



# The Co-op & Condo Learning Center

## Financial Matters Facing a Board Member

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# The Operating Budget

- Legal Requirement to Prepare a Budget
  - When
  - With Whom
  - Adopting the Budget
- Expenses: Normal Increases to Consider
  - Taxes
  - Union Wages
- Expenses: Unusual Increases
  - Expected Repairs
  - Insurance
- Income
  - Flip Taxes

# Capital Expenses

- Statutory Capital Projects
- Other Capital Expenditures
  - New Boiler
  - New Roof
- Sales Tax Issue
- CONDO ISSUE – Is consent required?

# Paying for the Capital Projects

- Assessments
- COOP – Underlying Mortgage
  - Interest Only
  - Self-Amortizing
  - 10/30
- CONDO
  - Condo Loan
  - Consent Required?
  - Unsecured by Real Estate
  - Super's Apartment Loan

# Financial Statement

- Requirement Annually
- Accrual v. Cash
- Meaning of Introduction
- Operating / Cash Flow (see page 6)
- Balance Sheet (see page 7)
- Comparisons (see page 8)
- Footnotes
  - Mortgage Info, Location of Reserves, Operating Assessments, Union Info, Corporate Taxes, Litigations or Contingent Liabilities

**THE SAMPLE CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	20XX	20XX
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 19,877	\$ 131,116
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Revenue allocated to financing activities	(27,600)	(113,100)
Depreciation expense	114,477	125,424
Amortization of debt issuance costs	6,272	3,756
(Increase) in accounts receivable	(1,690)	(10,352)
Decrease in prepaid expenses	29,635	2,653
Increase in accounts payable	14,490	11,365
(Decrease) increase in other current liabilities	(5,927)	33,997
<b>Total Adjustments</b>	<b>129,657</b>	<b>53,743</b>
<b>Cash Provided By Operating Activities</b>	<b>149,534</b>	<b>184,859</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in reserve fund	110,091	(1,260,617)
(Increase) in building improvements and equipment	(632,939)	(248,626)
Increase (decrease) in building improvements payable	360,524	(4,202)
<b>Cash (Used) By Investing Activities</b>	<b>(162,324)</b>	<b>(1,513,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of mortgage payable	(40,161)	(31,893)
Transfer fees	27,600	113,100
Proceeds from new mortgage payable	-	2,500,000
(Repayment) of former mortgage payable	-	(1,277,120)
(Increase) in unamortized debt issuance costs	-	(62,720)
<b>Cash (Used) Provided By Financing Activities</b>	<b>(12,561)</b>	<b>1,241,367</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(25,351)</b>	<b>(87,219)</b>
Cash and cash equivalents at beginning of year	217,951	305,170
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 192,600</b>	<b>\$ 217,951</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 110,599	\$ 95,668
Income taxes paid - net of refunds	\$ 7,121	\$ 6,760

**THE SAMPLE CORPORATION  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,**

	20XX	20XX
<b>REVENUE</b>		
Maintenance - Apartments	\$ 2,146,200	\$ 2,104,092
Operating assessments (Note 6)	156,239	141,360
Electricity submetering	88,385	89,198
Late, storage, sublet and other fees	35,716	45,188
Rental income (Note 7)	32,301	31,668
Interest and dividends	30,279	17,329
Laundry income	9,555	13,005
<b>Total Revenue</b>	<b>2,498,675</b>	<b>2,441,840</b>
<b>COST OF OPERATIONS</b>		
Administrative expenses	100,782	81,701
Operating expenses	1,016,766	1,024,275
Repairs and maintenance	146,576	128,539
Taxes	1,009,829	961,662
Financial expenses	117,968	102,223
<b>Total Cost of Operations</b>	<b>2,391,921</b>	<b>2,298,400</b>
<b>Income from operations before other item and depreciation expense</b>	<b>106,754</b>	<b>143,440</b>
Transfer fees (Note 2)	27,600	113,100
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>	<b>134,354</b>	<b>256,540</b>
Depreciation expense	(114,477)	(125,424)
<b>Net Income For The Year</b>	<b>\$ 19,877</b>	<b>\$ 131,116</b>

**THE SAMPLE CORPORATION**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31,**

	20XX	20XX
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 192,600	\$ 217,951
Accounts receivable	24,737	23,047
Prepaid expenses	30,759	80,394
Total Current Assets	268,096	321,392
Reserve Fund: (Note 3)	1,798,201	1,908,292
Total Current Assets and Reserve Fund	2,066,297	2,229,684
 <b>Property and Improvements: (Notes 2 and 4)</b>		
Land	743,713	743,713
Building	1,901,287	1,901,287
Building improvements and equipment	4,580,483	3,947,544
Total	7,225,483	6,592,544
Accumulated depreciation	(4,429,309)	(4,314,832)
Net Property and Improvements	2,796,174	2,277,712
 <b>Other Assets:</b>		
Cash - security deposits	5,008	18,483
Total Assets	\$ 4,867,479	\$ 4,525,879

