

**Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Financial Statements
For the Years Ended
December 31, 2019 and 2018**

GREAT NECK TERRACE OWNERS CORP.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Balance Sheets	3
Statement of Changes in Stockholders' Equity	5
Statements of Income, Expenses and Accumulated Deficit	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 -17
Supporting Schedules - Statements of Operations	18
Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast	19



MINDY EISENBERG STARK CPA • CFE

88 Bonnie Meadow Road, Scarsdale, New York 10583

TEL. (914) 725-8880

FAX (914) 725-8881

www.mescpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the balance sheet of Great Neck Terrace Owners Corp., which comprise the balance sheet as of December 31, 2019, and the related statements of income, expenses and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Great Neck Terrace Owners Corp. as of December 31, 2018 were audited by other auditors whose report dated April 9, 2019 expressed an unqualified opinion on those 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.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

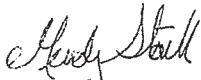
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the required disclosures of the remaining useful lives of the components of the building and the current estimates of the costs of 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. My opinion on the basic financial statements is not affected by this missing information.



Mindy Eisenberg Stark, CPA, CFE
September 18, 2020

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Balance Sheets
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	restated <u>2018</u>
CURRENT ASSETS:		
Cash	\$ 1,030,309	\$ 317,502
Reserve fund (Notes 2 & 6)	<u>6,328,352</u>	<u>7,934,379</u>
Total cash and cash equivalents	7,358,661	8,251,881
Real estate tax escrow (Note 3)	713,378	605,690
Receivables	302,472	235,727
Prepaid expenses	<u>66,694</u>	<u>53,679</u>
Total Current Assets	<u>8,441,205</u>	<u>9,146,977</u>
 FIXED ASSETS:		
Fixed assets net of accumulated depreciation (\$60,050,326 in 2019 and \$57,902,639 in 2018) (Note 2)	<u>24,114,369</u>	<u>25,382,551</u>
Net Fixed Assets	<u>24,114,369</u>	<u>25,382,551</u>
 OTHER ASSETS:		
Investment in National Cooperative Bank (Note 2)	49,504	49,504
Security deposits	<u>74,664</u>	<u>83,906</u>
Total Other Assets	<u>124,168</u>	<u>133,410</u>
Total Assets	<u>\$ 32,679,742</u>	<u>\$ 34,662,938</u>

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Balance Sheets
December 31, 2019 and 2018

LIABILITIES AND TENANT SHAREHOLDERS' EQUITY

	<u>2019</u>	restated <u>2018</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 444,438	\$ 250,907
Due for capital improvements	297,146	391,369
Interest payable	65,587	67,192
Due to shareholders (Note 8)	219,017	234,659
Prepaid maintenance	50,600	127,837
Mortgage payable	564,978	547,950
Total Current Liabilities	<u>1,641,766</u>	<u>1,619,914</u>
 LONG TERM LIABILITIES:		
Mortgage payable (Note 3)	21,836,683	22,401,662
Prepaid refinancing costs	(123,214)	(148,707)
Net	<u>21,713,469</u>	<u>22,252,955</u>
Security deposits payable	74,581	108,654
Total Long Term Liabilities	<u>21,788,050</u>	<u>22,361,609</u>
Total Liabilities	<u>23,429,816</u>	<u>23,981,523</u>
 TENANT SHAREHOLDERS' EQUITY:		
Common stock, \$1 par value, 96,000 shares authorized, 91,771 shares issued and outstanding	91,771	91,771
Paid-in capital in excess of par value	57,760,731	57,760,731
Additional paid-in capital	7,089,325	7,089,325
Accumulated Deficit	(55,682,301)	(54,250,812)
Subtotal	<u>9,259,526</u>	<u>10,691,015</u>
Treasury stock - at cost (note 10)	(9,600)	(9,600)
Total Tenant Shareholders' Equity	<u>9,249,926</u>	<u>10,681,415</u>
Total Liabilities and Tenant Shareholders' Equity	<u>\$ 32,679,742</u>	<u>\$ 34,662,938</u>

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Statements of Changes in Stockholders' Equity
December 31, 2019 and 2018

COMMON STOCK	<u>2019</u>	<u>2018</u>
Balance - January 1,	\$ 91,771	\$ 91,759
Issuance of 12 shares (Note 9)	<u> -</u>	<u> 12</u>
Balance - December 31,	<u><u>\$ 91,771</u></u>	<u><u>\$ 91,771</u></u>

