

**GREAT NECK TERRACE OWNERS CORP.**

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Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2016 and 2015



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, 2016 and 2015, and the related statements of operations, 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, 2016 and 2015, 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*

March 3, 2017

**Newman, Newman & Kaufman, LLP**

115 Broadhollow Road

Suite 215

Melville, NY 11747

T 516.364.0700

F 516.364.9407

info@nnkllp.com ■ www.nnkllp.com

**GREAT NECK TERRACE OWNERS CORP.**

**BALANCE SHEETS**

December 31,	2016	2015
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 778,309	\$ 611,125
Real estate tax escrow (Note 3)	494,261	519,366
Cash - security deposits	57,372	63,205
Receivables (Note 4)	100,151	228,725
Prepaid expenses (Note 5)	<u>81,313</u>	<u>85,629</u>
Total Current Assets	<u>1,511,406</u>	<u>1,508,050</u>
 Reserve fund (Notes 2 and 6)	 <u>8,845,009</u>	 <u>8,662,759</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>11,660,943</u>	<u>11,398,230</u>
Total	80,855,995	80,593,282
Less: accumulated depreciation	<u>53,818,583</u>	<u>51,767,943</u>
Net Property and Improvements	<u>27,037,412</u>	<u>28,825,339</u>
 Other Asset:		
Investment in NCB stock (Note 2)	<u>49,504</u>	<u>49,504</u>
Total Assets	<u>\$ 37,443,331</u>	<u>\$ 39,045,652</u>

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

**GREAT NECK TERRACE OWNERS CORP.**

**BALANCE SHEETS**

December 31,	2016	2015
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 188,901	\$ 219,501
Mortgage payable - current portion	511,496	491,903
Real estate tax abatement/exemptions payable	237,107	235,084
Security deposits payable	76,424	74,758
Accrued mortgage interest	70,239	71,679
Building improvements payable	57,263	34,409
Advance maintenance	<u>28,566</u>	<u>31,393</u>
Total Current Liabilities	<u>1,169,996</u>	<u>1,158,727</u>
Long-Term Liability:		
Mortgage payable - net of current portion (Note 8)	23,479,021	23,990,517
Unamortized mortgage finance costs (Note 2)	<u>( 199,693)</u>	<u>( 225,186)</u>
Total Long-Term Liability	<u>23,279,328</u>	<u>23,765,331</u>
Total Liabilities	<u>24,449,324</u>	<u>24,924,058</u>
<b>Stockholders' Equity</b>		
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	6,562,829	6,070,926
Accumulated deficit	<u>( 51,381,724)</u>	<u>( 49,762,234)</u>
Less: treasury stock at cost (Note 9)	<u>( 9,600)</u>	<u>( 9,600)</u>
Total Stockholders' Equity	<u>12,994,007</u>	<u>14,121,594</u>
Total Liabilities and Stockholders' Equity	<u>\$ 37,443,331</u>	<u>\$ 39,045,652</u>

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

**GREAT NECK TERRACE OWNERS CORP.**

**STATEMENTS OF OPERATIONS**

<u>Year Ended December 31,</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Maintenance	\$ 7,014,347	\$ 6,893,708
Less: paid-in capital - mortgage amortization	( 491,903)	( 477,544)
	<u>6,522,444</u>	<u>6,416,164</u>
Transfer fees (Note 2)	130,856	135,212
Other fees	113,165	193,154
Laundry income	82,032	66,000
Interest and dividend income	55,624	55,369
Storage units	<u>37,137</u>	<u>32,777</u>
Total Revenues	<u>6,941,258</u>	<u>6,898,676</u>
<b>Cost of Operations</b>		
Administrative expenses	Schedule 1 445,971	428,397
Operating expenses	Schedule 2 3,097,306	3,215,093
Repairs and maintenance	Schedule 3 363,338	537,166
Real estate taxes	1,655,656	1,623,499
Mortgage and credit line interest	843,351	857,752
Pool club management and maintenance	87,345	82,731
Corporation taxes	<u>6,867</u>	<u>6,492</u>
Total Cost of Operations	<u>6,499,834</u>	<u>6,751,130</u>
<b>Income from operations before other items and noncash depreciation and mortgage finance interest costs</b>	441,424	147,546
NCB dividend	15,219	8,544
Laundry incentive bonus	-	30,000
Loss on sale of investments	<u>-</u>	<u>( 17,958)</u>
<b>Income Before Noncash Depreciation and Mortgage Finance Interest Costs</b>	456,643	168,132
Noncash depreciation and mortgage finance interest costs	<u>( 2,076,133)</u>	<u>( 2,080,555)</u>
Net Loss For The Year	<u>(\$ 1,619,490)</u>	<u>(\$ 1,912,423)</u>

