

GREAT NECK TERRACE OWNERS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2015 and 2014



Certified Public Accountants

GREAT NECK TERRACE OWNERS CORP.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Great Neck Terrace Owners Corp.

We have audited the accompanying financial statements of Great Neck Terrace Owners Corp., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 audit 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 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 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 Great Neck Terrace Owners Corp. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the supplementary information on future 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 missing 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 missing information.

Newman, Newman & Kaufman, LLP

February 22, 2016

Newman, Newman & Kaufman, LLP
575 Underhill Blvd.
Suite 100
Syosset, NY 11791

Rockefeller Center
One Rockefeller Plaza
11th Floor
New York, NY 10020

T 516.364.0700
F 516.364.9407
info@nnkllp.com
www.nnkllp.com

GREAT NECK TERRACE OWNERS CORP.

BALANCE SHEETS

December 31,	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 611,125	\$ 511,458
Real estate tax escrow (Note 3)	519,366	579,026
Cash - security deposits	63,205	74,001
Receivables (Note 4)	228,725	176,380
Prepaid expenses (Note 5)	<u>85,629</u>	<u>77,152</u>
Total Current Assets	<u>1,508,050</u>	<u>1,418,017</u>
Reserve fund (Notes 2 and 6)	<u>8,662,759</u>	<u>9,024,855</u>
Property and Improvements: (Notes 2 and 7)		
Land	13,839,010	13,839,010
Building	55,356,042	55,356,042
Building improvements and equipment	<u>11,398,230</u>	<u>11,073,411</u>
Total	80,593,282	80,268,463
Less: accumulated depreciation	<u>51,767,943</u>	<u>49,731,286</u>
Net Property and Improvements	<u>28,825,339</u>	<u>30,537,177</u>
Other Assets:		
Unamortized mortgage costs (Note 2)	225,186	269,084
Investment in NCB stock (Note 2)	<u>49,504</u>	<u>49,504</u>
Total Other Assets	<u>274,690</u>	<u>318,588</u>
Total Assets	<u>\$ 39,270,838</u>	<u>\$ 41,298,637</u>

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

GREAT NECK TERRACE OWNERS CORP.

BALANCE SHEETS

December 31,	2015	2014
Liabilities		
Current Liabilities:		
Accounts payable	\$ 205,640	\$ 313,028
Mortgage payable - current portion	491,903	477,544
Real estate tax abatement/exemptions payable	235,084	245,906
Security deposits payable	74,758	87,053
Accrued mortgage interest	71,679	73,077
Building improvements payable	34,409	28,360
Advance maintenance	31,393	32,899
Wages and payroll taxes payable	<u>13,861</u>	<u>16,028</u>
Total Current Liabilities	<u>1,158,727</u>	<u>1,273,895</u>
Long-Term Liability:		
Mortgage payable - net of current portion (Note 8)	<u>23,990,517</u>	<u>24,482,420</u>
Total Liabilities	<u>25,149,244</u>	<u>25,756,315</u>
Stockholders' Equity		
Common stock - \$1.00 par value, 96,000 shares authorized, 91,759 shares issued and outstanding	91,759	91,759
Paid-in capital in excess of par value	57,730,743	57,730,743
Additional paid-in capital	6,070,926	5,593,382
Accumulated deficit	(49,762,234)	(47,849,811)
Less: treasury stock at cost (Note 9)	(9,600)	(9,600)
Accumulated other comprehensive income (loss)	<u>-</u>	<u>(14,151)</u>
Total Stockholders' Equity	<u>14,121,594</u>	<u>15,542,322</u>
Total Liabilities and Stockholders' Equity	<u>\$ 39,270,838</u>	<u>\$ 41,298,637</u>

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

GREAT NECK TERRACE OWNERS CORP.

