

350 Bleecker Street Apartment Corp.
Financial Statements
December 31, 2018 and 2017

350 Bleecker Street Apartment Corp.
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December 31, 2018 and 2017

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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. (the "Corporation") which comprise the balance sheets as of December 31, 2018 and 2017 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.

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 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 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 the Corporation as of December 31, 2018 and 2017, 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 12 through 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Corporation's management, 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

August 12, 2019

350 Bleecker Street Apartment Corp.**Balance Sheets****December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 956,087	\$ 813,322
Due from shareholders	2,267	2,276
Due from commercial tenant	22,430	16,709
Prepaid real estate taxes	-	333,421
Prepaid expenses	46,983	55,421
Property and equipment - net	5,530,504	5,426,853
Security deposits held	<u>11,480</u>	<u>12,980</u>
Total Assets	<u>\$ 6,569,751</u>	<u>\$ 6,660,982</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and accrued expenses	80,847	60,361
Capital improvements payable	21,964	219,246
Abatements payable	100,458	87,699
Income received in advance	7,008	18,931
Mortgage payable	4,300,000	4,300,000
Less: Mortgage costs - net	(22,213)	(27,652)
Security deposits payable	<u>27,580</u>	<u>28,080</u>
Total Liabilities	<u>4,515,644</u>	<u>4,686,665</u>
Shareholders' Equity		
Capital stock	17,246	17,246
Additional paid-in capital	10,671,128	10,671,128
Retained earnings (deficit)	<u>(8,634,267)</u>	<u>(8,714,057)</u>
Total Shareholders' Equity	<u>2,054,107</u>	<u>1,974,317</u>
Total Liabilities and Shareholders' Equity	<u>\$ 6,569,751</u>	<u>\$ 6,660,982</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Income		
Maintenance charges	\$ 2,035,025	\$ 2,035,025
Less: Abatements	(200,581)	(184,274)
Less: Designated for capital improvements	(150,000)	(171,000)
Operating assessments	270,417	249,550
Commercial rent	279,014	258,609
Transfer fees	118,610	160,120
Laundry income	22,615	23,115
Sublet fees	18,297	37,884
Other income	63,951	80,646
	<u>2,457,348</u>	<u>2,489,675</u>
Expenses		
Real estate taxes	1,607,523	1,498,138
Less: Abatements	(200,581)	(184,274)
Mortgage interest	160,002	160,002
Payroll and related expenses	402,031	377,371
Electric and gas	20,097	20,461
Heating	42,854	32,598
Water and sewer	38,661	40,349
Repairs and maintenance	102,832	114,599
Insurance	55,112	57,310
Management fees	57,532	55,856
Professional fees	52,995	50,439
Corporation taxes	20,005	16,374
Office and administration	23,820	22,130
	<u>2,382,883</u>	<u>2,261,353</u>
Income from Operations	74,465	228,322
Other Items		
Charges designated for capital improvements	150,000	171,000
Depreciation	(139,236)	(134,556)
Interest - amortization of mortgage costs	(5,439)	(5,439)
	<u>75,325</u>	<u>31,005</u>
Net Income	<u>\$ 79,790</u>	<u>\$ 259,327</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, 2018 and 2017

	<u>Capital Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings (Deficit)</u>
Balance - December 31, 2016	\$ 17,246	\$ 10,671,128	\$ (8,973,384)
Net Income	-	-	<u>259,327</u>
Balance - December 31, 2017	17,246	10,671,128	(8,714,057)
Net Income	-	-	<u>79,790</u>
Balance - December 31, 2018	<u>\$ 17,246</u>	<u>\$ 10,671,128</u>	<u>\$ (8,634,267)</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net Income	\$ 79,790	\$ 259,327
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	144,675	139,995
(Increase) Decrease in Due from shareholders	9	(2,276)
Decrease in Due from commercial tenant	(5,721)	(398)
(Increase) Decrease in Prepaid real estate taxes	333,421	(17,846)
Increase in Prepaid expenses	8,438	3,200
Increase (Decrease) in Accounts payable and accrued expenses	(176,796)	199,025
Decrease in Real estate taxes payable	-	(310,400)
Increase in Abatements payable	12,759	6,340
Increase (Decrease) in Income received in advance	(11,923)	4,336
Increase in Security deposit held - net	1,000	-
Total Adjustments	<u>304,862</u>	<u>21,976</u>
Net Cash Provided by Operating Activities	385,652	281,303
Cash Flows from Investing Activities		
Additions to property and equipment	<u>(242,887)</u>	<u>(317,436)</u>
Net Increase (Decrease) in Cash and Equivalents	142,765	(36,133)
Cash and Cash Equivalents - Beginning of Year	<u>813,322</u>	<u>849,455</u>
Cash and Cash Equivalents - End of Year	<u>\$ 956,087</u>	<u>\$ 813,322</u>
Supplemental Disclosure		
Cash paid During the Year for Interest	<u>\$ 160,002</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, 2018 and 2017

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.