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

**GREAT NECK TERRACE OWNERS CORP.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

<u>Year Ended December 31,</u>	<u>2016</u>	<u>2015</u>
<b>Common Stock</b>		
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>
<b>Paid-in Capital in Excess of Par Value</b>		
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>
<b>Additional Paid-In Capital</b>		
Balance - January 1,	\$ 6,070,926	\$ 5,593,382
Mortgage amortization	<u>491,903</u>	<u>477,544</u>
Balance - December 31,	<u>\$ 6,562,829</u>	<u>\$ 6,070,926</u>
<b>Accumulated Deficit</b>		
Balance - January 1,	(\$ 49,762,234)	(\$ 47,849,811)
Net loss for the year	<u>( 1,619,490)</u>	<u>( 1,912,423)</u>
Balance - December 31,	<u>(\$ 51,381,724)</u>	<u>(\$ 49,762,234)</u>
<b>Treasury Stock</b>		
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>
<b>Accumulated Other Comprehensive Income (Loss)</b>		
Balance - January 1,	\$ -0-	(\$ 14,151)
Realized loss on sale of investments	-	17,958
Unrealized loss on investments for the year	<u>-</u>	<u>( 3,807)</u>
Balance - December 31,	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of this statement.

**GREAT NECK TERRACE OWNERS CORP.**

**STATEMENTS OF CASH FLOWS**

Year Ended December 31,	2016	2015
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 1,619,490)	(\$ 1,912,423)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	2,050,640	2,036,657
Mortgage finance interest costs	25,493	43,898
Loss on sale of investments	-	17,958
Other changes in operating assets and liabilities that provided (used) cash:		
Real estate tax escrow	25,105	59,660
Security deposits	5,833	10,796
Receivables	128,574	( 52,345)
Prepaid expenses	4,316	( 8,477)
Accounts payable and accrued expenses	( 30,600)	( 107,388)
Other current liabilities	( 2,244)	( 15,893)
Security deposits payable	1,666	( 12,295)
Total Adjustments	<u>2,208,783</u>	<u>1,972,571</u>
Cash Provided By Operating Activities	<u>589,293</u>	<u>60,148</u>
<b>Cash Flows From Investing Activities</b>		
(Increase) decrease in reserve fund	( 182,250)	358,289
Increase in building improvements and equipment	( 262,713)	( 324,819)
Increase in building improvements payable	<u>22,854</u>	<u>6,049</u>
Cash (Used In) Provided By Investing Activities	<u>( 422,109)</u>	<u>39,519</u>
<b>Cash Flows From Financing Activities</b>		
Amortization of mortgage principal	( 491,903)	( 477,544)
Paid-in capital - mortgage amortization	<u>491,903</u>	<u>477,544</u>
Cash Provided By Financing Activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	167,184	99,667
Cash and cash equivalents at beginning of year	<u>611,125</u>	<u>511,458</u>
Cash and cash equivalents at end of year	<u>\$ 778,309</u>	<u>\$ 611,125</u>
<b>Supplemental Disclosures</b>		
Interest paid	\$ 844,791	\$ 859,150
Income taxes paid	\$ 6,069	\$ 5,961

**Noncash Transaction**

Net unrealized loss on marketable securities resulted in a decrease to Investments and Stockholders' Equity of \$3,807 in 2015.

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



**Notes to Financial Statements**

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**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.

**Change in Accounting Principle**

In April 2015, The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred assets, separate from the related debt liability. In 2015, the Corporation retroactively adopted the provisions of ASU 2015-03 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as a deferred asset. Long-term debt as of December 31, 2015 was previously reported on the balance sheet as \$23,990,517 with the associated \$225,186 unamortized debt issuance costs included in other assets. Other than this reclassification, the adoption of ASU 2015-03 did not have an impact on the unamortized mortgage costs or the related liability or the financial statements taken as a whole. Amortization of the debt issuance costs is reported as noncash mortgage finance interest costs in the Statement of Operations.

**Investments 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 \$500,000 at December 31, 2016. 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.

**Mortgage Finance Costs**

Mortgage finance costs are amortized over the original life of the loan.

**Notes to Financial Statements**

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

**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.

**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, 2016, the Corporation had \$20,073,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2036. 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 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 2013 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.

**GREAT NECK TERRACE OWNERS CORP.**

**Notes to Financial Statements**

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

**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, 2016 through March 3, 2017, 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.

**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, 2016 and 2015, the real estate tax escrow account had a balance of \$494,261 and \$519,366, respectively.