STATEMENTS OF OPERATIONS

Year Ended December 31,	2015	2014
Revenues		
Maintenance	\$ 6,893,708	\$ 6,768,799
Less: paid-in capital - mortgage amortization	(477,544)	(357,488)
	<u>6,416,164</u>	<u>6,411,311</u>
Other fees	193,154	151,847
Transfer fees (Note 2)	135,212	121,544
Laundry income	66,000	66,000
Interest and dividend income	55,369	25,067
Storage units	<u>32,777</u>	<u>41,112</u>
Total Revenues	<u>6,898,676</u>	<u>6,816,881</u>
Cost of Operations		
Administrative expenses	Schedule 1 428,397	485,870
Operating expenses	Schedule 2 3,215,093	3,156,046
Repairs and maintenance	Schedule 3 537,166	468,163
Real estate taxes	1,623,499	1,596,260
Mortgage and credit line interest	857,752	893,654
Pool club management and maintenance	82,731	76,471
Corporation taxes	<u>6,492</u>	<u>5,923</u>
Total Cost of Operations	<u>6,751,130</u>	<u>6,682,387</u>
Income from operations before special items and depreciation and amortization	147,546	134,494
Laundry incentive bonus	30,000	-
NCB dividend	8,544	-
Mortgage prepayment premium (Note 8)	-	(325,476)
Loss on sale of investments	(17,958)	(17,215)
Income (Loss) Before Depreciation and Amortization	168,132	(208,197)
Depreciation and amortization	(2,080,555)	(2,049,145)
Net Loss For The Year	<u>(\$ 1,912,423)</u>	<u>(\$ 2,257,342)</u>

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

GREAT NECK TERRACE OWNERS CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<u>Year Ended December 31,</u>	<u>2015</u>	<u>2014</u>
Net loss for the year	(\$ 1,912,423)	(\$ 2,257,342)
Unrealized gain on investments	<u>-</u>	<u>33,789</u>
Comprehensive Income (Loss)	<u>(\$ 1,912,423)</u>	<u>(\$ 2,223,553)</u>

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

GREAT NECK TERRACE OWNERS CORP.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31,	2015	2014
Common Stock		
Balance - January 1,	\$ 91,759	\$ 91,759
Transactions during year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 91,759</u>	<u>\$ 91,759</u>
Paid-in Capital in Excess of Par Value		
Balance - January 1,	\$ 57,730,743	\$ 57,730,743
Transactions during year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 57,730,743</u>	<u>\$ 57,730,743</u>
Additional Paid-In Capital		
Balance - January 1,	\$ 5,593,382	\$ 5,217,894
Mortgage amortization	477,544	357,488
Sale of storage and parking spaces	<u>-</u>	<u>18,000</u>
Balance - December 31,	<u>\$ 6,070,926</u>	<u>\$ 5,593,382</u>
Accumulated Deficit		
Balance - January 1,	(\$ 47,849,811)	(\$ 45,592,469)
Net loss for the year	<u>(1,912,423)</u>	<u>(2,257,342)</u>
Balance - December 31,	<u>(\$ 49,762,234)</u>	<u>(\$ 47,849,811)</u>
Treasury Stock		
Balance - January 1, (36 shares)	(\$ 9,600)	(\$ 9,600)
Transactions during year	<u>-</u>	<u>-</u>
Balance - December 31, (36 shares)	<u>(\$ 9,600)</u>	<u>(\$ 9,600)</u>
Accumulated Other Comprehensive Income (Loss)		
Balance - January 1,	(\$ 14,151)	(\$ 65,155)
Realized loss on sale of investments	17,958	17,215
Unrealized (loss) gain on investments for the year	<u>(3,807)</u>	<u>33,789</u>
Balance - December 31,	<u>\$ -0-</u>	<u>(\$ 14,151)</u>

The accompanying notes are an integral part of this statement.

GREAT NECK TERRACE OWNERS CORP.

