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# ENHANCED SERVICES

Work with experienced professionals who understand your industry needs.

**C&B** CZARNOWSKI & BEER  
Auditors | Accountants | Advisors



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## Helping Properties Plan for Growth

At Czarnowski & Beer we place a major focus on cooperatives and condominiums and as a result of serving this sector of the real estate industry for over 35 years we have developed a superior understanding of its uniqueness and the needs of its key stakeholders.

Since board members are volunteers and report to their neighbors, basic accountant representation won't suffice, at least not for our clients.

Over the 35 years that we have worked with cooperatives and condominiums we have tracked everything that can go wrong with a property's financials and then incorporated our findings to the representation we provide to each of our clients as an extra layer of protection.

In addition to preparing your annual

financial statement and tax return, we can also help spotlight potential cost-savings opportunities for your property and help your board make suitable decisions that will reduce the risk of public scrutiny.

To provide these enhanced services we employ basic procedures including exceptional rotational control testing which encompasses basic inquiry and, in some cases, testing of a wide variety of aspects of your property's operations with a strong focus on risk-assessment.

# Our Enhanced Services

## **Comparable Cost Studies**

Over the 35 years our firm has been active in this industry we have compiled a comprehensive study of annual costs incurred by our properties and established statistics for most operating categories. This has allowed us to make recommendations for areas of potential improvement and provide valuable visual demonstrations to our clients showing how a property compares to the “norm” for comparable properties within our vast portfolio. This service is further enhanced by attendance from one of our professionals at one of your board meetings to help review the study and assist board members in properly understanding the meaning of its findings.

## **Study to Determine Financial Viability of Full Energy Audit**

This enhanced service allows properties to focus on two very popular topics: cost reduction and “going green”. Although most of New York City’s real estate was developed at a time when efficient use of natural resources was virtually given no consideration, the City has now recognized the limitations on natural resources and established a “Go Green” initiative.

While energy efficiency is a wonderful concept, utilizing a buckshot approach is simply not realistic.

At Czar Beer we have ascertained the industry criterion for evaluation and established benchmark amounts for many building systems. Using this knowledge, we offer a one-of-a-kind consulting service allowing your Board to determine how your property compares in a variety of areas and determine the areas with the highest potential return on investment. Until the City mandates full energy efficiency audits, we will continue to be available to benchmark our clients’ utilization of resources at a more reasonable cost.

## **Evaluation of Cost-Savings Opportunities**

Monthly carrying charge increases have seen a significant rise, predominantly due to escalation of costs for energy, employee benefits, and local property taxes. Given that generally more than fifty percent of a property's operating costs are non-discretionary, cost-cutting must be done in a way systematic manner that ensures long term success.

Together, with your property manager and building staff, we can coordinate a multi-faceted approach to investigate these key areas. As part of our enhanced services we offer our clients guidance for establishing policies and procedures and maintaining an internal control system including but not limited to maintaining controls over procurement; purchasing; and security of supplies.

## **Evaluation of New Sources of Income**

As a complement to our cost reduction enhanced services, we also offer a "other sources of income" engagement which is generally conducted in two ways. One way evaluates the types and amounts of fees charged by the property to tenants, owners, visitors, and prospective applicants. This evaluation can determine whether the level and types of fees being charged are in alignment with standard industry practices. The second approach to "other sources of income" involves reviewing applicable property and managing agent procedures to ensure you are receiving all of the miscellaneous charges that you are entitled to on a timely basis.

Once these procedures are established, we remain available to instruct the board or finance committee members on how to best monitor that the procedures are followed and that miscellaneous income is maximized.

## **Agreed Upon Procedures**

There are special reports, like Independent Annual Meeting Election Results, that we create to answer questions for special projects like: What was the payback period for the investment in energy efficiency that the Board has made?; What did the developer promise but not deliver in the offering plan?; Is the allocation of common charges to commercial versus residential units appropriate?; etc.

This is the type of work that many of our competitors do not want to undertake because it is out of the ordinary, and thus tend to be less profitable. However, Czar Beer is a large firm in this practice area with the resources to complete these special requests.

## **Assurance of Your Property's Qualification by Fannie Mae**

The Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, is the benchmark for cooperative and condominium unit loan qualifications. Unit owners who are attempting to sell their apartments may find that their prospective purchasers are encountering difficulty in obtaining a mortgage if their property is not approved by or eligible for sale to Fannie Mae. When these unit owners have difficulty selling their apartments, they turn to the board who then in turn find they must obtain a crash course in the Fannie Mae guidelines.

These guidelines are published in Fannie Mae's "Selling Guide" which is prepared for Lenders. To understand why these issues have arisen, it is important to understand that Fannie Mae and Freddie Mac originate 90% of the end loans obtained by unit owners. Freddie Mac's guidelines are more difficult to meet, however, Fannie Mae buys substantially more loans. Therefore, Fannie Mae has become the traditional association that most properties need to be concerned with. The key to a successful investment is understanding and communication to ensure that your board does not receive the worry that the property is not Fannie Mae qualified and an important mortgage commitment or prospective sale is about to be lost.

At Czar Beer we are well-versed with the requirements and available to work with you to avoid qualification issues in advance. The Fannie Mae Selling Guide provides details for some common eligibility requirements. Remember that a property's qualification will rely on the building's eligibility and eligibility is not on a unit-by-unit basis. Common eligibility requirements and issues for cooperatives include: 51% of the units must be first or second homes. 90% of the units must already have been sold to purchasers, unless the property is in the initial "sell out" period. Control of the board has been turned over to unit owners. For new projects, a Certificate of Occupancy must have been issued. The property's operating budget must be adequate. If the property has not done a study of the useful life of building components, 10% of revenue in the budget must go to reserves. The budget must include a provision for all insurance deductibles. No more than 15% of units can be more than 30 days in arrears. Other than the initial marketing period, no one can own more than 10%. If professional management is in place, any cancellation clause for the management contract must be ninety days or less.

## **Assessment Planning to Maximize Tax Benefits**

In this economic climate tax authorities need to raise revenues too and with these increasing tax rates we expect the question of tax deduction for payments from unit owners to take on even greater significance. In addition to the usual real estate tax and mortgage interest deductions that are available, there are other tax benefits that are not based on deductions, but rather provide dollar for dollar tax credits for specific projects that the property undertakes. This type of benefit can go a long way toward rewarding unit owners and reducing the painful costs associated with necessary projects. Generally, your property's necessary funding comes from the unit owners and too often we have heard the complaint "I have no idea what I am getting for all this extra money I have to pay." From our experience we have seen how the response to requests for additional funds for major capital improvements is received more favorably when the request highlights the additional tax benefits to the unit owners. When you partner with Czar Beer we will assure that all the available tax benefits are maximized as part of your property's regular operations.

## **Procedure Self-Assessment**

A procedure self-assessment is an evaluation tool that identifies potential errors that can occur in your organization's transactions' cycles. The monitoring methods you use this tool to develop will act as indicators of where errors tend to arise. There can be an enormous number of reasons why a transactional error arises, which could result in errors that are not caught. At Czar Beer we will facilitate your need to perform a procedure self-assessment with your management team. We can assist you in understanding how this process works as you and your team work together to determine where there is a risk of losing assets and ultimately where implementing the corrective changes are necessary to improve your property's operations. Our role is to appropriately facilitate this process which will allow the board to enhance its ability to monitor and evaluate its management.