PAID -IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 57,760,731	\$ 57,730,743
Issuance of 12 shares (Note 9)	<u> -</u>	<u> 29,988</u>
	<u><u>\$ 57,760,731</u></u>	<u><u>\$ 57,760,731</u></u>

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Statements of Income, Expenses and Accumulated Deficit
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>restated</u> <u>2018</u>
INCOME:		
Maintenance income	\$ 7,266,061	\$ 7,173,702
Parking rental income	53,162	57,349
Transfer fees (Note 2)	109,102	115,016
Rental income	44,111	43,083
Storage rental units	41,025	38,276
Laundry income	87,000	87,000
Miscellaneous income	74,294	53,676
Patronage dividend (Note 3)	16,473	13,224
Interest and dividend income	74,098	70,938
Total Income	7,765,326	7,652,264
OPERATING EXPENSES:		
Administrative expenses (Schedule 1)	650,865	697,071
Operating expenses (Schedule 2)	3,012,483	3,038,328
Repairs and maintenance (Schedule 3)	886,335	641,127
Real estate taxes	1,522,974	1,670,368
Mortgage and credit line interest	787,139	805,735
Pool club management and maintenance	133,775	108,567
Corporate taxes	7,081	5,806
Total Operating Expenses	7,000,652	6,967,002
Excess of operating income over expenses before real estate tax refunds, hallway painting and depreciation and other interest expense		
	764,674	685,262
Real estate tax refunds (net)	187,017	-
Hallway painting	(210,000)	-
Depreciation and other interest expense (Note 2)	(2,173,180)	(2,062,823)
Net loss	(1,431,489)	(1,377,561)
Accumulated deficit, beginning of year	(54,250,812)	(52,873,251)
Accumulated deficit, end of year	\$ (55,682,301)	\$ (54,250,812)

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Net loss	\$ (1,431,489)	\$ (1,377,561)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation	2,147,687	2,037,330
Other interest expense	25,493	25,493
(Increase) Decrease in Operating Assets:		
Real estate tax escrow	(107,688)	(107,091)
Receivables	(66,745)	6,918
Prepaid expenses	(13,015)	6,053
Increase (Decrease) in Operating Liabilities:		
Accounts payable and accrued expenses	99,308	341,951
Interest payable	(1,605)	(1,549)
Prepaid maintenance	(77,237)	110,960
Due to shareholders	(15,642)	3,229
Total Adjustments	<u>1,990,556</u>	<u>2,423,294</u>
Net cash provided by operating activities:	<u>559,067</u>	<u>1,045,733</u>
 Cash Flows From Investing Activities:		
Decrease in reserve fund	1,606,028	1,110,795
Acquisition of building improvements	<u>(879,507)</u>	<u>(1,921,358)</u>
Net cash provided (used) by investing activities:	<u>726,521</u>	<u>(810,563)</u>
 Cash Flows From Financing Activities:		
Security deposits	9,242	(30,628)
Security deposits payable	(34,073)	34,716
Mortgage payable	(547,950)	(529,409)
Proceeds from sale of common stock	<u>-</u>	<u>30,000</u>
Net cash used by financing activities:	<u>(572,781)</u>	<u>(495,321)</u>
 Net increase (decrease) in cash and cash equivalents	712,807	(260,151)
 Cash and cash equivalents at beginning of year	<u>317,502</u>	<u>577,653</u>
Cash and cash equivalents at end of year	<u><u>1,030,309</u></u>	<u><u>\$ 317,502</u></u>
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 785,534	\$ 807,284
Taxes paid	\$ 7,081	\$ 5,956

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 1 - CORPORATE 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 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared in accordance with the accounting principles generally accepted in the United State of America ("US GAAP") applicable to Common Interest Realty Associations (including cooperative housing corporations). Under this guidance, all revenues from tenant-owners, including maintenance charges and special assessments, are recognized as revenue in the statement of revenue and expenses.

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 approximates fair value. The investments in Certificates of Deposit has both an aggregate cost basis and aggregate face value of \$250,000 at December 31, 2019 and 2018, 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 useful 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.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

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. Shareholder are billed monthly based on their respective share of 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, 2019 to be collectible. Accordingly, no allowance for doubtful accounts is required.