STATEMENTS OF CASH FLOWS

<u>Year Ended December 31,</u>	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Net loss for the year	(\$ 1,912,423)	(\$ 2,257,342)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	2,036,657	2,024,815
Amortization	43,898	24,330
Mortgage prepayment premium	-	325,476
Loss on sale of investments	17,958	17,215
Other changes in operating assets and liabilities that provided (used) cash:		
Real estate tax escrow	59,660	36,048
Security deposits	10,796	793
Receivables	(52,345)	44,379
Prepaid expenses	(8,477)	19,552
Accounts payable	(107,388)	112,226
Other current liabilities	(15,893)	14,423
Security deposit payable	(12,295)	(26,110)
Total Adjustments	<u>1,972,571</u>	<u>2,593,147</u>
Cash Provided By Operating Activities	<u>60,148</u>	<u>335,805</u>
Cash Flows From Investing Activities		
Decrease (increase) in reserve fund	358,289	(8,167,305)
Increase in building improvements and equipment	(324,819)	(117,280)
Increase (decrease) in building improvements payable	6,049	(167,497)
Investment in NCB stock	<u>-</u>	<u>(49,504)</u>
Cash Provided By (Used In) Investing Activities	<u>39,519</u>	<u>(8,501,586)</u>
Cash Flows From Financing Activities		
Increase in unamortized mortgage costs	-	(254,927)
Proceeds from refinanced mortgage	-	25,000,000
Repayment of mortgage payable	-	(16,273,825)
Proceeds from line of credit	-	500,000
Repayment of line of credit	-	(500,000)
Amortization of mortgage principal	(477,544)	(357,488)
Paid-in capital - mortgage amortization	477,544	357,488
Proceeds from sale of storage and parking spaces	-	18,000
Mortgage prepayment premium	<u>-</u>	<u>(325,476)</u>
Cash Provided By Financing Activities	<u>-</u>	<u>8,163,772</u>
Net change in cash and cash equivalents	99,667	(2,009)
Cash and cash equivalents at beginning of year	<u>511,458</u>	<u>513,467</u>
Cash and cash equivalents at end of year	<u>\$ 611,125</u>	<u>\$ 511,458</u>
Supplemental Disclosures		
Interest paid (2014 includes mortgage prepayment penalty)	\$ 859,150	\$ 1,222,774
Income taxes paid	\$ 5,961	\$ 7,272

Noncash Transaction

Net unrealized (loss) gain on marketable securities resulted in a (decrease) increase to Investments and Stockholders' Equity of (\$3,807) and \$33,789 in 2015 and 2014, respectively.

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

Notes to Financial Statements

Note 1. **ORGANIZATION**

Great Neck Terrace Owners Corp. (the "Corporation") is a qualified Cooperative Housing Corporation, under Section 216(b)(1) of the Internal Revenue Code, located in Great Neck, New York. Shares and proprietary leases were allocated to apartments on December 9, 1986 (the "Conversion Closing"). The property is comprised of 28 garden apartment buildings containing 648 apartment units and a management office. In addition, there are one-story garage structures, containing a total of 223 indoor garage spaces, 466 outdoor parking spaces and an outdoor pool complex. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Use of Estimates

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

Investment Carrying Values

Investments in Certificates of Deposit have been classified in the Held-To-Maturity category as the Corporation has the positive intent and ability to hold the securities to maturity. Such investments are carried at amortized cost which approximate fair value. The investments in Certificates of Deposit had both an aggregate cost basis and aggregate face value of \$350,000 at December 31, 2015. Money funds are carried at cost which approximate fair value.

Property and Improvements

Property and improvements are stated at cost. The buildings are depreciated on the straight-line method over an estimated life of thirty-five years. Building improvements, equipment and vehicles are depreciated on the straight-line method over estimated lives which range from five to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

For tax purposes, the acquisition of the property is being reported as an exchange pursuant to Section 351 of the Internal Revenue Code. In accordance with the provisions of Section 351, the tax basis of the property is \$27,169,734 which is the carryover basis of the Sponsor at the date of the transfer. Depreciation is recorded on the straight-line method over an estimated life of thirty-five years.

Amortization of Mortgage Finance Costs

Mortgage finance costs are amortized over the life of the respective loan on the straight line method.

Investment in NCB Stock

As a requirement of a mortgage refinancing with National Cooperative Bank ("NCB"), the Corporation purchased \$49,504 of Class B1 stock of the bank. This investment is carried at cost.

Additional Paid-in Capital

Pursuant to the proprietary leases, expenditures for mortgage amortization funded by current maintenance charges constitute additional paid-in capital.

Revenue Recognition

Shareholder maintenance is based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Notes to Financial Statements

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Transfer Fees

Upon the transfer of shares, a fee of \$22 per share is payable to the Corporation by the seller. The proceeds derived from such fees are recognized as revenue to the Corporation at the time of transfer.

