

PATRICIA GARDENS OWNERS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

PATRICIA GARDENS OWNERS, INC.

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BLOOM AND STREIT LLP
CERTIFIED PUBLIC ACCOUNTANTS

ROGER BERMAN, CPA
WILLIAM J. RANK, CPA, CFP
MARK COHEN, CPA

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Stockholders
PATRICIA GARDENS OWNERS, INC.**

We have audited the accompanying balance sheets of Patricia Gardens Owners, Inc., as of December 31, 2010 and 2009, and the related statements of loss, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patricia Gardens Owners, Inc., as of December 31, 2010 and 2009, 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 America.

As discussed in Note 8, the cooperative has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

Bloom and Streit LLP

BLOOM AND STREIT LLP
Certified Public Accountants
May 31, 2011

PATRICIA GARDENS OWNERS, INC.

Balance Sheets

As of December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash in Banks	11,931	1,919
Cash in Operating Account	3,054	4,352
Tenants' Accounts Receivable	23,948	7,882
Mortgagee Escrow Deposits	92,046	87,291
Prepaid Expenses	23,730	22,961
Total Current Assets	<u>154,709</u>	<u>124,405</u>
RESERVE FOR CONTINGENCIES		
Cash and Money Funds at Charles Schwab	<u>94,859</u>	<u>349,836</u>
PROPERTY AND EQUIPMENT -		
Net Book Value	<u>1,620,067</u>	<u>1,360,265</u>
OTHER ASSETS		
Investment in NCB Stock	3,477	4,262
Deferred Financing Expenses	27,510	32,159
Total Other Assets	<u>30,987</u>	<u>36,421</u>
TOTAL ASSETS	<u><u>1,900,622</u></u>	<u><u>1,870,927</u></u>

	<u>2010</u>	<u>2009</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	64,480	37,312
Accrued Interest on Mortgage	10,838	10,986
Rents Received in Advance	662	1,863
Exchanges Payable	11,919	11,286
Mortgage Payable - Amortization payments due within one year	<u>29,054</u>	<u>27,264</u>
Total Current Liabilities	<u>116,953</u>	<u>88,711</u>
LONG-TERM LIABILITIES		
Security Deposits	8,640	8,140
Line of Credit	175,000	0
Mortgage Payable (Due after one year)	<u>1,971,898</u>	<u>2,000,952</u>
Total Long-Term Liabilities	<u>2,155,538</u>	<u>2,009,092</u>
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common Stock \$1.00 par value; Authorized, 35,000 shares, Issued and Outstanding 33,282	33,282	33,282
Paid-in Capital	1,444,908	1,444,908
Retained Earnings (Deficit)	(1,897,559)	(1,752,566)
Appropriated Retained Earnings: Reserve for Contingencies	<u>47,500</u>	<u>47,500</u>
Total Stockholders' Equity (Deficiency)	<u>(371,869)</u>	<u>(226,876)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	<u><u>1,900,622</u></u>	<u><u>1,870,927</u></u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of Loss

For the years ended December 31,

	<u>2010</u>	<u>2009</u>
INCOME		
Carrying Charges	560,367	550,198
Fuel Surcharge	41,038	33,282
Parking Income	16,695	16,650
Rental Income	10,000	0
Laundry Room Income	4,800	4,800
Interest Income	1,553	3,809
Miscellaneous Income	2,633	1,123
Total Income	<u>637,086</u>	<u>609,862</u>
EXPENSES		
Administrative Expenses	49,888	43,752
Utilities Expenses	105,723	85,713
Maintenance Expenses	129,538	111,771
Taxes and Insurance Expenses	254,558	238,902
Financial Expenses	128,736	130,094
Total Expenses Before Depreciation and Amortization	<u>668,443</u>	<u>610,232</u>
NET INCOME BEFORE DEPRECIATION AND AMORTIZATION	(31,357)	(370)
Depreciation and Amortization of Mortgage Financing Expenses	<u>(113,637)</u>	<u>(124,141)</u>
NET (LOSS) FOR THE YEAR	<u>(144,994)</u>	<u>(124,511)</u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of Retained Earnings (Deficit)

For the years ended December 31,

	<u>2010</u>	<u>2009</u>
RETAINED EARNINGS (DEFICIT) - Beginning of Year	(1,752,566)	(1,628,055)
Net (Loss) for the Year	<u>(144,994)</u>	<u>(124,511)</u>
RETAINED EARNINGS (DEFICIT) - End of Year	<u><u>(1,897,559)</u></u>	<u><u>(1,752,566)</u></u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 1

Organization

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York, was conveyed by the sponsor to Patricia Gardens Owners, Inc. on February 12, 1985. Patricia Gardens Owners, Inc. is a cooperative housing corporation whose primary purpose is to manage the operations of its buildings, consisting of 65 residential apartments, and maintain common elements.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statements.

Note 2

Summary of Significant Accounting Policies

The financial statements have been presented in accordance with the accounting principles prescribed by the audit and accounting guide for common interest realty associations issued by the American Institute of Certified Public Accountants. The guide describes conditions and procedures unique to the industry (including cooperative and condominium housing corporations) and illustrates the form and content of the financial statements of common interest realty associations as well as informative disclosures relating to such statements. In addition, the guide requires that all revenues from tenant-stockholders, including maintenance charges and special assessments, be recognized as revenue in the statements of income (loss).