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 sources. 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.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

At December 31, 2019, the Corporation had \$23,310,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2039. Since the Corporation does not anticipate significant taxable income, no related deferred tax assets 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 2016 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 include highly liquid investments with an original maturity of 3 months or less when acquired and readily convertible to known amounts of cash.

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.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting. Income is recognized as earned and expenses are recognized as incurred.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Use of Estimates - In preparing its financial statements in conformity with U.S. GAAP, the Corporation makes 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of Subsequent Transactions Events - The Corporation has evaluated transactions and events that occurred after December 31, 2019 through September 18, 2020, the date the financial statements were available to be issued, and has determined that there were no subsequent transactions or events which would required 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, 2019 and 2018, the real estate tax escrow account had a balance of \$713,378 and \$605,690, respectively.

NOTE 4 - RECEIVABLES

For the years ended December 31, 2019 and 2018, the receivables were as follows:

	<u>2019</u>	<u>2018</u>
Shareholders’ charges	\$ 179,734	\$ 213,316
Due from vendors and others	28,747	11,807
Real estate tax refunds	90,736	-
Laundry income	1,347	8,696
Accrued interest income	<u>1,908</u>	<u>1,908</u>
	<u>\$ 302,472</u>	<u>\$ 235,727</u>

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 5 - PREPAID EXPENSES

For the years ended December 31, 2019 and 2018, the prepaid expenses consisted of the following:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 33,562	\$ 51,120
Prepaid alarm monitoring	22,355	-
Prepaid Supplies	10,777	-
Corporation taxes	-	2,559
	<u>\$ 66,694</u>	<u>\$ 53,679</u>

NOTE 6 - RESERVE FUND

The reserve fund is invested as follows:

	<u>2019</u>	<u>2018</u>
NCB capital reserve escrow	\$ 4,470,765	\$ 6,101,535
Capital One money market	1,598,013	1,578,060
Wells Fargo Advisors:		
Certificates of Deposit	250,000	250,000
Money funds	9,574	4,784
	<u>\$ 6,328,352</u>	<u>\$ 7,934,379</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 the 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.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 6 - RESERVE FUND (cont.)

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, 2019, based on 2019 maintenance charges, the required amount to be maintained in reserves equaled approximately \$726,600.

NOTE 7 - PROPERTY AND IMPROVEMENTS

Building improvements were capitalized as follows:

	<u>2019</u>	<u>2018</u>
Roof replacements	\$ 137,500	\$ 893,930
Parking lot restoration project	14,525	691,886
Fire alarm system upgrades	-	154,702
Maintenance vehicle	-	47,605
Basement door replacements	-	32,663
Resident Manager's unit renovation	13,800	30,000
Concrete and sidewalk replacement	27,679	27,854
Rental apartment renovation	-	18,800
Facade and waterproofing	345,095	9,955
Heating upgrades	-	9,000
Engineers	45,941	-
Exterior work	25,900	-
Community room	27,200	-
Pool fence	6,340	-
Gutters and Awnings	129,474	-
Pool Door	1,250	-
Entrance Doors	83,200	-
Playground project	<u>21,603</u>	<u>4,963</u>
Totals	<u>\$ 879,507</u>	<u>\$ 1,921,358</u>

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 7 - PROPERTY AND IMPROVEMENTS (cont).

Contract Commitments

In addition to building improvements payable of \$297,146 at December 31, 2019, the Corporation entered into contracts for facade restoration and waterproofing for \$665,608 and 4 new awnings for \$10,017.

NOTE 8 - MORTGAGE PAYABLE

The mortgage is held by National Cooperative Bank (“NCB”) in the original principal amount of \$25,000,000. Terms required 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 to the mortgage payable over the next five years are as follows:

2020	\$	564,978
2021		586,927
2022		607,483
2023		628,758
2024		<u>19,448,537</u>
Sub-total		21,836,683
Less: deferred mortgage costs		<u>(123,214)</u>
Total		<u>\$ 21,713,469</u>

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.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 9 - 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 3.375% 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.

NOTE 10 - COMMON STOCK TRANSACTIONS

During 2018, the Corporation issued 12 shares of stock appurtenant to two parking spaces. Proceeds of \$20,000 have been allocated to shareholders' equity and paid-in capital in excess of par value.