Corporation Taxes

In accordance with FASB ASC 740, Income Taxes, the Corporation is required to disclose and recognize any material tax provisions resulting from uncertain tax positions.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, a cooperative is required to classify its income and expenses as patronage or non-patronage sourced. Income from non-patronage sources in excess of allocable expenses may be subject to tax. The Corporation believes that all of its income is derived from activities that have an inseparable relationship to the general operations of the Corporation. As a result, the Corporation believes that all of its income is effectively patronage sourced and therefore no segregation of income from patronage activities is required. Accordingly, no provision for taxes, if any, that could result from the application of Subchapter T to the Corporation's income has been reflected in the accompanying financial statements.

At December 31, 2012, the Corporation had \$19,271,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2035. Since the Corporation does not anticipate significant taxable income, no related deferred tax asset accounts have been reflected in the accompanying financial statements.

New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the Corporation's capital base.

The Corporation's tax returns for all years since 2012 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash, money market accounts, and other highly liquid investments (not allocated to reserve fund investments) that are readily convertible into cash and purchased with original maturities of three months or less.

Concentration of Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building but periodically estimates the costs of major repairs and replacements that may be required. Therefore, it is not possible to determine at this time whether amounts maintained as a reserve fund will be adequate to meet future needs. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance and/or impose assessments, or delay repairs and replacements until funds are available.

Evaluation of Subsequent Transactions and Events

The Corporation has evaluated transactions and events that occurred after December 31, 2015 through February 22, 2016, the date the financial statements were available to be issued, and has determined that there were no subsequent transactions or events which would require recognition or disclosure in the financial statements, except as noted herein.

GREAT NECK TERRACE OWNERS CORP.

Notes to Financial Statements

Note 3. REAL ESTATE TAX ESCROW

The Corporation deposits a pro-rated monthly sum into an escrow account maintained by National Cooperative Bank ("NCB") for the payment of real estate taxes and direct assessments. At December 31, 2015 and 2014, the real estate tax escrow account has a balance of \$519,366 and \$579,026, respectively.

Note 4. RECEIVABLES

	<u>2015</u>	<u>2014</u>
Shareholders' charges	\$ 192,048	\$ 166,265
Laundry income	35,600	-
Accrued interest income	1,077	4,565
Due from vendors	<u>-</u>	<u>5,550</u>
Total	<u>\$ 228,725</u>	<u>\$ 176,380</u>

Note 5. PREPAID EXPENSES

	<u>2015</u>	<u>2014</u>
Insurance	\$ 72,811	\$ 20,950
Service contracts	9,355	5,977
Corporation taxes	3,463	3,994
Fuel inventory	<u>-</u>	<u>46,231</u>
Total	<u>\$ 85,629</u>	<u>\$ 77,152</u>

Note 6. RESERVE FUND

The reserve fund is invested as follows:

	<u>2015</u>	<u>2014</u>
NCB capital reserve escrow	\$ 6,716,626	\$ 7,003,568
Wells Fargo Advisors:		
Money market and open end mutual funds at fair market value	1,454,738	853,758
Certificates of Deposit at varying rates and maturities	350,000	750,000
Preferred fixed rate cap securities	-	153,648
Closed end mutual funds at fair market value	-	33,990
Capital One business money market	<u>141,395</u>	<u>229,891</u>
Total	<u>\$ 8,662,759</u>	<u>\$ 9,024,855</u>

NCB Capital Reserve Escrow

In connection with the mortgage refinancing (see Note 8), the Corporation was required to execute a Collateral Security Agreement for Capital Improvements where the Corporation agreed to deposit \$7,000,000 (the "Collateral Security") with NCB. The Collateral Security shall be disbursed according to the terms of such agreement. The Collateral Security Agreement details that the included capital improvement work includes: retaining walls, garage, sidewalks, walkways, parking lots, facades, appurtenances, main entrances, fire escapes, boilers, plumbing and other capital improvements or repairs warranted by change in condition to improvements, as reasonably approved by NCB.

GREAT NECK TERRACE OWNERS CORP.

Notes to Financial Statements

Note 6. RESERVE FUND (continued)

Required Reserves

In accordance with the terms of the mortgage, the Corporation is required to maintain combined working capital and replacement reserves in an amount equal to at least ten percent of the previous year's maintenance charges to shareholders. Any reduction in such general operating and replacement reserves must be replaced within 180 days. At December 31, 2015, based on 2015 maintenance charges, the required amount to be maintained in reserves equaled approximately \$689,400.

