



# GREAT NECK TERRACE OWNERS CORP.

Financial Statements and  
Supplementary Information

December 31, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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*

April 9, 2019

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**GREAT NECK TERRACE OWNERS CORP.**

**BALANCE SHEETS**

December 31,	2018	2017
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 317,502	\$ 577,653
Real estate tax escrow (Note 3)	605,690	498,599
Cash - security deposits	83,906	53,278
Receivables (Note 4)	235,727	242,645
Prepaid expenses (Note 5)	<u>53,679</u>	<u>59,732</u>
Total Current Assets	<u>1,296,504</u>	<u>1,431,907</u>
 Reserve fund (Notes 2 and 6)	 <u>7,934,379</u>	 <u>9,045,174</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>14,090,138</u>	<u>12,168,780</u>
Total	83,285,190	81,363,832
Less: accumulated depreciation	<u>57,902,639</u>	<u>55,865,309</u>
Net Property and Improvements	<u>25,382,551</u>	<u>25,498,523</u>
 Other Asset:		
Investment in NCB stock (Note 2)	<u>49,504</u>	<u>49,504</u>
Total Assets	<u>\$ 34,662,938</u>	<u>\$ 36,025,108</u>

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

**GREAT NECK TERRACE OWNERS CORP.**

**BALANCE SHEETS**

December 31,	2018	2017
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 250,907	\$ 179,267
Mortgage payable - current portion	547,950	529,409
Building improvements payable	391,369	121,058
Real estate tax abatement/exemptions payable	234,659	231,430
Advance maintenance	127,837	16,877
Security deposits payable	108,654	73,938
Accrued mortgage interest	<u>67,192</u>	<u>68,741</u>
Total Current Liabilities	<u>1,728,568</u>	<u>1,220,720</u>
Long-Term Liability:		
Mortgage payable - net of current portion (Note 8)	22,401,662	22,949,612
Unamortized mortgage finance costs (Note 2)	<u>( 148,707)</u>	<u>( 174,200)</u>
Total Long-Term Liability	<u>22,252,955</u>	<u>22,775,412</u>
Total Liabilities	<u>23,981,523</u>	<u>23,996,132</u>
<b>Stockholders' Equity</b>		
Common stock - \$1.00 par value, 96,000 shares authorized, 91,771 and 91,759 shares issued and outstanding (Note 9)	91,771	91,759
Paid-in capital in excess of par value	57,760,731	57,730,743
Additional paid-in capital	7,618,734	7,089,325
Accumulated deficit	<u>( 54,780,221)</u>	<u>( 52,873,251)</u>
Less: treasury stock at cost (Note 10)	<u>( 9,600)</u>	<u>( 9,600)</u>
Total Stockholders' Equity	<u>10,681,415</u>	<u>12,028,976</u>
Total Liabilities and Stockholders' Equity	<u>\$ 34,662,938</u>	<u>\$ 36,025,108</u>