At December 31, 2018, the Sponsor owned shares to 13 apartments, representing approximately \$249,000 (12%) of total maintenance charges and assessments for the year then ended. At December 31, 2017, the Sponsor owned shares to 16 apartments, representing approximately \$290,000 (14%) of total maintenance charges and assessments for the year then ended.

The Corporation is authorized to issue 20,000 shares of \$1 par value capital stock, of which 17,246 shares are issued and outstanding at December 31, 2018 and 2017.

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.

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 equivalents.

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 Costs

Mortgage and line of credit acquisition costs of approximately \$54,000 are amortized over the term of the loans.

Maintenance Charges and Assessments / Due from Shareholders and Commercial Tenant

Shareholders are subject to various charges and assessments to fund the Corporation's operating costs. In addition, the Corporation may periodically impose special assessments and/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.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 2 Summary of Significant Accounting Policies (Continued)

Maintenance Charges and Assessments / Due from Shareholders and Commercial Tenant (Continued)

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 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.

Transfer Fees

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.

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.

Subsequent Events

The Corporation has evaluated events and transactions that occurred through the date of the auditor's 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 consist of the following, at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,779,843	\$ 2,779,843
Building	10,542,862	10,542,862
Improvements, equipment and furniture and fixtures	<u>4,855,566</u>	<u>4,612,679</u>
	18,178,271	17,935,384
Less: Accumulated depreciation	<u>12,647,767</u>	<u>12,508,531</u>
Total	<u>\$ 5,530,504</u>	<u>\$ 5,426,853</u>

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2018 and 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 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 only were required through February 2018. Thereafter, in addition to payment 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, 2018 and 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, 2018 and 2017, these additional rents totaled \$193,014 and \$172,609, 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 December 31, 2018 and 2017, abatements received by the Corporation totaled \$200,581 and \$184,274, 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 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.

350 Bleecker Street Apartment Corp.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 7 Corporation Taxes (Continued)

The Corporation believes there is substantial authority to classify all its activity as patronage, and for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the Corporation had federal net operating loss carryovers of approximately \$4,000,000 and \$4,300,000, respectively, which may be used to offset future taxable income. The federal net operating loss carryforwards at December 31, 2018 will expire between the years 2019 and 2037 for losses incurred prior to January 1, 2018. Net operating losses incurred starting January 1, 2018 do not expire and the net operating loss deduction is limited to 80% of taxable income. 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 and NYC tax on the capital of the Corporation (adjusted to market value).

As of December 31, 2018, the Corporation's income tax returns for the years ended December 31, 2015 through 2018, 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 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, 2018 and 2017