**Note 4. RECEIVABLES**

	<u>2016</u>	<u>2015</u>
Shareholders' charges	\$ 83,174	\$ 192,048
Laundry income	8,497	35,600
Due from vendors	5,719	-
Accrued interest income	<u>2,761</u>	<u>1,077</u>
Total	<u>\$ 100,151</u>	<u>\$ 228,725</u>

**Note 5. PREPAID EXPENSES**

	<u>2016</u>	<u>2015</u>
Insurance	\$ 68,570	\$ 72,811
Service contracts	10,078	9,355
Corporation taxes	<u>2,665</u>	<u>3,463</u>
Total	<u>\$ 81,313</u>	<u>\$ 85,629</u>

**Note 6. RESERVE FUND**

The reserve fund is invested as follows:

	<u>2016</u>	<u>2015</u>
NCB capital reserve escrow	\$ 6,652,037	\$ 6,716,626
Wells Fargo Advisors:		
Money funds	1,308,254	1,454,738
Certificates of Deposit at varying rates and maturities	500,000	350,000
Capital One business money market	<u>384,718</u>	<u>141,395</u>
Total	<u>\$ 8,845,009</u>	<u>\$ 8,662,759</u>

## GREAT NECK TERRACE OWNERS CORP.

### Notes to Financial Statements

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#### Note 6. RESERVE FUND (continued)

##### NCB Capital Reserve Escrow

Under the terms of the mortgage (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.

##### 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, 2016, based on 2016 maintenance charges, the required amount to be maintained in reserves equaled approximately \$701,400.

#### Note 7. PROPERTY AND IMPROVEMENTS

Building improvements were capitalized as follows:

	<u>2016</u>	<u>2015</u>
Lighting upgrades	\$ 206,630	\$ -
Plumbing upgrades	36,200	25,600
Parking lot restoration project - consultant	16,033	-
Roof replacements	3,850	128,843
Swimming pool restoration	-	51,923
Exterior restoration	-	46,596
Maintenance equipment	-	38,763
Pool furniture	-	18,935
Security equipment	-	14,159
	<u>          </u>	<u>          </u>
Total	<u>\$ 262,713</u>	<u>\$ 324,819</u>

##### Contract Commitment

In addition to building improvements payable of \$57,263 at December 31, 2016, the Corporation is committed to completing the parking lot restoration project in the amount of \$800,000. Such projects are subject to change orders and professional fees as work progresses.

#### Note 8. MORTGAGE PAYABLE

The mortgage 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.

**Notes to Financial Statements**

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

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

2017	\$ 511,496
2018	529,409
2019	547,950
2020	564,978
2021	586,927
Thereafter	21,249,757

**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.

**Line of Credit**

The Corporation maintains a 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, 2016 and 2015, 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.

**Notes to Financial Statements**

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

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, 2016 and June 30, 2015
Certified Zone Status:	Red*
Funding Improvement Plan/Rehabilitation Plan:	Implemented*
Surcharges Paid to Plan in 2016:	None
Pension contributions made:	
Year ended December 31, 2016	\$96,585
Year ended December 31, 2015	\$93,714
Minimum required pension contributions (per week/per employee):	
Year ended December 31, 2015	\$ 98.75
Year ended December 31, 2016	\$102.75
Year ending December 31, 2017	\$106.75

\*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, 2016. 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, 2016. 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, 2016 and 2015.

**Note 11. RELATED PARTY TRANSACTION**

At December 31, 2016 and 2015, Great Neck Terrace Associates owned 16,881 shares which represents approximately 18.4% of the total outstanding shares. Great Neck Terrace Limited Liability Company (a division of James Development) owned 5,127 and 5,275 shares which represent approximately 5.6% and 5.7% of the total outstanding shares, respectively.

**Note 12. LEGAL MATTERS**

The Corporation is involved in two legal matters arising in the ordinary course of business. These claims have been submitted to the Corporation's insurance carrier. As the ultimate outcome of these actions cannot yet be determined and cannot be definitively predicted by counsel, these financial statements do not provide for any liabilities, if any, which may arise from these actions.