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

**GREAT NECK TERRACE OWNERS CORP.**

**STATEMENTS OF OPERATIONS**

Year Ended December 31,	2018	2017
<b>Revenues</b>		
Maintenance	\$ 7,173,702	\$ 7,066,955
Less: paid-in capital - mortgage amortization	( 529,409)	( 511,496)
	6,644,293	6,555,459
Transfer fees (Note 2)	115,016	96,866
Laundry income	87,000	87,000
Interest and dividend income	70,938	68,457
Parking rental income	57,349	53,690
Other shareholder fees	53,676	56,624
Apartment rental income	43,083	42,071
Storage rental units	<u>38,276</u>	<u>39,273</u>
Total Revenues	<u>7,109,631</u>	<u>6,999,440</u>
<b>Cost of Operations</b>		
Administrative expenses	Schedule 1 697,071	466,751
Operating expenses	Schedule 2 3,038,328	3,099,918
Repairs and maintenance	Schedule 3 641,127	508,033
Real estate taxes	1,670,368	1,647,124
Mortgage and credit line interest	805,735	823,700
Pool club management and maintenance	108,567	105,722
Corporation taxes	<u>5,806</u>	<u>7,193</u>
Total Cost of Operations	<u>6,967,002</u>	<u>6,658,441</u>
<b>Income from operations before other items and noncash depreciation and mortgage finance interest costs</b>	142,629	340,999
NCB dividend	13,224	34,423
Prior years' storage and parking fees (Note 11)	<u>-</u>	<u>205,270</u>
<b>Income Before Noncash Depreciation and Mortgage Finance Interest Costs</b>	155,853	580,692
Noncash depreciation and mortgage finance interest costs	( 2,062,823)	( 2,072,219)
Net Loss For The Year	<u>(\$ 1,906,970)</u>	<u>(\$ 1,491,527)</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,	2018	2017
<b>Common Stock</b>		
Balance - January 1,	\$ 91,759	\$ 91,759
Issuance of 12 shares (Note 9)	<u>12</u>	<u>-</u>
Balance - December 31,	<u>\$ 91,771</u>	<u>\$ 91,759</u>
 <b>Paid-in Capital in Excess of Par Value</b>		
Balance - January 1,	\$ 57,730,743	\$ 57,730,743
Issuance of 12 shares (Note 9)	<u>29,988</u>	<u>-</u>
Balance - December 31,	<u>\$ 57,760,731</u>	<u>\$ 57,730,743</u>
 <b>Additional Paid-In Capital</b>		
Balance - January 1,	\$ 7,089,325	\$ 6,562,829
Mortgage amortization	529,409	511,496
Sale of parking space	<u>-</u>	<u>15,000</u>
Balance - December 31,	<u>\$ 7,618,734</u>	<u>\$ 7,089,325</u>
 <b>Accumulated Deficit</b>		
Balance - January 1,	(\$ 52,873,251)	(\$ 51,381,724)
Net loss for the year	<u>( 1,906,970)</u>	<u>( 1,491,527)</u>
Balance - December 31,	<u>(\$ 54,780,221)</u>	<u>(\$ 52,873,251)</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>

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>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 1,906,970)	(\$ 1,491,527)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	2,037,330	2,046,726
Mortgage finance interest costs	25,493	25,493
Other changes in operating assets and liabilities that provided (used) cash:		
Real estate tax escrow	( 107,091)	( 4,338)
Security deposits	( 30,628)	4,094
Receivables	6,918	( 142,494)
Prepaid expenses	6,053	21,581
Accounts payable and accrued expenses	71,640	( 9,634)
Other current liabilities	112,640	( 18,864)
Security deposits payable	34,716	( 2,486)
Total Adjustments	<u>2,157,071</u>	<u>1,920,078</u>
Cash Provided By Operating Activities	<u>250,101</u>	<u>428,551</u>
<b>Cash Flows From Investing Activities</b>		
Decrease (increase) in reserve fund	1,110,795	( 200,165)
Increase in building improvements and equipment	( 1,921,358)	( 507,837)
Increase in building improvements payable	<u>270,311</u>	<u>63,795</u>
Cash Used In Investing Activities	<u>( 540,252)</u>	<u>( 644,207)</u>
<b>Cash Flows From Financing Activities</b>		
Amortization of mortgage principal	( 529,409)	( 511,496)
Paid-in capital - mortgage amortization	529,409	511,496
Proceeds from sale of common stock	30,000	-
Proceeds from sale of parking space	<u>-</u>	<u>15,000</u>
Cash Provided By Financing Activities	<u>30,000</u>	<u>15,000</u>
Net change in cash and cash equivalents	( 260,151)	( 200,656)
Cash and cash equivalents at beginning of year	<u>577,653</u>	<u>778,309</u>
Cash and cash equivalents at end of year	<u>\$ 317,502</u>	<u>\$ 577,653</u>
<b>Supplemental Disclosures</b>		
Interest paid	\$ 807,284	\$ 825,198
Income taxes paid	\$ 5,956	\$ 6,937

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



## GREAT NECK TERRACE OWNERS CORP.

### 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 indoor garage spaces, 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.