Note 7. PROPERTY AND IMPROVEMENTS

Building improvements were capitalized as follows:

	<u>2015</u>	<u>2014</u>
Roof replacements	\$ 128,843	\$ 6,250
Swimming pool restoration	51,923	-
Exterior restoration	46,596	66,210
Maintenance equipment	38,763	-
Plumbing upgrades	25,600	-
Pool furniture	18,935	-
Security equipment	14,159	-
Maintenance truck	<u>-</u>	<u>44,820</u>
Total	<u>\$ 324,819</u>	<u>\$ 117,280</u>

Contract Commitment

Subsequent to balance date, the Corporation executed a contract for an interior and exterior lighting upgrade project in the amount of \$212,910. Such projects are subject to change orders and professional fees as work progresses as well as incentive rebates upon completion.

Note 8. MORTGAGE PAYABLE

On October 29, 2014, the Corporation refinanced its mortgage payable. The new mortgage payable is held by National Cooperative Bank ("NCB") in the original principal amount of \$25,000,000. Terms require equal monthly installments of \$110,870 applied first to interest at the rate of 3.4% per annum and the balance as a reduction of principal based on a thirty year amortization schedule. The mortgage matures on November 1, 2024 at which time the unpaid principal balance of approximately \$19,474,365 plus accrued interest, if any, will have to be extended, refinanced or retired.

Principal payments due on the mortgage payable over the next five years are as follows:

2016	\$ 491,903
2017	511,496
2018	529,409
2019	547,950
2020	564,978

Prepayment Terms

The mortgage may be prepaid in whole only, subject to a prepayment premium calculated at the greater of 1% of the outstanding principal or yield maintenance through April 29, 2024. From April 30, 2024 through July 30, 2024, the prepayment premium shall be 1% of the outstanding principal amount. There shall be no prepayment premium from July 31, 2024 through maturity.

Notes to Financial Statements

Note 8. **MORTGAGE PAYABLE** (continued)

Line of Credit

As part of the refinancing transaction, the Corporation established a new secured revolving line of credit with NCB with a maximum draw of \$2,500,000. Terms of the loan require payments of interest only (on funds drawn from the credit line) at the rate of 3.75% above the 30 day Libor rate with a floor of 3.9%. Interest only payments shall be paid on the first day of the calendar month immediately following the month in which the borrower receives the first loan advance and each and every month thereafter until November 1, 2017. Thereafter, monthly payments of principal in the minimum amount of \$100 plus interest shall be made on the first day of each month commencing December 1, 2017 until November 1, 2024. Principal advances must be in minimum increments of not less than \$10,000. As of the balance sheet date, no funds have been drawn.

Note 9. **TREASURY STOCK**

At December 31, 2015 and 2014, the Corporation held 36 shares of treasury stock allocated to 6 parking spaces in each year.

Note 10. **MULTIEMPLOYER UNION AGREEMENT AND PENSION PLAN**

Substantially all of the Corporation's employees are covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan. Contributions to the plan are determined in accordance with the provisions of the negotiated labor contract. The contract is in effect through April 20, 2018.

Contributions to the Building Service 32BJ Pension Fund are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risks of participating in a multiemployer pension plan differ from those of a single-employer pension plan in the following aspects: a) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, b) if a participating employer stops contributing to the plan, the unfunded obligation of the plan may be borne by the remaining participating employers, and c) if the Corporation chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability. The Corporation has no intention of withdrawing from the plan.

The information for 32BJ Service Employees International Union multiemployer pension plan is as follows:

Legal Name:	Building Service 32BJ Pension Fund
Employer Identification Number:	13-1879376
Plan Number:	001
Type of Plan:	Defined Benefit Pension Plan
Plan Year End Date:	June 30, 2015 and June 30, 2014
Certified Zone Status:	Red*
Funding Improvement Plan/Rehabilitation Plan:	Implemented*
Surcharges Paid to Plan in 2015:	None
Pension contributions made:	
Year ended December 31, 2015	\$ 93,714
Year ended December 31, 2014	\$100,739
Minimum required pension contributions (per week/per employee):	
Year ended December 31, 2014	\$ 94.75
Year ended December 31, 2015	\$ 98.75
Year ending December 31, 2016	\$102.75