Property and equipment is being carried at cost. Depreciation of the buildings is being computed by the straight-line method using a life of thirty-five years. Depreciation of building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 2

Summary of Significant Accounting Policies - continued

The cooperative accounts for certain revenue items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges and special assessments allocated for mortgage amortization and capital improvements which are being accounted for as contributions to additional paid-in capital for income tax purposes whereas such items are recognized as revenue for financial reporting.

For purposes of the statements of cash flows, the cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Reserve funds, restricted to specific purposes other than operations, are not considered cash and cash equivalents even though such reserve funds may be on deposit with banks or invested in short-term non-equity, interest bearing instruments.

The corporation has investments in marketable equity securities which are classified as available for sale securities. Available for sale securities are reported at fair value and include securities not classified as held to maturity or trading securities. It is the corporation's policy to record these securities at current market prices with any unrealized gains and losses reported as a component of equity. Realized gains and losses are reported as a component of the statements of operations.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Tenant-stockholders are subject to monthly charges to provide funds for the cooperative's operating expenses, future capital acquisitions, and major repairs and replacements. Tenants' Accounts Receivable at the balance sheets date represent various fees due from tenant-stockholders. Any excess charges at year end are retained by the cooperative for use in the succeeding year.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 3

Property and Equipment

Property and Equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Land	689,960	689,960
Building	1,713,000	1,713,000
Building Improvements	1,177,654	827,589
Furniture and Fixtures	<u>20,087</u>	<u>5,604</u>
	3,600,701	3,236,153
Less: accumulated depreciation	<u>1,984,798</u>	<u>1,875,888</u>
Total Property and Equipment	<u>1,615,903</u>	<u>1,360,265</u>

Note 4

Mortgage Payable

On November 30, 2006, the cooperative refinanced its previous mortgage with a new first mortgage held by National Consumer Cooperative Bank in the principal sum of \$2,100,000 and also obtained a secured Revolving Line of Credit in the available amount of \$350,000. Monthly payments in the amount of \$12,984.74 are required, which include principal and interest calculated at a rate of 6.29% per annum, pursuant to a thirty year amortization schedule. The mortgage matures on December 1, 2016, at which time the entire unpaid principal and accrued interest will be due and payable. On or about November 16, 2010, the cooperative borrowed \$175,000 from the secured Revolving Line of Credit. The proceeds were used to partially fund the exterior renovation project of the cooperative.

Principal maturities of the mortgage are as follows:

2011	29,054
2012	30,602
2013	32,972
2014	35,137
2015	37,445
Thereafter	1,835,742

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 5

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The corporation believes that all of its income is patronage sourced. Accordingly, no provisions 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. New York State Franchise taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the corporation's capital base.

As of December 31, 2010, the cooperative has available net operating loss carryforwards to apply to future taxable income in the approximate amount of \$1,666,000 which expires from 2011 to 2030.

In accordance with accounting rules for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns, the cooperative's tax filings are subject to audit by various taxing authorities. The cooperative's federal and state income tax returns for the last three years remain open to examination. In evaluating its tax provisions and accruals, the cooperative believes that its estimates are appropriate based on current facts and circumstances.

Note 6

Sponsor/Holder of Unsold Shares Ownership

As of December 31, 2010, the sponsor/holder of unsold shares owned approximately 32% of the outstanding shares of the cooperative's stock, representing nineteen apartments. As of that date, the sponsor/holder of unsold shares was current in the payment of carrying charges.

The most recent Disclosure Statement filed with the Attorney General's Office (sixteenth amendment to the Cooperative Offering Plan) dated November 9, 1995, indicates that the aggregate monthly maintenance for all unsold shares is \$9,200. The aggregate monthly rents received from tenants residing in the apartments owned by the sponsor/holder of unsold shares is \$11,096. No subsequent amendments have been filed.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 7

Reserve Fund

The cooperative maintains a contingency reserve fund to be used for making capital repairs, replacements and improvements, or for such other corporate purposes as are determined by the Board of Directors. Net proceeds from the mortgage refinancing described in Note 4 were deposited into such reserve fund. As of December 31, 2010 specific funds held in the Reserve for Contingencies total \$94,859. During the year, the cooperative used proceeds from the reserve account to partially fund the renovation project.

The amount accumulated in the contingency fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the cooperative can increase regular carrying charges, pass special assessments, borrow needed funds, or delay major repairs and replacements until funds are available.

Note 8

Future Major Repairs and Replacements

The cooperative has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the cooperative may borrow, utilize available cash, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

Note 9

Labor Agreement

Service employees of the cooperative are members of Local 32 E of the Service Employees International Union, A.F.L., C.I.O. Health and pension benefits provided to certain employees are governed and regulated by the terms of a collective bargaining agreement. Information as to the cooperative's portion of accumulated plan benefits and plan assets is not determinable. Under the Employee Retirement Income Security Act of 1974, as amended, the employer, upon withdrawal from a multi-employer plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits. The cooperative has no intention of withdrawing from the plan.

