

TUDOR ARMS OWNERS CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

TUDOR ARMS OWNERS CORPORATION

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TUDOR ARMS OWNERS CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 3,704	\$ 3,706
Reserve Funds:		
Money market funds	346,831	578,485
Corporate notes and CD's	<u>200,000</u>	<u>500,000</u>
Total Reserve Funds	546,831	1,078,485
Tenant/stockholder receivables	1,081	-0-
Prepaid expenses and other assets	30,977	28,901
Escrow - real estate taxes	12,549	25,370
Property and improvements, net of accumulated depreciation	3,380,547	2,965,202
Investment in NCB	7,182	7,182
Deferred mortgage costs, net	<u>89,132</u>	<u>100,274</u>
TOTAL ASSETS	<u>\$ 4,072,003</u>	<u>\$ 4,209,120</u>
<u>LIABILITIES AND TENANT SHAREHOLDERS' EQUITY</u>		
	<u>2017</u>	<u>2016</u>
LIABILITIES		
Mortgage payable	\$ 3,022,201	\$ 3,080,486
Accounts payable and accrued expenses	61,092	29,454
Security deposits payable	<u>13,254</u>	<u>13,762</u>
TOTAL LIABILITIES	<u>3,096,547</u>	<u>3,123,702</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	(2,417,477)	(2,307,515)
Less treasury stock - 600 shares, at cost	<u>(75,000)</u>	<u>(75,000)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>975,456</u>	<u>1,085,418</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,072,003</u>	<u>\$ 4,209,120</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATIONS</u>		
REVENUE:		
Maintenance assessments	\$ 605,865	\$ 605,865
Star credits	(37,316)	(36,399)
Parking	11,755	13,650
Interest and dividend income	1,846	6,185
Transfer fees	1,530	5,970
Laundry	7,800	7,800
Exercise room	2,200	1,700
Storage	1,502	1,814
Sundry	506	2,498
	<u>595,688</u>	<u>609,083</u>
TOTAL INCOME		
EXPENSES:		
Operating	117,315	125,805
Salaries, payroll taxes and benefits	87,205	85,888
Administrative	55,806	51,992
Repairs and maintenance	130,108	113,506
Real estate taxes	70,927	68,797
Interest	118,277	120,816
	<u>579,638</u>	<u>566,804</u>
TOTAL EXPENSES		
Excess of revenue over expenses before depreciation and amortization	16,050	42,279
Depreciation and amortization	<u>(126,012)</u>	<u>(116,386)</u>
Deficiency of revenue over expenses	\$ (109,962)	\$ (74,107)
<u>ACCUMULATED DEFICIT</u>		
Balance, beginning of year	<u>(2,307,515)</u>	<u>(2,233,408)</u>
Balance, end of year	<u>\$ (2,417,477)</u>	<u>\$ (2,307,515)</u>

See Accompanying Notes to Financial Statements

TUDOR ARMS OWNERS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses	\$ (109,962)	\$ (74,107)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	114,871	105,245
Amortization	11,141	11,141
Changes in operating assets and liabilities:		
Tenant/stockholder receivables	(1,081)	916
Prepaid expenses and other assets	(2,076)	(2,421)
Escrow - real estate taxes	12,821	6,230
Accounts payable and accrued expenses	31,638	13,001
Tenant security payable	<u>(508)</u>	<u>2,154</u>
Net cash provided by operating activities	<u>56,844</u>	<u>62,159</u>
Investing activities:		
Reserve funds, net	531,654	8,127
Capital improvements	<u>(530,215)</u>	<u>(25,434)</u>
Net cash provided by (used in) investing activities	<u>1,439</u>	<u>(17,307)</u>
Financing activities:		
Mortgage principal payments	<u>(58,285)</u>	<u>(55,746)</u>
Net cash provided by financing activities	<u>\$ (58,285)</u>	<u>\$ (55,746)</u>
Net change in cash and cash equivalents	<u>(2)</u>	<u>(10,894)</u>
Cash and cash equivalents, beginning of year	<u>3,706</u>	<u>14,600</u>
Cash and cash equivalents, end of year	<u>\$ 3,704</u>	<u>\$ 3,706</u>
Supplemental disclosure of cash flow data:		
Interest paid	<u>\$ 118,277</u>	<u>\$ 120,816</u>
Income taxes paid	<u>\$ 812</u>	<u>\$ 1,055</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>2017</u>	<u>2016</u>
Land	\$ 1,284,000	\$ 1,284,000
Building	3,331,375	3,331,375
Building improvements	<u>1,743,956</u>	<u>1,213,740</u>
	6,359,331	5,829,115
Less accumulated depreciation	<u>(2,978,784)</u>	<u>(2,863,913)</u>
TOTALS	<u>\$ 3,380,547</u>	<u>\$ 2,965,202</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:

2018	\$ 60,022
2019	62,355
2020	64,779
2021	67,298
2022	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, 2017 and 2016.

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 \$24,638 in 2017 and \$24,386 in 2016 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.

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 2017 and 2016. The multi-employer pension plan has a Rehabilitation Plan in place, which was updated by the plan's trustees on September 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 the date of the accountants report, the date that the financial statements were available to be issued.

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CERTIFIED PUBLIC ACCOUNTANT

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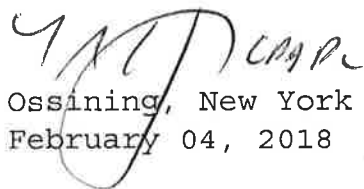
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

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, 2017, and have issued my report thereon February 04, 2018 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, 2017 financial statements, and my report dated February 04, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Ossining, New York
February 04, 2018

TUDOR ARMS OWNERS CORPORATION

EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating expenses:		
Fuel oil and heating gas	\$ 40,349	\$ 43,773
Electricity and gas	16,986	16,869
Water and sewer	11,430	4,972
Water - prior years	-0-	13,417
Insurance	45,370	43,642
Telephone	<u>3,180</u>	<u>3,132</u>
Totals	<u>117,315</u>	<u>125,805</u>
Salaries, payroll taxes and benefits:		
Wages	59,025	58,290
Union, welfare and pension	24,638	24,386
Payroll taxes	<u>3,542</u>	<u>3,212</u>
Totals	<u>87,205</u>	<u>85,888</u>
Administrative expenses:		
Management fees	36,000	36,000
Accounting	5,500	4,900
Legal	3,450	-0-
Other	10,044	10,037
Taxes	<u>812</u>	<u>1,055</u>
Totals	<u>55,806</u>	<u>51,992</u>
Repairs and maintenance:		
Boiler	1,620	7,647
Building supplies	38,258	16,930
Elevator	9,397	12,847
Outside services	24,525	25,873
Plumbing, pumps and motors	5,740	12,869
Exterminating	2,784	7,706
Grounds	21,017	7,102
Floors	-0-	2,340
Doors, locks and glass	10,712	5,241
Electrical	-0-	2,900
Paint and plaster	9,876	5,950
Roof	1,032	-0-
Other	<u>5,147</u>	<u>6,101</u>
Totals	<u>130,108</u>	<u>113,506</u>
Real estate taxes	<u>70,927</u>	<u>68,797</u>
Interest expense	<u>118,277</u>	<u>120,816</u>
Totals	<u>\$ 579,638</u>	<u>\$ 566,804</u>

See Report of Independent Public Accountants on supplementary Information