Notes to Financial Statements

Note 10. MULTIEMPLOYER UNION AGREEMENT AND PENSION PLAN (continued)

*Certified pension zone status (as defined by the Pension Protection Act) represents the level at which the pension plan is funded. Plans in the red zone are less than 65% funded; plans in the yellow zone are less than 80% funded; and plans in the green zone are at least 80% funded. The pension plan is considered to be in critical status for the plan year beginning July 1, 2015. In order for the plan to achieve yellow and/or green funding status, the trustees of the fund adopted a Rehabilitation Plan which terms have been incorporated into the collective bargaining agreement. The current agreement provides for increased employer contributions of \$4.00 per week per year for each eligible employee.

The information provided above is from the pension plan's most current annual report for the year ended June 30, 2015. The Pension Protection Act Zone Status, the most recent zone status available, was provided to the Corporation by the plan and is certified by the plan's actuary. The Corporation's contributions to the pension plan are less than 5% of all employers' contributions to the plan. There have been no significant changes that would affect the comparability of the contributions for the years ended December 31, 2015 and 2014.

Note 11. RELATED PARTY TRANSACTION

At December 31, 2015 and 2014, Great Neck Terrace Associates owned 16,881 and 17,214 shares which represent approximately 18.4% and 18.8% of the total outstanding shares, respectively. Great Neck Terrace Limited Liability Company (a division of James Development) owned 5,275 and 5,440 shares which represent approximately 5.7% and 5.9% of the total outstanding shares, respectively.

SUPPLEMENTARY AND PROSPECTIVE INFORMATION



Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY AND
PROSPECTIVE INFORMATION**

To The Board of Directors and Shareholders
Great Neck Terrace Owners Corp.

We have audited the financial statements of Great Neck Terrace Owners Corp. as of and for the years ended December 31, 2015 and 2014, and our report thereon dated February 22, 2016, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supporting Schedules and Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast, which is the responsibility of the Corporation's management, is presented for purposes of additional analysis and is 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. That information has been subjected to the auditing procedures applied in the audit 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.

Newman, Newman & Kaufman, LLP

February 22, 2016 for Historical Statements
November 17, 2015 for Budget Forecast

Newman, Newman & Kaufman, LLP
575 Underhill Blvd.
Suite 100
Syosset, NY 11791

Rockefeller Center
One Rockefeller Plaza
11th Floor
New York, NY 10020

T 516.364.0700
F 516.364.9407
info@nnkllp.com
www.nnkllp.com

GREAT NECK TERRACE OWNERS CORP.

SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS

Year Ended December 31,	2015	2014
Administrative Expenses:	Schedule 1	
Management fee	\$ 291,108	\$ 284,037
Professional fees	68,652	143,846
Other administrative expenses	57,744	49,298
Telephone and communications	<u>10,893</u>	<u>8,689</u>
Total Administrative Expenses	<u>\$ 428,397</u>	<u>\$ 485,870</u>
Operating Expenses:	Schedule 2	
Utilities		
Fuel and gas heat	\$ 548,103	\$ 634,441
Water and sewer	327,106	312,689
Electricity and gas	<u>167,072</u>	<u>169,687</u>
	<u>1,042,281</u>	<u>1,116,817</u>
Labor		
Wages	1,117,895	1,050,653
Union benefits and health insurance	405,784	403,231
Workers' compensation and disability insurance	108,661	68,693
Payroll taxes	<u>91,758</u>	<u>88,505</u>
	<u>1,724,098</u>	<u>1,611,082</u>
Other		
Insurance	314,732	288,092
Security	116,336	116,018
Other operating and permits	<u>17,646</u>	<u>24,037</u>
	<u>448,714</u>	<u>428,147</u>
Total Operating Expenses	<u>\$ 3,215,093</u>	<u>\$ 3,156,046</u>
Repairs and Maintenance:	Schedule 3	
Materials and supplies	\$ 146,999	\$ 146,926
Grounds	66,162	91,216
Plumbing and heating	62,787	38,510
Exterminating	33,401	39,191
Rubbish removal	31,390	31,548
Auto repairs and maintenance	29,845	24,852
Alarm system contract and repairs	29,504	30,676
Doors, locks and windows	18,595	17,243
Roof and exterior repairs	12,633	5,680
Intercom, electrical and other	7,385	14,281
Equipment repairs	2,571	12,494
Uniforms	1,510	556
Special repair - sewer line	-	14,990
Special repair - fuel oil tank abandonment	<u>94,384</u>	<u>-</u>
Total Repairs and Maintenance	<u>\$ 537,166</u>	<u>\$ 468,163</u>

See Independent Auditor's Report on Supplementary and Prospective Information.