Such labor expenses were as follows:

	<u>2010</u>	<u>2009</u>
Payroll	56,507	47,702
Union Welfare and Pension Fund	18,290	13,058

Note 10

Real Estate Taxes - Tax Abatements

The cooperative is entitled to and has received tax abatements on behalf of its stockholders from the State of New York during 2010 and 2009. The abatements, which include Star and Veterans abatements (where applicable) have been passed on to the stockholders by direct payment or as a credit against carrying charges. Any undistributed abatements as of the fiscal year end have been included on the Balance Sheets in Current Liabilities as Exchanges Payable. As the abatements benefit the stockholders, the real estate tax expense reflected in these financial statements is gross of all the aforementioned tax abatements.

Note 11

Subsequent Events

Management has evaluated subsequent events through May 31, 2011, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.



BLOOM AND STREIT LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

**To the Board of Directors and Stockholders
PATRICIA GARDENS OWNERS, INC.**

Our report on our audits of the basic financial statements of PATRICIA GARDENS OWNERS, INC. for 2010 and 2009 appears earlier in these financial statements. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached supplementary information included (Schedule of Budget with Actual Operating Amounts) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bloom and Streit LLP

BLOOM AND STREIT LLP
Certified Public Accountants
May 31, 2011

PATRICIA GARDENS OWNERS, INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>Dec. 31, 2010</u> (Unaudited)	Actual Year Ended <u>Dec. 31, 2010</u>	Actual Year Ended <u>Dec. 31, 2009</u>
RECEIPTS			
Carrying Charges	568,079	560,367	550,198
Fuel Surcharge	41,603	41,038	33,282
Parking Income	16,740	16,695	16,650
Rental Income	0	10,000	0
Laundry Room Income	6,000	4,800	4,800
Interest and Miscellaneous Income	6,000	4,186	4,932
Total Receipts	<u>638,422</u>	<u>637,086</u>	<u>609,862</u>
EXPENDITURES			
ADMINISTRATIVE EXPENSES			
Management Fee	28,500	28,500	28,500
Legal Expense	500	641	2,059
Auditing	7,900	7,896	7,896
Telephone	1,200	2,372	1,350
Office and Administrative Expenses	4,553	10,479	3,947
Total Administrative Expenses	<u>42,653</u>	<u>49,888</u>	<u>43,752</u>
UTILITIES EXPENSES			
Fuel	75,600	79,738	59,409
Electricity and Gas	14,500	13,906	13,688
Water	12,000	12,079	12,616
Total Utilities Expenses	<u>102,100</u>	<u>105,723</u>	<u>85,713</u>
MAINTENANCE EXPENSES			
Payroll	45,500	56,507	47,702
Supplies	8,000	13,445	12,592
Repairs and Maintenance	15,500	38,454	24,075
Snow Removal	2,000	3,105	1,009
Grounds Expense	12,000	12,726	20,520
Exterminating	3,000	5,301	5,873
Total Maintenance Expenses	<u>86,000</u>	<u>129,538</u>	<u>111,771</u>

See auditors' report on supplementary information

PATRICIA GARDENS OWNERS, INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended Dec. 31, 2010 (Unaudited)	Actual Year Ended Dec. 31, 2010	Actual Year Ended Dec. 31, 2009
TAXES AND INSURANCE			
Real Estate Taxes	200,000	194,092	186,916
Payroll Taxes	3,500	4,882	3,954
Insurance	30,000	33,529	31,492
Union Welfare and Pension Fund	15,000	18,290	13,058
Franchise Taxes	3,500	3,765	3,482
Total Taxes and Insurance	<u>252,000</u>	<u>254,558</u>	<u>238,902</u>
FINANCIAL EXPENSES			
Interest on Line of Credit	0	331	0
Interest on Mortgage	128,405	128,405	130,094
Total Financial Expenses	<u>128,405</u>	<u>128,736</u>	<u>130,094</u>
CONTRIBUTIONS TO EQUITY AND RESERVES			
Amortization of Mortgage	27,264	27,264	25,584
Total Contributions to Equity and Reserves	<u>27,264</u>	<u>27,264</u>	<u>25,584</u>
Total Expenditures	<u>638,422</u>	<u>695,707</u>	<u>635,816</u>
NET SURPLUS (DEFICIT) FOR THE YEAR	<u>0</u>	<u>(58,621)</u>	<u>(25,954)</u>

See auditors' report on supplementary information

PATRICIA GARDENS OWNERS, INC.

Detailed Schedule of Repairs

For the Years Ended December 31,

	<u>2010</u>	<u>2009</u>
REPAIRS		
Boiler and Burners	12,578	6,316
Plumbing and Pipes	7,816	4,097
Electrical	3,730	4,756
Painting, Plastering and Carpentry Work	4,200	0
Asbestos Abatement	1,031	397
Masonry and Tile Work	930	0
Window Repairs	0	370
Rubbish Removal	0	266
General	8,169	7,873
Total Repairs	<u>38,455</u>	<u>24,075</u>

See auditors' report on supplementary information