

Tudor Arms Owners Corporation

Financial Statements

December 31, 2018 and 2017

Tudor Arms Owners Corporation

December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors and Shareholders
Tudor Arms Owners Corporation

I have audited the accompanying financial statements of Tudor Arms Owners Corporation, which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, shareholders' 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

My responsibility is to express an opinion on these 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 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 Tudor Arms Owners Corporation as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Independent Auditors' Report

Supplementary Information

I have audited the financial statements of Tudor Arms Owners Corporation as of and for the year ended December 31, 2018, and have issued my report thereon February 09, 2019 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.

Required Supplementary Information

The corporation has not presented the information about the estimates of future 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 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 omission of this supplementary information.



Lawrence S Honigman, CPA P.C.
Ossining, New York
February 09, 2019

Tudor Arms Owners Corporation

Balance Sheets

December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 510,755	\$ 550,535
Accounts receivable	235	1,081
Escrow: real estate taxes	31,904	12,549
Prepaid Expenses	13,824	30,976
Property and improvements, net of accumulated depreciation	3,261,962	3,380,548
Investment in NCB	7,182	7,182
Total Assets	\$ 3,825,862	\$ 3,982,871
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	\$ 29,968	\$ 61,092
Mortgage Payable	2,961,618	3,022,201
Less: Mortgage Costs - Net	(77,991)	(89,132)
Income Received in Advance	4,221	-
Security Deposits Payable	14,754	13,254
Total Liabilities	2,932,570	3,007,415
Stockholders' Equity		
Capital stock	32,125	32,125
Additional paid-in capital	3,496,391	3,435,808
Deficit (Retained earnings) - ending	(2,560,224)	(2,417,477)
Less: treasury stock	(75,000)	(75,000)
Total Equity	893,292	975,456
Total Liabilities and Equity	\$ 3,825,862	\$ 3,982,871

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

Tudor Arms Owners Corporation

Statements of Operations

For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Maintenance	\$ 624,040	\$ 605,865
Less: Abatements	(34,664)	(37,316)
Less: Contributed for Mortgage Amortization	(60,583)	(58,285)
Transfer Fees	10,620	1,530
Parking	13,125	11,755
Laundry	7,800	7,800
Storage	1,968	1,502
Legal	4,950	2,200
Interest income	4,039	1,846
Dividend	2,579	-
Other revenue	705	506
Total revenue	574,579	537,403
Expenses		
Operating Expenses	224,388	204,521
Administrative	53,543	54,994
Repairs and maintenance	109,178	130,110
Property taxes - net of abatements	77,753	70,927
Corporate Taxes	957	812
Interest on mortgage indebtedness	115,980	118,277
Total expenses	581,799	579,641
Income from operations	(7,220)	(42,238)
Depreciation	(124,386)	(114,870)
Amortization	(11,141)	(11,141)
Net Income (Loss)	\$ (142,747)	\$ (168,249)

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

Tudor Arms Owners Corporation

Statements of Shareholders' Equity

For the Years Ended December 31, 2018 and 2017

	Capital Stock	Additional Paid in Capital	Retained Earnings (Deficit)
Balance as of Year End 2016	32,125	\$ 3,377,523	\$ (2,249,228)
Net Income (Loss)	-	-	(168,249)
Shareholder's Contributions for Mortgage Amortization	-	58,285	-
Balance as of Year End 2017	32,125	3,435,808	(2,417,477)
Net Income (Loss)	-	-	(142,747)
Shareholder's Contributions for Mortgage Amortization	-	60,583	-
Balance as of Year End 2018	<u>\$ 32,125</u>	<u>\$ 3,496,391</u>	<u>\$ (2,560,224)</u>

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

Tudor Arms Owners Corporation

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (142,747)	\$ (168,249)
Depreciation and amortization	135,527	126,011
Changes in receivables	846	(1,081)
Changes in prepaid maintenance	4,221	-
Changes in security deposits	1,500	(508)
Changes in prepaid expenses	17,152	(2,072)
Changes in escrow	(19,355)	12,821
Changes in accounts payable and accrued expenses	(31,124)	31,638
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(33,980)	(1,440)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property and Equipment	(5,800)	(530,216)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage Principal Payments	(60,583)	(58,285)
Contributed for Mortgage Amortization	60,583	58,285
OTHER ACTIVITIES:		
Net cash increase (decreases) in cash and cash equivalents	(39,780)	(531,656)
Cash and cash equivalents at beginning of period	550,535	1,082,191
Cash and cash equivalents at end of period	\$ 510,755	\$ 550,535
Supplemental disclosure of cash flow data		
Interest Paid	115,980	118,277
Corporation Taxes Paid	957	812
Cash and cash equivalents consist of the following:		
Cash: Operating	6,534	3,704
Cash: Reserve	504,221	546,831
Total Cash	\$ 510,755	\$ 550,535

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

Tudor Arms Owners Corporation

Notes to the Financial Statements

December 31, 2018

Note 1. Summary of Significant Accounting Policies

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).

Property and equipment are stated at cost. Expenditures which represent improvements to property are capitalized, while repairs and maintenance are charged to operations. Depreciation is computed using rates adequate to depreciate the cost of applicable assets over their expected useful lives.

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 months or less when acquired. The Corporation maintains its temporary cash investment with high credit quality financial institutions. At times, such investments may exceed Federally insured limits.