GREAT NECK TERRACE OWNERS CORP.

Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast

	For The Year		Prior Year	Next Year
	January 1, 2015 - December 31, 2015	Actual	January 1, 2014 - December 31, 2014	January 1, 2016 - December 31, 2016
	Budget (Unaudited)	Actual	Actual	Budget Forecast (Unaudited)
REVENUES				
Maintenance	\$ 6,894,000	\$ 6,893,708	\$ 6,768,799	\$ 7,014,300
Other fees	155,000	193,154	151,847	142,000
Laundry income	66,000	66,000	66,000	66,000
Interest and dividend income	5,000	55,369	25,067	4,900
Storage units	<u>31,800</u>	<u>32,777</u>	<u>41,112</u>	<u>32,300</u>
TOTAL REVENUES	<u>7,151,800</u>	<u>7,241,008</u>	<u>7,052,825</u>	<u>7,259,500</u>
EXPENSES				
Management fee	278,300	291,108	284,037	295,700
Professional fees	76,400	68,652	143,846	98,000
Other administrative expenses	49,600	57,744	49,298	58,100
Telephone and communications	9,600	10,893	8,689	10,000
Fuel and gas heat	623,600	548,103	634,441	509,800
Water and sewer	343,200	327,106	312,689	337,900
Electricity and gas	164,900	167,072	169,687	166,800
Wages and employee benefits	1,704,400	1,724,098	1,611,082	1,770,200
Insurance	297,400	314,732	288,092	322,700
Security	125,300	116,336	116,018	118,600
Other operating and permits	19,300	17,646	24,037	15,400
Repairs and maintenance	358,400	537,166	468,163	427,600
Real estate taxes	1,669,900	1,623,499	1,596,260	1,692,100
Mortgage interest and amortization	1,329,600	1,329,046	1,248,194	1,330,400
Credit line interest	6,300	6,250	2,948	6,200
Pool club management and maintenance	83,100	82,731	76,471	87,500
Corporation taxes	<u>12,500</u>	<u>6,492</u>	<u>5,923</u>	<u>12,500</u>
TOTAL EXPENSES	<u>7,151,800</u>	<u>7,228,674</u>	<u>7,039,875</u>	<u>7,259,500</u>
Budgeted Surplus	<u>\$ -0-</u>			<u>\$ -0-</u>
INCOME FROM OPERATIONS BEFORE OTHER ITEMS				
		12,334	12,950	
Transfer fees (Note 2)		135,212	121,544	
Laundry incentive bonus		30,000	-	
NCB dividend		8,544	-	
Mortgage prepayment premium (A)		-	(325,476)	
Loss on sale of investments		(17,958)	(17,215)	
INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION		<u>\$ 168,132</u>	<u>(\$ 208,197)</u>	

(A) The mortgage prepayment premium was funded from the proceeds of the mortgage refinancing transaction. See Note 8.

See Independent Auditor's Report on Supplementary and Prospective Information and Summary of Significant Accounting Policies and Budget Forecast Assumptions.

GREAT NECK TERRACE OWNERS CORP.

Summary of Significant Accounting Policies and Budget Forecast Assumptions Year Ending December 31, 2016

This financial budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the budget forecast period. Accordingly, the budget forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The comparative historical information for 2015 and 2014 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

BUDGET FORECAST ASSUMPTIONS

Revenues

Maintenance charges have been computed based on approximately \$6.37 per share per month which reflects a 1.75% increase over the previous level.

Expenses

Utilities

Reflect increases, if any, based upon industry consensus and rates set by appropriate regulatory agencies.

Labor and Union Benefits

The Corporation's labor union contract with Local 32B-32J covers substantially all building employees. Labor and union benefits costs are forecasted based upon the current contract.

Repairs and Maintenance

Based upon historical experience and expected maintenance requirements.

Real Estate Tax

Based upon an approximate 4.23% increase from 2015.