##### **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 \$250,000 at December 31, 2018 and 2017, respectively. 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.

##### **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 (which includes charges for shares allocated to apartments, parking and storage) 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. Shareholders' accounts receivable at the balance sheet date represent maintenance and charges due from shareholders. The Corporation considers all shareholders' accounts receivable at December 31, 2018 to be collectible. Accordingly, no allowance for doubtful accounts is required.

**Notes to Financial Statements**

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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, 2018, the Corporation had \$21,330,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2038. 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 2015 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, 2018 through April 9, 2019, 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**

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**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, 2018 and 2017, the real estate tax escrow account had a balance of \$605,690 and \$498,599, respectively.

**Note 4. RECEIVABLES**

	<u>2018</u>	<u>2017</u>
Shareholders' charges	\$ 213,316	\$ 237,310
Due from vendors and other	11,807	2,130
Laundry income	8,696	1,297
Accrued interest income	<u>1,908</u>	<u>1,908</u>
Total	<u>\$ 235,727</u>	<u>\$ 242,645</u>

**Note 5. PREPAID EXPENSES**

	<u>2018</u>	<u>2017</u>
Insurance	\$ 51,120	\$ 50,087
Corporation taxes	2,559	2,409
Service contracts	<u>-</u>	<u>7,236</u>
Total	<u>\$ 53,679</u>	<u>\$ 59,732</u>

**Note 6. RESERVE FUND**

The reserve fund is invested as follows:

	<u>2018</u>	<u>2017</u>
NCB capital reserve escrow	\$ 6,101,535	\$ 6,708,833
Capital One business money market	1,578,060	519,157
Wells Fargo Advisors:		
Certificates of Deposit		
at varying rates and maturities	250,000	250,000
Money funds	4,784	2
Metropolitan Commercial Bank demand deposit marketplace	-	1,322,065
Metropolitan Commercial Bank money market	<u>-</u>	<u>245,117</u>
Total	<u>\$ 7,934,379</u>	<u>\$ 9,045,174</u>

**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, 2018, based on 2018 maintenance charges, the required amount to be maintained in reserves equaled approximately \$717,400.

## GREAT NECK TERRACE OWNERS CORP.

### Notes to Financial Statements

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#### Note 7. PROPERTY AND IMPROVEMENTS

Building improvements were capitalized as follows:	<u>2018</u>	<u>2017</u>
Roof replacements	\$ 893,930	\$ 74,704
Parking lot restoration project	691,886	305,735
Fire alarm system upgrades	154,702	6,525
Maintenance vehicle	47,605	-
Basement door replacements	32,663	-
Resident Manager's unit renovation	30,000	-
Concrete and sidewalk replacements	27,854	-
Rental apartment unit renovation	18,800	-
Facade and waterproofing - consultant	9,955	-
Heating upgrades	9,000	-
Playground project	4,963	108,063
Security equipment	-	12,810
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,921,358</u>	<u>\$ 507,837</u>

#### Contract Commitments

In addition to building improvements payable of \$391,369 at December 31, 2018, the Corporation entered into contracts for an entrance door replacement project and a hallway painting project in the approximate amounts of \$90,600 and \$237,000, respectively. In addition, the Corporation anticipates entering into a contract for the facade and waterproofing project in the approximate amount of \$665,600. 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.

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

2019	\$ 547,950
2020	564,978
2021	586,927
2022	607,483
2023	628,758
Thereafter	20,013,516

#### 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 principal in the minimum amount of \$100 plus interest (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% 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, 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.

## GREAT NECK TERRACE OWNERS CORP.

### Notes to Financial Statements

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#### Note 9. COMMON STOCK TRANSACTIONS

During 2018, the Corporation issued 12 shares of stock appurtenant to two parking spaces. Proceeds of \$30,000 have been allocated to shareholders' equity and paid-in capital in excess of par value.

#### Note 10. TREASURY STOCK

At December 31, 2018 and 2017, the Corporation held 36 shares of treasury stock allocated to 6 parking spaces in each year.