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 Assessments

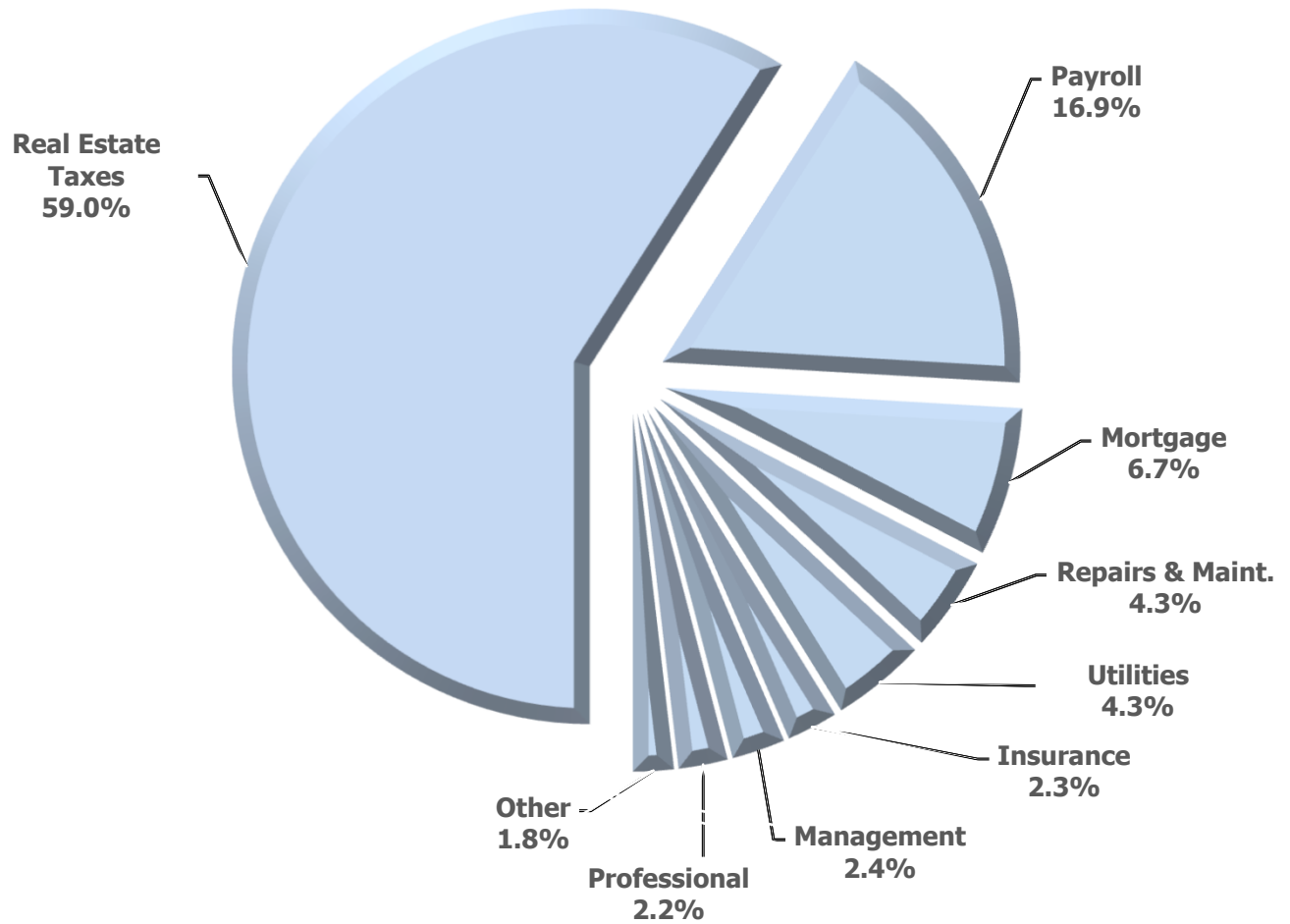
The Corporation has designated maintenance charges to fund capital improvements, of which \$171,000 was designated for the year ended December 31, 2017, \$150,000 was designated for the year ending December 31, 2018, and \$130,000 has been designated for the year ending December 31, 2019.

SUPPLEMENTARY INFORMATION

350 Bleecker Street Apartment Corp.
Actual vs. Budget
For the Year Ended December 31, 2018

	Actual	Budget (Unaudited)
Income		
Maintenance charges	\$ 2,035,025	\$ 2,035,000
Less: Abatements	(200,581)	(191,800)
Less: Designated for capital improvements	(150,000)	(150,000)
Operating assessments	270,417	270,000
Commercial rent	279,014	281,000
Transfer fees	118,610	-
Laundry income	22,615	25,000
Sublet fees	18,297	38,500
Other income	63,951	54,247
	<u>2,457,348</u>	<u>2,361,947</u>
Total Income	<u>2,457,348</u>	<u>2,361,947</u>
Expenses		
Real estate taxes	1,607,523	1,611,497
Less: Abatements	(200,581)	(191,800)
Mortgage interest	160,002	160,000
Payroll	298,069	285,500
Payroll taxes	24,058	23,000
Pension and welfare	63,550	74,000
Other payroll related expenses	16,354	17,700
Electric and gas	20,097	24,000
Heating	42,854	40,000
Water and sewer	38,661	41,000
Building supplies	15,320	20,000
Elevator maintenance	15,438	14,000
Other repairs and maintenance	72,074	52,800
Insurance	55,112	70,000
Management fees	57,532	57,000
Professional fees	52,995	31,500
Corporation taxes	20,005	15,000
Office and administration	23,820	16,750
	<u>2,382,883</u>	<u>2,361,947</u>
Total Expenses	<u>2,382,883</u>	<u>2,361,947</u>
Income from Operations	<u>\$ 74,465</u>	<u>\$ -</u>

350 Bleeker Street Apartment Corp.
Expense Analysis by Percentage
For the Year Ended December 31, 2018



350 Bleecker Street Apartment Corp.
Schedule of Increases in Shareholders' Cost Basis
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:

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