**THE SAMPLE CORPORATION**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31,**

	20XX	20XX
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accrued mortgage interest	\$ 9,310	\$ 9,463
Mortgage payable - current portion (Note 5)	41,693	40,161
Building improvements payable	363,236	2,712
Due to shareholders - real estate tax abatements	93,697	89,401
Accounts payable	68,742	54,252
Advance maintenance	28,074	35,613
Accrued wages and payroll taxes	16,121	18,651
Total Current Liabilities	620,873	250,253
 <b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 5)	2,398,885	2,440,578
Unamortized debt issuance costs (Note 2)	(54,540)	(60,811)
Net Long-Term Debt	2,344,345	2,379,767
Security deposits payable	9,008	22,483
Total Long-Term and Other Liabilities	2,353,353	2,402,250
Total Liabilities	2,974,226	2,652,503
 <b>Shareholders' Equity:</b>		
Common stock - \$1.00 par value, 39,000 shares authorized, 37,200 shares issued and outstanding	37,200	37,200
Additional paid-in capital	4,802,827	4,802,827
Accumulated deficit	(2,946,774)	(2,966,651)
Total Shareholders' Equity	1,893,253	1,873,376
Total Liabilities and Shareholders' Equity	\$ 4,867,479	\$ 4,525,879

THE SAMPLE CORPORATION

Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast

	For The Year		Prior Year	Next Year
	January 1, 20XX - December 31, 20XX		January 1, 20XX - December 31, 20XX	January 1, 20XX - December 31, 20XX
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Apartments (1)	\$ 2,146,200	\$ 2,146,200	\$ 2,104,092	\$ 2,189,100
Operating assessments	142,000	156,239	141,360	156,000
Electricity submetering	-	88,385	89,198	91,200
Late, storage, sublet and other fees	32,400	35,716	45,188	31,800
Rental income	31,000	32,301	31,668	31,000
Interest and dividends	6,000	30,279	17,329	11,200
Laundry income	5,000	9,555	13,005	11,000
<b>TOTAL REVENUE</b>	<b>2,362,600</b>	<b>2,498,675</b>	<b>2,441,840</b>	<b>2,521,300</b>
<b>EXPENDITURES</b>				
Management fee	51,000	50,000	48,000	51,500
Professional fees	21,500	43,240	20,177	24,500
Other administrative	5,800	5,430	10,698	6,000
Telephone and communications	2,400	2,112	2,826	2,500
Electricity and gas	21,000	110,832	114,144	107,300
Fuel and gas - heat	103,600	110,444	112,784	116,800
Water and sewer	78,000	59,425	77,159	40,000
Wages	445,000	445,029	438,025	479,000
Union benefits	190,000	187,569	177,038	190,000
Payroll taxes	33,000	33,928	33,256	36,500
Workers' compensation and disability	16,800	19,709	20,436	21,500
Insurance	45,000	42,257	42,282	45,000
Permits and miscellaneous operating	3,700	3,985	5,563	3,700
Meter reading service	-	3,588	3,588	3,600
Repairs and maintenance	151,200	146,576	128,539	146,500
New York City real estate tax	984,000	1,003,070	954,377	1,044,500
Corporation taxes	18,000	6,759	7,285	16,000
Mortgage interest and amortization	150,800	150,607	130,360	150,800
Line of credit facility fees	-	1,250	-	1,300
Transfers to reserve fund	31,800	-	-	24,300
Contingency	10,000	-	-	10,000
<b>TOTAL EXPENDITURES</b>	<b>2,362,600</b>	<b>2,425,810</b>	<b>2,326,537</b>	<b>2,521,300</b>
Budgeted Surplus	\$ -			\$ -
<b>ACTUAL OPERATING INCOME BEFORE OTHER ITEMS</b>		72,865	115,303	
Amortization of mortgage payable		40,161	31,893	
Transfer fees		27,600	113,100	
Amortization of debt issuance costs		(6,272)	(3,756)	
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>		<b>\$ 134,354</b>	<b>\$ 256,540</b>	

# Transfer Fee / Flip Tax

- Flat Amount Per Share
  - Remember to index or allow increases
- Percentage of Sales Price
- Percentage of Profit
- Where to Deposit Funds
  - Capital / Operating
- CONDO – Can a Condo Have a Transfer Fee?

# Save the Date

Co-op & Condo Learning Center

- **June 9 – Recent Laws You May Have Forgotten**
  - Ravi Sachania, Howard Schechter, Eric Wohl

# Thank you!



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