Shareholders are subject to various charges and assessments to fund the corporation's operations. In addition, the corporation may periodically impose special assessments and/or designate a portion of maintenance charges to provide funds for major repairs, replacements, and improvements. These charges and assessments are recognized as income by the corporation when billed. In accordance with the corporation's governing documents, the portion of maintenance charges needed to pay the mortgage amortization is treated as capital contributions.

The corporation considers all receivables to be fully collectible and, accordingly, an allowance for uncollectible accounts is deemed unnecessary.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the corporation to make certain estimates and assumptions that may 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.

The Cooperative'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.

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, the state assesses a tax based on capital.

The corporation has evaluated events and transactions that occurred through February 09, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Certain reclassifications have been made to the December 31, 2017 financial statements to conform to the December 31, 2018 financial statement presentation.

Tudor Arms Owners Corporation

Notes to the Financial Statements

December 31, 2018

Note 2. Property and Equipment

Property and equipment consist of the following:

	2018	2017
Land	\$ 1,284,000	\$ 1,284,000
Building	3,312,626	3,312,626
Building Improvements	1,746,785	1,740,985
Equipment	21,720	21,720
Total cost	6,365,131	6,359,331
Less: Accumulated Depreciation	(3,103,169)	(2,978,783)
Total	\$ 3,261,962	\$ 3,380,548

Capital Improvements for the years ended December 31, 2018 and 2017 were as follows

	2018	2017
Roof	\$ 5,800	\$ -
Waterproofing	-	24,602
Professional Fees	-	52,326
Garage	-	409,104
Gym Equipment	-	30,461
Boiler	-	13,723
Total Capital Improvements Cost	\$ 5,800	\$ 530,216

Note 3. Mortgage

On August 26, 2015, the Corporation refinanced its 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:

2019	\$62,355
2020	\$64,779
2021	\$67,298
2022	\$69,914
Thereafter	<u>\$2,697,272</u>
Total	<u>\$2,961,618</u>

Tudor Arms Owners Corporation

Notes to the Financial Statements

December 31, 2018

Note 4. Management Agreement

The Corporation is obligated under an annual agreement for the management of the property which amounted to \$36,000 in 2018 and \$36,000 in 2017.

Note 5. Abatements

Pursuant to various real estate tax abatement programs, certain shareholders are entitled to real estate tax abatements. The abatements are credited against the real estate tax due on the property and the corporation is required to pass on the abatements to the eligible shareholders. For the years ended December 31, 2018 and 2017, abatements received by the corporation totaled \$34,664 and \$37,316, respectively. The abatements and exemptions not credited at December 31, 2018, have been recorded as due to shareholders, if applicable.

Note 6. Legal Proceedings

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

Note 7. Multiemployer Union Pension Plan

The corporation contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan differ from those of a single-employer plan in the following respects: (a) contributions to the 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 obligations of the plan may be borne by the remaining participating employers; and (c) if the corporation chooses to stop participating in the 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.

For the years ended December 31, 2018 and 2017, the corporation's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32BJ Pension Fund ("Plan") Employer Identification Number: 13-1879376
Plan Number: 001
Collective Bargaining Agreement Expiration Date: April 20, 2021 Pension Protection Act Zone Status:
Year Beginning January 01, 2019 - Red (less than 65% funded)
Year Beginning January 01, 2018 - Red (less than 65% funded)
Funding Improvement Plan/Rehabilitation Plan Status: Implemented Surcharges Paid to Plan: No
Corporation's Contributions:

Year Ended December 31, 2018	\$23,368
Year Ended December 31, 2017	\$24,638

The information provided above is from the Plan's most current annual report for the year ended June 30, 2018. The Pension Protection Act Zone Status is 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 Plan are less than 5% of all employers' contributions to the Plan, and there have been no significant changes that would affect the comparability of the contributions for the years ended December 31, 2018 and 2017. In addition, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement.

Tudor Arms Owners Corporation

Schedules of Expenses - Supplementary Information

For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Expenses		
Electricity and Gas	\$ 64,111	\$ 57,336
Water	11,753	11,430
Fuel costs	8,530	-
Telecommunications	3,259	3,180
Insurance	46,330	45,370
Payroll and Related Expenses	67,037	62,567
Employee benefits	23,368	24,638
Total Operating Expenses	224,388	204,521
Administrative Expenses		
Management	36,000	36,000
Office Expenses	10,633	10,044
Legal fees	-	3,450
Accounting fees	5,950	5,500
Engineer fees	960	-
Total Administrative Expenses	53,543	54,994
Repairs and Maintenance		
Boiler	12,490	1,620
Plumbing	3,496	5,740
Elevator	9,173	9,397
Building Supplies	23,394	38,258
Exterminating	3,136	2,785
Painting and Plastering	2,672	9,876
Doors, Locks, and Glass	10,819	10,712
Equipment	2,801	550
Landscaping & Grounds	9,990	21,017
Janitorial	28,478	24,525
Other repairs and maintenance	2,729	5,630
Total Repairs and Maintenance	109,178	130,110
Additional Expenses		
Interest on mortgage indebtedness	115,980	118,277
Property taxes - net of abatements	77,753	70,927
Corporate Taxes	957	812
Total Expenses	\$ 581,799	\$ 579,641

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