

TUDOR ARMS OWNERS CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

TUDOR ARMS OWNERS CORPORATION

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To the Stockholders of
Tudor Arms Owners Corporation

I have audited the accompanying balance sheets of Tudor Arms Owners Corp., a New York corporation, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations and accumulated deficit 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

My responsibility is to express an opinion on the financial statements based on my audits. I conducted my audits 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 auditors' 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 our audit opinion.

Opinion

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Tudor Arms Owners Corp. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Omissions of Required Supplementary Information about Future Major Repairs and Replacements
As discussed in Note 2, Tudor Arms Owners Corp., has omitted the supplementary information of future major repairs and replacements of common property 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 the missing information.


Ossining, New York
February 04, 2017

TUDOR ARMS OWNERS CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 3,706	\$ 14,600
Reserve Funds:		
Money market funds	578,485	586,485
Corporate notes and CD's	<u>500,000</u>	<u>500,127</u>
Total Reserve Funds	1,078,485	1,086,612
Tenant/stockholder receivables	-0	916
Prepaid expenses and other assets	28,901	26,480
Escrow - real estate taxes	25,370	31,600
Property and improvements, net of accumulated depreciation	2,965,202	3,045,013
Investment in NCB	7,182	7,182
Deferred mortgage costs, net	<u>100,274</u>	<u>111,415</u>
TOTAL ASSETS	<u>\$ 4,209,120</u>	<u>\$ 4,323,818</u>
<u>LIABILITIES AND TENANT SHAREHOLDERS' EQUITY</u>		
	<u>2016</u>	<u>2015</u>
LIABILITIES		
Mortgage payable	\$ 3,080,486	\$ 3,136,232
Accounts payable and accrued expenses	29,454	16,453
Security deposits payable	<u>13,762</u>	<u>11,608</u>
TOTAL LIABILITIES	<u>3,123,702</u>	<u>3,164,293</u>
STOCKHOLDERS' EQUITY		
Capital stock, par value \$1; 32,125 shares authorized, issued and outstanding	32,125	32,125
Additional paid-in capital	3,435,808	3,435,808
Accumulated deficit	(2,307,515)	(2,233,408)
Less treasury stock - 600 shares, at cost	<u>(75,000)</u>	<u>(75,000)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>1,085,418</u>	<u>1,159,525</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,209,120</u>	<u>\$ 4,323,818</u>