**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, 2016 and 2015, and our report thereon dated March 3, 2017, 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*

March 3, 2017 for Historical Statements  
December 20, 2016 for Budget Forecast

**Newman, Newman & Kaufman, LLP**  
115 Broadhollow Road  
Suite 215  
Melville, NY 11747

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,	2016	2015
<b>Administrative Expenses:</b>	<b>Schedule 1</b>	
Management fee	\$ 298,355	\$ 291,108
Professional fees	79,351	68,652
Other administrative expenses	54,888	57,744
Telephone and communications	<u>13,377</u>	<u>10,893</u>
Total Administrative Expenses	<u>\$ 445,971</u>	<u>\$ 428,397</u>
<b>Operating Expenses:</b>	<b>Schedule 2</b>	
Utilities		
Gas heat and fuel	\$ 375,987	\$ 548,103
Water and sewer	348,159	327,106
Electricity and gas	<u>154,832</u>	<u>167,072</u>
	<u>878,978</u>	<u>1,042,281</u>
Labor		
Wages	1,064,150	1,117,895
Union benefits	424,081	405,784
Workers' compensation and disability insurance	178,749	108,661
Payroll taxes	<u>88,664</u>	<u>91,758</u>
	<u>1,755,644</u>	<u>1,724,098</u>
Other		
Insurance	310,761	314,732
Security	121,713	116,336
Other operating and permits	<u>30,210</u>	<u>17,646</u>
	<u>462,684</u>	<u>448,714</u>
Total Operating Expenses	<u>\$ 3,097,306</u>	<u>\$ 3,215,093</u>
<b>Repairs and Maintenance:</b>	<b>Schedule 3</b>	
Materials and supplies	\$ 122,395	\$ 146,999
Grounds	59,530	66,162
Exterminating	39,245	33,401
Alarm system contract and repairs	37,215	29,504
Rubbish removal	31,309	31,390
Auto repairs and maintenance	15,436	29,845
Intercom, electrical and other	14,193	7,385
Plumbing and heating	13,594	62,787
Equipment repairs	11,872	2,571
Roof and exterior repairs	9,032	12,633
Doors, locks and windows	7,587	18,595
Uniforms	1,930	1,510
Special repair - fuel oil tank abandonment	<u>-</u>	<u>94,384</u>
Total Repairs and Maintenance	<u>\$ 363,338</u>	<u>\$ 537,166</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, 2016 - December 31, 2016		January 1, 2015 -	January 1, 2017 -
	Budget	Actual	December 31, 2015	December 31, 2017
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
<b>REVENUES</b>				
Maintenance	\$ 7,014,300	\$ 7,014,347	\$ 6,893,708	\$ 7,067,000
Other fees	126,000	113,165	193,154	132,600
Laundry income	82,000	82,032	66,000	87,000
Interest and dividend income	4,900	55,624	55,369	5,000
Storage units	32,300	37,137	32,777	32,600
<b>TOTAL REVENUES</b>	<u>7,259,500</u>	<u>7,302,305</u>	<u>7,241,008</u>	<u>7,324,200</u>
<b>EXPENSES</b>				
Management fee	295,700	298,355	291,108	308,800
Professional fees	98,000	79,351	68,652	88,600
Other administrative expenses	58,100	54,888	57,744	56,600
Telephone and communications	10,000	13,377	10,893	12,000
Gas heat and fuel	509,800	375,987	548,103	464,500
Water and sewer	337,900	348,159	327,106	351,900
Electricity and gas	166,800	154,832	167,072	159,700
Wages and employee benefits	1,770,200	1,755,644	1,724,098	1,829,100
Insurance	322,700	310,761	314,732	325,600
Security	118,600	121,713	116,336	122,100
Other operating and permits	15,400	30,210	17,646	17,200
Repairs and maintenance	427,600	363,338	537,166	422,700
Real estate taxes	1,692,100	1,655,656	1,623,499	1,736,100
Mortgage interest and amortization	1,330,400	1,329,004	1,329,046	1,330,400
Credit line interest	6,200	6,250	6,250	6,200
Pool club management and maintenance	87,500	87,345	82,731	85,700
Corporation taxes	12,500	6,867	6,492	7,000
<b>TOTAL EXPENSES</b>	<u>7,259,500</u>	<u>6,991,737</u>	<u>7,228,674</u>	<u>7,324,200</u>
Budgeted Surplus	\$ <u>-0-</u>			\$ <u>-0-</u>
<b>INCOME FROM OPERATIONS BEFORE OTHER ITEMS</b>				
		310,568	12,334	
Transfer fees (Note 2)		130,856	135,212	
NCB dividend		15,219	8,544	
Laundry incentive bonus		-	30,000	
Loss on sale of investments		-	(17,958)	
<b>INCOME BEFORE NONCASH DEPRECIATION AND MORTGAGE FINANCE INTEREST COSTS</b>		<u>\$ 456,643</u>	<u>\$ 168,132</u>	

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, 2017**

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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 2016 and 2015 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 \$6.42 per share per month which reflects a .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 4.86% increase from 2016.