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

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 of approximately \$54,000 are amortized over the term of the loans.

Shareholders are subject to various charges and assessments to fund the corporation's operating costs. In addition, the corporation may periodically impose special assessments or designate a portion of maintenance charges to provide funds for major repairs, replacements, and capital improvements. These charges and assessments are recognized as income by the corporation when billed.

Due from Shareholders includes amounts due for charges and assessments. The corporation has a lien on the capital stock of shareholders to secure payment of charges and assessments. It is the corporation's policy to retain legal counsel to notify shareholders who are delinquent that they are in default of their proprietary lease, and

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

advise them of the corporation's right to foreclose on such shares.

The corporation considers all receivables to be fully collectible and, accordingly, an allowance for uncollectible accounts is deemed unnecessary.

It is the corporation's policy to charge a transfer fee to shareholders upon the sale of shares applicable to their apartments equal to 2% of the gross selling price. Such transfer fees are recognized as income to the corporation at the time of transfer.

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

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.

The corporation has evaluated events and transactions that occurred through May 23, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Certain reclassifications have been made to the December 31, 2016 financial statements to conform to the December 31, 2017 financial statement presentation.

Note 3 - Property and Equipment:

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

	<u>2017</u>	<u>2016</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, Equipment, and Furniture and Fixtures	<u>4,612,679</u>	<u>4,295,243</u>
	17,935,384	17,617,948
Less: Accumulated Depreciation	<u>12,508,531</u>	<u>12,373,975</u>
	<u>\$ 5,426,853</u>	<u>\$ 5,243,973</u>

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

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 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 the one-month LIBOR plus 3.75%, or 4.5%, and also matures February 1, 2023. Payments of interest only were required through February 1, 2018. Thereafter, in addition to payments of interest, principal payments of \$100 per month are required. The corporation is also required to pay a facilities maintenance fee of \$1,250 per annum. At December 31, 2017, the corporation had \$500,000 available on this 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, 2017 and 2016, these additional rents totaled \$172,609 and \$151,085, respectively.

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, 2017 and 2016, abatements received by the corporation totaled \$184,274 and \$154,991, respectively.

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

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

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. Patronage income is defined as income derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the cooperative's principal business activity, and thus facilitates the accomplishment of the cooperative's business purpose. However, if the transaction or activity which produces the income merely enhances the overall profitability of the cooperative, then the income therefrom is nonpatronage income. The corporation believes there is substantial authority to classify all its activity as patronage, and for the years ended December 31, 2017 and 2016, no provision for income tax is required. The corporation also believes that if certain of its activities are determined to be nonpatronage, the expenses allocable to such activities would result in no taxable income.

At December 31, 2017, the corporation had a net operating loss carryover of approximately \$4,300,000 which may be used to offset future taxable income. The loss carryover expires at various dates through December 31, 2034. 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 income taxes, New York State ("NYS") and New York City ("NYC") have alternative and minimum corporation tax bases. Corporation Taxes reflected in the Statements of Operations represent NYS tax on the capital of the corporation (adjusted to market value), and NYC minimum tax.

As of December 31, 2017, the corporation's income tax returns for the years ended December 31, 2014 through 2017, remain subject to examination by taxing authorities. 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

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

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.

Note 9 - Concentration of 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 - Shareholder Information:

For the year ended December 31, 2017, the percentage of maintenance charges tax deductible to tenant-shareholders under Section 216 of the Internal Revenue Code was approximately 63%.

The corporation has designated maintenance charges to fund capital improvements, of which \$168,000 was designated for the year ended December 31, 2016, \$171,000 was designated for the year ended December 31, 2017, and \$150,000 has been designated for the year ending December 31, 2018.

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:

2017	\$ 9.92	2012	\$ 4.64
2016	9.74	2003 - 2011	0.00
2015	9.74	2002	1.82
2014	9.74	2001	1.55
2013	9.28	2000	7.92

350 Bleecker Street Apartment Corp.
Notes to Financial Statements
December 31, 2017

Note 11 - Commitment:

The corporation has entered into a contract for the rehabilitation of the building's exterior totaling approximately \$430,000, plus other costs in connection with the project. Through December 31, 2017, costs totaling approximately \$240,000 have been incurred on this contract, leaving approximately \$190,000 to be incurred in the subsequent period.

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**Independent Auditors' Report
on Supplementary Information**

To the Board of Directors and Shareholders of
350 Bleecker Street Apartment Corp.