See Accompanying Notes to Financial Statements

TUDOR FIRMS OWNERS CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>OPERATIONS</u>		
REVENUE:		
Maintenance assessments	\$ 605,865	\$ 588,219
Star credits	(36,399)	(35,713)
Fuel surcharge	-0-	36,244
Parking	13,650	13,750
Interest and dividend income	6,185	5,690
Transfer fees	5,970	5,565
Laundry	7,800	11,250
Exercise room	1,700	2,100
Storage	1,814	1,994
Sundry	<u>2,498</u>	<u>4,699</u>
TOTAL INCOME	<u>609,083</u>	<u>633,798</u>
EXPENSES:		
Operating	125,805	132,859
Salaries, payroll taxes and benefits	85,888	84,816
Administrative	51,992	55,402
Repairs and maintenance	113,506	107,302
Real estate taxes	68,797	66,986
Interest	<u>120,816</u>	<u>119,387</u>
TOTAL EXPENSES	<u>566,804</u>	<u>566,752</u>
Excess of revenue over expenses before depreciation and amortization	42,279	67,046
Depreciation and amortization	<u>(116,386)</u>	<u>(113,374)</u>
Deficiency of revenue over expenses	\$ (74,107)	\$ (46,328)
<u>ACCUMULATED DEFICIT</u>		
Balance, beginning of year	<u>(2,233,408)</u>	<u>(2,187,080)</u>
Balance, end of year	<u><u>\$(2,307,515)</u></u>	<u><u>\$(2,233,408)</u></u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses	\$ (74,107)	\$ (46,328)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	105,245	105,137
Amortization	11,141	8,237
Changes in operating assets and liabilities:		
Tenant/stockholder receivables	916	(916)
Prepaid expenses and other assets	(2,421)	(503)
Escrow - real estate taxes	6,230	(19,629)
Accounts payable and accrued expenses	13,001	(47,545)
Investment in NCB	-0-	(7,182)
Tenant security payable	<u>2,154</u>	<u>(750)</u>
Net cash provided by operating activities	<u>62,159</u>	<u>(9,479)</u>
Investing activities:		
Reserve funds, net	8,127	(902,067)
Capital improvements	(25,434)	-0-
Capital stock	<u>-0-</u>	<u>240</u>
Net cash provided by (used in) investing activities	<u>(17,307)</u>	<u>(901,827)</u>
Financing activities:		
Mortgage principal payments	(55,746)	(13,768)
Proceeds of new loan	-0-	3,150,000
Payoff of old loan	-0-	(1,956,117)
Mortgage acquisition costs	-0-	(111,415)
Line of credit	<u>-0-</u>	<u>(150,000)</u>
Net cash provided by financing activities	<u>\$ (55,746)</u>	<u>\$ 918,700</u>
Net change in cash and cash equivalents	<u>(10,894)</u>	<u>7,394</u>
Cash and cash equivalents, beginning of year	<u>14,600</u>	<u>7,206</u>
Cash and cash equivalents, end of year	<u>\$ 3,706</u>	<u>\$ 14,600</u>
Supplemental disclosure of cash flow data:		
Interest paid	<u>\$ 120,816</u>	<u>\$ 119,387</u>
Income taxes paid	<u>\$ 1,055</u>	<u>\$ 1,263</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE ORGANIZATION

Tudor Arms Owners Corporation (the "Corporation") was incorporated on January 26, 1983 for the purpose of owning and operating the property located at 31 West Pondfield Road, Bronxville, New York. The Corporation qualifies as a co-op corporation under Section 216 of the Internal Revenue Code, and consists of fifty six (56) residential apartments).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimated.

Concentration of credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of temporary cash investments. Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three (3) months or less when acquired. The Corporation maintains its temporary cash investment with high credit quality financial institutions. At times, such investments did exceed Federally insured limits.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on straight-line and accelerated methods at rates calculated to absorb the costs of assets by the end of their estimated useful lives.

Member Assessments

Tenant/stockholders are subject to monthly assessments to provide funds for the Corporation's mortgage servicing, operating expenses, future capital acquisitions and major repairs and replacements. Tenant/stockholder receivables represent maintenance fees due from the tenant/stockholder receivables represent maintenance fees due from the tenant/stockholders. The Corporation's policy is to retain legal counsel regarding delinquent stockholders. Any excess assessments at year end are retained by the Corporation for use in the succeeding year.

TUDOR ARMS OWNERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Major repairs and replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. Consistent with general practice in New York State, the Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves, increase common charges, implement special assessments, or delay repairs and replacements until funds are available

Deferred mortgage costs

Deferred mortgage costs are amortized on the straight-line method by annual charges to operations over the term of the mortgage.

Reclassification

Certain reclassification have been made to the prior year information to conform to the current years presentation.

Income taxes

The Corporation generally is taxed only on nonmembership income, such as interest income and earnings from commercial operations. Earnings from tenant/stockholders, if any, may be excluded from taxation if certain elections are made. In addition, New York State also assesses a tax based on capital.

NOTE 3 - PROPERTY AND IMPROVEMENT

Property and improvements consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,284,000	\$ 1,284,000
Building	3,331,375	3,331,375
Building improvements	<u>1,213,740</u>	<u>1,188,306</u>
	5,829,115	5,803,681
Less accumulated depreciation	<u>(2,863,913)</u>	<u>(2,758,668)</u>
TOTALS	<u>\$ 2,965,202</u>	<u>\$ 3,045,013</u>

TUDOR ARMS OWNERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - MORTGAGE PAYABLE

On August 26, 2015, the Corporation refinanced it's existing mortgage with the National Cooperative Bank ("NCB"). The new loan is in the amount of \$3,150,000, contains interest at the rate of 3.82%, for a ten (10) year term, amortizing on a thirty (30) year schedule. Costs incurred to obtain the loan will be amortized over the life of the loan.