#### Note 11. PRIOR YEARS' STORAGE AND PARKING FEES

During 2017, the Corporation retroactively charged \$172,390 to existing shareholders for previously unbilled storage and parking fees. In addition, the management company reimbursed the Corporation a total of \$32,880 representing unbilled fees for former shareholders. These retroactive fees were recorded in the Statement of Operations for the year ended December 31, 2017.

#### Note 12. 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, 2022.

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, 2017 and June 30, 2016
Certified Zone Status:	Red*
Funding Improvement Plan/Rehabilitation Plan:	Implemented*
Surcharges Paid to Plan in 2018:	None
Pension contributions made:	
Year ended December 31, 2018	\$ 88,489
Year ended December 31, 2017	\$101,626
Minimum required pension contributions (per week/per employee):	
Year ended December 31, 2017	\$106.75
Year ended December 31, 2018	\$110.75
Year ending December 31, 2019	\$114.75

**Notes to Financial Statements**

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Note 12. **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, 2017. 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, 2017. 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, 2018 and 2017.

Note 13. **RELATED PARTY TRANSACTION**

At December 31, 2018 and 2017, Great Neck Terrace Associates owned 15,662 and 16,251 shares which represent approximately 17.1% and 17.7% of the total outstanding shares, respectively. Great Neck Terrace Limited Liability Company (a division of James Development) owned 4,997 shares which represent approximately 5.4% of the total outstanding shares in each year.

Note 14. **LEGAL MATTERS**

The Corporation has two pending legal matters involving personal injury claims arising in the ordinary course of business. The claims are being defended by the Corporation's insurance carrier. The Corporation is unable to predict the ultimate outcome of these matters and has not provided for any liabilities which may arise from these claims.

The Corporation is also involved in a legal matter with a shareholder/plaintiff who claims that there is a dangerous mold condition in her apartment due to the Corporation's failure to remediate water damage. The plaintiff claims monetary damages of \$500,000. The Corporation, however, has counterclaims for the nuisance which the shareholder has created due to odors emanating from her apartment and for which she fails to abate and cure. The matter is currently in the discovery phase of litigation. As the ultimate outcome of this action cannot yet be determined and cannot be definitively predicted by counsel, these financial statements do not provide for liabilities, if any, which may arise from this action.

**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, 2018 and 2017, and our report thereon dated April 9, 2019, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audit was conducted 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*

April 9, 2019 for Historical Statements  
December 4, 2018 for Budget Forecast

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**GREAT NECK TERRACE OWNERS CORP.**

**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**

Year Ended December 31,	2018	2017
<b>Administrative Expenses:</b>		
	<b>Schedule 1</b>	
Professional fees	\$ 274,712	\$ 79,541
Management fee	176,094	305,784
Reimbursed management labor	134,348	-
Other administrative expenses	71,405	69,096
Telephone and communications	<u>40,512</u>	<u>12,330</u>
Total Administrative Expenses	<u>\$ 697,071</u>	<u>\$ 466,751</u>

<b>Operating Expenses:</b>		
	<b>Schedule 2</b>	
Utilities		
Gas heat	\$ 413,798	\$ 372,403
Water and sewer	321,328	319,391
Electricity and gas	<u>141,968</u>	<u>136,165</u>
	<u>877,094</u>	<u>827,959</u>
Labor		
Wages	1,072,710	1,082,417
Union benefits	391,162	436,501
Workers' compensation and disability insurance	116,320	191,118
Payroll taxes	<u>87,542</u>	<u>89,421</u>
	<u>1,667,734</u>	<u>1,799,457</u>
Other		
Insurance	335,082	331,994
Security	134,267	121,967
Other operating and permits	<u>24,151</u>	<u>18,541</u>
	<u>493,500</u>	<u>472,502</u>
Total Operating Expenses	<u>\$ 3,038,328</u>	<u>\$ 3,099,918</u>