We have audited the financial statements of 350 Bleecker Street Apartment Corp. as of and for the years ended December 31, 2017 and 2016, and our report thereon dated May 23, 2018, which expressed an unmodified opinion on those financial statements appears on Pages 1-2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of Actual vs. Budget and chart of Expense Analysis by Percentage, which are the responsibility of the corporation's management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, 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. The 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, the 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 audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Kleiman & Weinshank

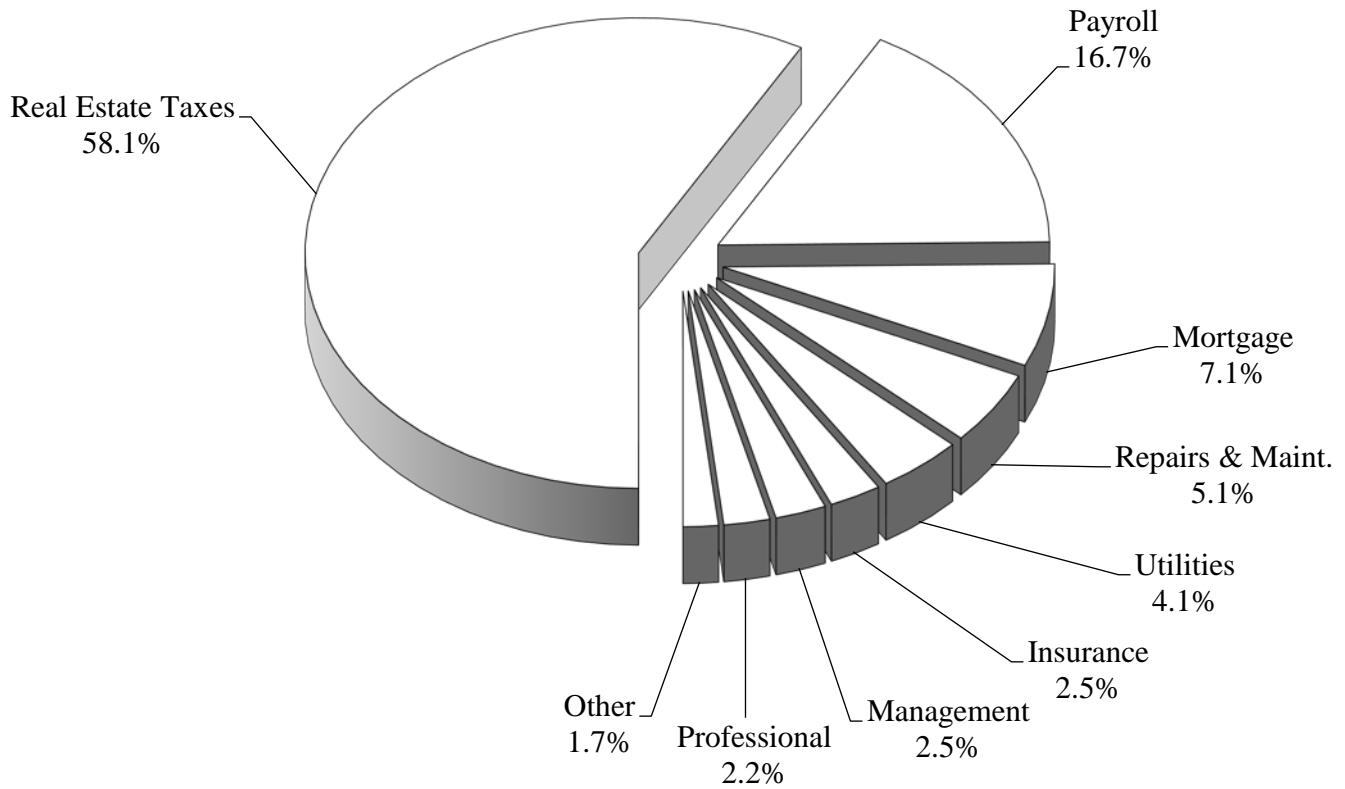
New York, New York
May 23, 2018

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2017

	Actual	Budget (Unaudited)
Income		
Maintenance Charges	\$ 2,035,025	\$ 2,035,000
Less: Abatements	(184,274)	(162,913)
Less: Designated for Capital Improvements	(171,000)	(171,000)
Operating Assessment	249,550	253,977
Commercial Rent	258,609	231,000
Transfer Fees	160,120	-
Laundry Income	23,115	27,135
Sublet Fees	37,884	37,000
Other Income	80,646	42,800
Total Income	2,489,675	2,292,999
Expenses		
Real Estate Taxes	1,498,138	1,486,913
Less: Abatements	(184,274)	(162,913)
Mortgage Interest	160,002	161,250
Payroll	280,731	290,535
Payroll Taxes	22,699	27,410
Health Insurance	59,728	74,520
Other Payroll Related Expenses	14,213	18,634
Electric and Gas	20,461	23,284
Heating	32,598	38,842
Water and Sewer	40,349	43,874
Building Supplies	18,467	17,000
Elevator Maintenance	12,087	15,000
Other Repairs and Maintenance	84,045	60,400
Insurance	57,310	70,000
Management Fees	55,856	55,000
Professional Fees	50,439	41,750
Corporation Taxes	16,374	15,500
Office and Administration	22,130	16,000
Total Expenses	2,261,353	2,292,999
Income from Operations	\$ 228,322	\$ -

See independent auditors' report on supplementary information.

**350 Bleecker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2017**



See independent auditors' report on supplementary information.