Future minimum principal repayments approximate as follows:

2017	\$ 60,022
2018	62,355
2019	64,779
2020	67,298
2021	69,914

NOTE 5 - MANAGEMENT AGREEMENT

The Corporation is obligated under an annual agreement for the management of the property. Management fees amounted to \$ 36,000 for the years ended December 31, 2016 and 2015.

NOTE 6 - PENSION PLAN

The Corporation's union employees receive benefits, including health insurance and a pension plan, in accordance with their 32BJ contractual union agreement. The Corporation paid \$24,386 in 2016 and \$24,526 in 2015 for employee benefits. The purpose of this note is to describe the risks of the 32BJ union's contractually mandated multi-employer pension plan.

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits of employment to other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation stops participating in its multi-employer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan.

TUDOR ARMS OWNERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONT'D

The Plan Protection Act ("PPA") ranks the funded status of multi-employer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the Corporation received from the plan. Among other factors, the plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years.

The multi-employer plan that the Corporation participates in has a zone status of Red, for both 2016 and 2015. The multi-employer pension plan has a Rehabilitation Plan in place, which was updated by the plan's trustees on April 28, 2016.

NOTE 7 - LITIGATION

The Corporation has commenced a certiorari (real estate tax reduction) proceeding against the County of Westchester and City of Yonkers. No provision for legal fees has been made as they are to be paid on a contingency basis.

NOTE 8 - SUBSEQUENT EVENTS

In preparing the financial statements, of the Corporation has evaluated events and transactions for potential recognition or disclosure through February 04, 2017, the date that the financial statements were available to be issued.

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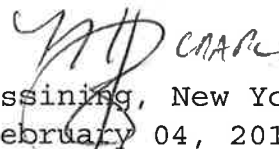
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
Tudor Arms Owners Corporation

I have audited the financial statements of, Tudor Arms Owners Corporation as of and for the year ended December 31, 2016, and have issued my report thereon February 04, 2017 which contained an unmodified opinion on those financial statements. My audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

I have previously audited the Tudor Arms Owners Corporation, 2016 financial statements, and my report dated February 04, 2017, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Ossining, New York
February 04, 2017

TUDOR ARMS OWNERS CORPORATION
EXPENSES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating expenses:		
Fuel oil and heating gas	\$ 43,773	\$ 55,868
Electricity and gas	16,869	21,337
Water and sewer	4,972	4,257
Water - prior years	13,417	-0-
Insurance	43,642	48,527
Telephone	3,132	2,870
Totals	125,805	132,859
Salaries, payroll taxes and benefits:		
Wages	58,290	56,006
Union, welfare and pension	24,386	24,526
Payroll taxes	3,212	4,284
Totals	85,888	84,816
Administrative expenses:		
Management fees	36,000	36,000
Accounting	4,900	4,915
Legal	-0-	2,700
Other	10,037	10,524
Taxes	1,055	1,263
Totals	51,992	55,402
Repairs and maintenance:		
Boiler	7,647	9,370
Building supplies	16,930	20,876
Elevator	12,847	8,089
Outside services	25,873	24,616
Plumbing, pumps and motors	12,869	9,173
Exterminating	7,706	3,370
Grounds	7,102	14,267
Floors	2,340	3,758
Doors, locks and glass	5,241	3,842
Electrical	2,900	-0-
Masonry	-0-	1,586
Paint and plaster	5,950	-0-
Roof	-0-	2,438
Other	6,101	5,917
Totals	113,506	107,302
Real estate taxes	68,797	66,986
Interest expense	120,816	119,387
Totals	\$ 566,804	\$ 566,752

See Report of Independent Public Accountants on supplementary Information