<b>Repairs and Maintenance:</b>		
	<b>Schedule 3</b>	
Materials and supplies	\$ 163,709	\$ 146,816
Grounds	128,239	29,828
Plumbing and heating	56,622	43,568
Exterminating	42,853	44,079
Equipment repairs and other	42,634	29,084
Roof and exterior repairs	35,787	37,311
Rubbish removal	31,309	31,309
Auto repairs and maintenance	29,758	29,044
Alarm system contract and repairs	26,184	29,773
Intercom and electrical	19,143	20,027
Doors, locks and windows	15,915	26,482
Uniforms	883	5,047
Painting, plastering and flooring	649	4,100
Special repair - tree service	47,442	-
Special repair - management office	<u>-</u>	<u>31,565</u>
Total Repairs and Maintenance	<u>\$ 641,127</u>	<u>\$ 508,033</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, 2018 - December 31, 2018		January 1, 2017 - December 31, 2017	January 1, 2019 - December 31, 2019
	Budget (Unaudited)	Actual	Actual	Budget Forecast (Unaudited)
<b>REVENUES</b>				
Maintenance (1)	\$ 7,173,000	\$ 7,173,702	\$ 7,066,955	\$ 7,263,600
Laundry income	87,000	87,000	87,000	87,000
Interest and dividend income	5,000	70,938	68,457	-
Parking rental income	49,200	57,349	53,690	59,100
Other shareholder fees	89,000	53,676	56,624	28,000
Apartment rental income	42,100	43,083	42,071	43,100
Storage rental units	<u>52,200</u>	<u>38,276</u>	<u>39,273</u>	<u>40,000</u>
<b>TOTAL REVENUES</b>	<u>7,497,500</u>	<u>7,524,024</u>	<u>7,414,070</u>	<u>7,520,800</u>
<b>EXPENSES</b>				
Management fee and reimbursed management labor	313,400	310,442	305,784	315,800
Professional fees	101,900	274,712	79,541	125,400
Other administrative expenses	56,500	71,405	69,096	50,400
Telephone and communications	10,000	40,512	12,330	38,000
Gas heat	461,100	413,798	372,403	431,200
Water and sewer	367,900	321,328	319,391	369,600
Electricity and gas	155,100	141,968	136,165	143,300
Wages and employee benefits	1,855,100	1,667,734	1,799,457	1,763,200
Insurance	380,400	335,082	331,994	324,800
Security	132,600	134,267	121,967	105,000
Other operating and permits	15,000	24,151	18,541	18,500
Repairs and maintenance	421,400	641,127	508,033	665,300
Real estate taxes	1,771,900	1,670,368	1,647,124	1,706,500
Mortgage interest and amortization	1,330,400	1,328,894	1,328,946	1,330,400
Credit line interest	6,300	6,250	6,250	6,300
Pool club management and maintenance	111,000	108,567	105,722	120,000
Corporation taxes	<u>7,500</u>	<u>5,806</u>	<u>7,193</u>	<u>7,100</u>
<b>TOTAL EXPENSES</b>	<u>7,497,500</u>	<u>7,496,411</u>	<u>7,169,937</u>	<u>7,520,800</u>
Budgeted Surplus	<u>\$ -0-</u>			<u>\$ -0-</u>
<b>INCOME FROM OPERATIONS BEFORE OTHER ITEMS</b>		27,613	244,133	
Transfer fees (Note 2)		115,016	96,866	
NCB dividend		13,224	34,423	
Prior years' storage and parking fees (Note 11)		<u>-</u>	<u>205,270</u>	
<b>INCOME BEFORE NONCASH DEPRECIATION AND MORTGAGE FINANCE INTEREST COSTS</b>		<u>\$ 155,853</u>	<u>\$ 580,692</u>	

(1) Includes maintenance charges on allocated shares to apartments, parking and storage.

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, 2019

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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 2018 and 2017 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 \$6.60 per share per month which reflects a 1.25% 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 contract rates.

###### **Repairs and Maintenance**

Based upon historical experience and expected maintenance requirements.

###### **Real Estate Tax**

Based upon an approximate 2.16% increase from 2018.