NOTE 11 - TREASURY STOCK

At December 31, 2019 and 2018, the Corporation held 36 shares of treasury stock allocated to 6 parking spaces in each year.

NOTE 12 - EMPLOYEE BENEFITS PLANS

All of the Corporation's employees are covered by a collective bargaining agreement with the Service Employees International Union, Local 32 BJ (the "Union"), which expires April 20, 2022, and includes participation in the following funds: (A) Building Service 32BJ Pension Plan ("Pension Plan"); and (B) Building Service 32 BJ Health Plan ("Health Plan"). The Pension Plan is a multi-employer, non-contributory defined benefit pension plan that runs on a fiscal year from July 1 to June 30 and operates under employer identification number 13-1879376. Separate actuarial information regarding such plan is not made available to the contributing employers by the union administrators or trustees since the plan does not maintain separate records for each reporting unit. According to the latest available information as of July 1, 2019, the Pension Plan was in critical status under the Pension Protection Act of 2006. (A plan is in the critical status ("Red Zone") if it has a current funded percentage less than 65%). The Pension Plan trustees have implemented a rehabilitation plan consistent with this requirement.

The Health Plan provides health and other benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements and operates under the employer identification number 13-2928869.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 12 - EMPLOYEE BENEFITS PLANS (cont.)

The Corporation's contributions to the Pension and Health Plans totaled \$390,476 and \$391,162 for the years ended December 31, 2019 and 2018, respectively, and did not exceed more than 5% of the total contributions made to the plans by all contributing employers. Contributions to the multi-employer plans may be used to provide benefits to other participating employers. If a plan employer stops contributing to the plans, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Corporation stops participating in the plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Corporation has no plans to withdraw from the union plan.

NOTE 13 - RELATED PART TRANSACTION

At December 31, 2019 and 2018, Great Neck Terrace Associates owned 15,662 shares which represent approximately 17.1% of the total outstanding shares. 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 - FIXED ASSETS

The building, building improvements, equipment and transportation vehicles are being depreciated on a straight-line basis over their estimated useful life which range from five to twenty-seven and one-half years.

Fixed assets are recorded at cost and consists of:

	<u>2019</u>	<u>2018</u>
Land	\$ 13,839,010	\$ 13,839,010
Building	56,356,042	56,356,042
Building improvements	13,263,154	12,383,648
Equipment	1,413,659	1,413,659
Transportation vehicles	292,830	292,830
Less: accumulated depreciation	<u>(60,050,326)</u>	<u>(57,902,639)</u>
	<u>\$ 25,114,369</u>	<u>\$ 26,382,550</u>

Depreciation expense for the year ended December 31, 2019 and 2018 was \$2,147,687 and \$2,037,330, respectively.

Great Neck Terrace Owners Corp.
A Cooperative Housing Corporation
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 15 - 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 was also involved in a legal matter with a shareholder/plaintiff who claims that there is a dangerous mold condition in their apartment due to the Corporation's failure to remediate water damage. The plaintiff claimed monetary damages of \$500,000. The Corporation, however, had counter claims for the nuisance which the shareholder has created due to odors emanating from their apartment and for which they failed to abate and cure. This action was settled for \$15,000. The insurance company paid the settlement and counsel negotiated a recovery of legal fees from the insurance company.

NOTE 16 - REAL ESTATE TAX REFUNDS RECEIVABLE

The Corporation received a real estate tax refund in 2020 that related to 2019. The total refund received was \$90,736, net of legal fees of \$47,000.

NOTE 17 - MANAGEMENT FEES AND REIMBURSED MANAGEMENT LABOR

On May 1, 2018, the Corporation entered into a management contract with AKAM Associates for a base fee of \$110,000 plus reimbursement of management labor.

Supplementary and Prospective Information

Great Neck Terrace Owners Corp.
Supporting Schedules - Statements of Operations
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Administrative Expenses:		
	<u>Schedule 1</u>	
Professional fees	\$ 203,775	\$ 274,712
Management fees and reimbursed management labor	328,576	310,442
Other administrative expenses	74,914	71,405
Telephone and communications	43,600	40,512
Total Administrative Expenses	<u>\$ 650,865</u>	<u>\$ 697,071</u>
Operating Expenses:		
	<u>Schedule 2</u>	
Utilities		
Gas heat	\$ 436,469	\$ 413,798
Water and sewer	339,193	321,328
Electricity and gas	<u>157,911</u>	<u>141,968</u>
	<u>933,573</u>	<u>877,094</u>
Labor		
Wages	994,156	1,072,710
Union benefits	390,476	391,162
Workers' compensation and disability	84,945	116,320
Payroll taxes	<u>78,550</u>	<u>87,542</u>
	<u>1,548,127</u>	<u>1,667,734</u>
Other		
Insurance	362,290	335,082
Security	144,768	134,267
Other operating and permits	<u>23,725</u>	<u>24,151</u>
	<u>530,783</u>	<u>493,500</u>
Total Operating Expenses	<u>\$ 3,012,483</u>	<u>\$ 3,038,328</u>
Repairs and Maintenance		
	<u>Schedule 3</u>	
Materials supplies	\$ 184,458	\$ 163,709
Grounds	238,403	128,239
Plumbing and heating	98,057	56,622
Exterminating	39,178	42,853
Equipment repairs and other	34,572	42,634
Roof and exterior repairs	37,940	35,787
Rubbish removal	28,850	31,309
Auto repairs and maintenance	28,931	29,758
Alarm systems contract and repairs	52,833	26,184
Intercom and electrical	59,995	19,143
Doors, locks and windows	17,857	15,915
Uniforms	3,751	883
Painting, plastering and flooring	10,403	649
Special repair - tree service	<u>51,107</u>	<u>47,442</u>
Total Repairs and Maintenance	<u>\$ 886,335</u>	<u>\$ 641,127</u>

Great Neck Terrace Owners Corp.
Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast

	2019 Budget (Unaudited)	2019 Actual	Prior Year 2018 Actual	Next Year 2020 Budget Forecast (Unaudited)
REVENUES				
Maintenance	\$ 7,266,113	\$ 7,266,061	\$ 7,173,702	\$ 7,411,769
Laundry income	87,000	87,000	87,000	87,000
Interest and dividend income	0	74,098	70,938	0
Parking rental income	29,812	53,162	57,349	30,287
Other shareholder fees	38,500	74,294	53,676	47,000
Apartment rental income	43,123	44,111	43,083	45,301
Transfer from reserve	0	0	0	50,200
Storage rental units	<u>66,817</u>	<u>41,025</u>	<u>38,276</u>	<u>46,000</u>
TOTAL REVENUES	7,531,365	7,639,751	7,524,024	7,717,557
EXPENSES				
Management fees and reimbursed management labor	315,779	328,576	310,442	343,980
Professional fees	135,900	203,775	274,712	109,500
Other administrative expenses	51,600	74,914	71,405	61,500
Telephone and communications	38,000	43,600	40,512	45,000
Gas heat	431,161	436,469	413,798	452,371
Water and sewer	369,600	339,193	321,328	324,641
Electricity and gas	143,283	157,911	141,968	159,832
Wages and employee benefits	1,770,278	1,548,127	1,667,734	1,826,156
Insurance	324,813	362,290	335,082	371,209
Security	105,000	144,768	134,267	128,000
Other operating and permits	24,000	23,725	24,151	10,000
Repairs and maintenance	657,943	886,335	641,127	673,000
Real estate taxes	1,706,457	1,522,974	1,670,368	1,698,674
Mortgage interest and amortization	1,324,194	1,328,839	1,328,894	1,330,444
Credit line interest	6,250	6,250	6,250	6,250
Pool club management and maintenance	120,000	133,775	108,567	170,000
Corporation taxes	<u>7,100</u>	<u>7,081</u>	<u>5,806</u>	<u>7,000</u>
TOTAL EXPENSES	<u>7,531,358</u>	<u>7,548,602</u>	<u>7,496,411</u>	<u>7,717,557</u>
Budgeted Surplus	<u>\$ 7</u>			<u>\$ -</u>
INCOME FROM OPERATIONS BEFORE OTHER ITEMS				
		91,149	27,613	
Mortgage amortization		547,950	529,409	
Transfer fees		109,102	115,016	
NCB dividend		<u>16,473</u>	<u>13,224</u>	
INCOME BEFORE NONCASH DEPRECIATION AND MORTGAGE FINANCE INTEREST COSTS				
		<u>\$ 764,674</u>	<u>\$ 685,262</u>	
Hallway painting		(210,000)	0	
Real estate tax refunds		187,017	0	