

**TWENTY-EIGHTH AMENDMENT TO OFFERING PLAN
for
27 NORTH CENTRAL AVENUE
HARTSDALE, NEW YORK**

The purpose of this Twenty-Eighth Amendment is to modify and supplement the Offering Plan -- A Plan to Convert to Co-operative Ownership premises located at 27-47 North Central Avenue, Hartsdale, New York, dated March 15, 1982, as amended by the filing of twenty-seven prior amendments.

The Plan is hereby amended as follows:

1. **Extension of Offering.** The term of the offering made by the Plan is hereby extended for an additional twelve (12) month period commencing on the date this Twenty-Eighth Amendment is accepted for filing by the Department of Law.

2. **Financial Disclosure.** The following information is provided in accordance with the regulations of the Attorney General of the State of New York:

(a) The following is a list of the outstanding unsold shares of the Apartment Corporation and the units to which such unsold shares are allocated. All unsold shares are held by Dale Estates, LLC ("Sponsor").

| <u>Apartment</u> | <u>Shares</u> |
|------------------------|----------------------------|
| 3-A | 566 |
| 4-C | 359 |
| 6-C | 365 |
| 5-D | 467 |
| 6-D | 470 |
| 4-E | 469 |
| 6-E | 475 |
| 1-G | 350 |
| 3-G | 464 |
| 4-H | 469 |
| 5-H | 472 |
| 3-I | 461 |
| 3-J | 356 |
| 5-J | 362 |
| 4-L | 569 |
| | |
| Total Units 15 | Total Shares 6,674 |

(b) The aggregate monthly maintenance payments for all shares owned by the Sponsor or holders of unsold shares is \$16,899.70.

(c) The aggregate monthly rents received from tenants of all units owned by the Sponsor or holders of unsold shares is \$15,264.60.

(d) The Sponsor or holders of unsold shares have no financial obligations to the Apartment Corporation which will become due within twelve months from the date of this amendment, other than payment of maintenance.

(e) None of the unsold shares has been pledged as collateral for any loan or otherwise represents security for financing arrangements.

(f) The maintenance payments due from Sponsor or holders of unsold shares are funded by the monthly rents received from tenants of units owned by Sponsor or holders of unsold shares or if insufficient, from sales of units or other assets of Sponsor or holders of unsold shares or by capital calls on each of the holders of Unsold Shares to cover any shortfalls between rental income received and maintenance owed to the Corporation, or other costs associated with the units owned by the holders of Unsold Shares.

(g) The Sponsor and holders of unsold shares are current on all financial obligations under the Plan. Sponsor and holders of unsold shares were current on all such obligations during the year prior to the filing of this amendment.

(h) Sponsor or principals of Sponsor, as individual holders of unsold shares or as general partner or principal of Sponsor, own more than ten (10%) per cent of the shares of the following buildings which have been converted to cooperative or condominium ownership:

31 Pondfield Road, Bronxville, New York
File No. C84-0117
445 Gramatan Avenue, Mount Vernon, New York -
File No. C87-0246
17 North Chatsworth Avenue, Larchmont, New York -
File No. C81-0158
324 East 35th Street, New York, New York -
File No. C85-0459
319 East 73rd Street, New York, New York -
File No. C85-0758

The offering plans for these buildings are on file with the Department of Law and are available for public inspection.

(i) The Sponsor, principals of Sponsor and holders of unsold shares, as individual holders

of unsold shares or as general partner or principal of the Sponsor, are current in their financial obligations in other cooperatives, condominiums or homeowners associations in which they own shares or units as an individual, general partner or principal.

(j) The Sponsor relinquished control of the Board of Directors on May 18, 1988. As of January 1, 2020, the total of unsold shares held by the Sponsor aggregates 20.1% of the outstanding shares of the Corporation.

3. **Maintenance.** By resolution of the Board of Directors of the Corporation adopted at a meeting duly held October 28, 2019, after reviewing a projected budget of building operations for the calendar year 2020, the per share monthly maintenance was fixed at \$2.3515, representing a 3% increase above the prior year.

4. **Election of Officers and Directors.** At the annual meeting of the shareholders of the Corporation, followed by a meeting of the Directors, both duly held on December 10, 2019, the following were elected as Directors and Officers of the Corporation:

| | |
|------------------|-----------------------------|
| Arnold Bell | President and Director |
| Girolamo Rosi | Vice-President and Director |
| Jeremy Ingpen, | Treasurer and Director |
| Judith Hoffman | Secretary and Director |
| *Nancy Heller | Director |
| Robert Orlofsky | Assistant Vice President |
| Lawrence Cetrone | Assistant Secretary |
| Lisa Frezzo | Assistant Secretary |
| Josephine Vieni | Assistant Secretary |

*Sponsor designee

5. **Financial Statements.** The financial statements for Hartsdale Gardens Owners Corp. Inc. for the years ended December 31, 2017 and December 31, 2018, prepared by Bloom and Streit, LLP, Certified Public Accountants, are attached hereto as Exhibit A.

6. **Budget.** Attached hereto as Exhibit B are the budgets for the fiscal year ending December 31, 2020, prepared by the Apartment Corporation's accountant and adopted by the Board of Directors. This budget is contained herein for informational purposes only, and the Sponsor, principals of Sponsor or holders of unsold shares do not in any way adopt such budget as their own or make any representation as to the adequacy, accuracy or completeness of same or any item shown therein and none should be implied. Robert Orlofsky as agent for the Sponsor, principals of Sponsor and holders of unsold shares has reviewed the budget and has no knowledge of any matter which would render the budget materially incorrect; however, Robert Orlofsky as such agent has not prepared the budget and has not independently verified the information or estimates contained therein.

7. **Sale of Apartment Owned by Corporation.** On December 16, 2019, the Corporation closed on the sale of Apartment 6F, to which 365 shares of the Corporation's stock had been allocated, at a purchase price of \$172,500. The unit had been acquired by the Corporation in 2017 in connection with the settlement of litigation with a shareholder.

8. **Smoking Policy and Amendment to House Rules.** On January 9, 2020, the Board of the Corporation adopted a Smoking Policy annexed hereto as Exhibit C prohibiting smoking in the common areas of the building and making non-compliance a material default under a shareholder's Proprietary Lease. Although smoking within the confines of a shareholder's apartment is not prohibited, the Corporation reserved its right to require reasonable accommodations from any smoker to prevent the migration of secondhand smoke and odors from entering into the apartments of other shareholders or the common areas of the building. The Corporation's House Rules were amended accordingly. To the extent the Corporation exercises its right to restrict sales to implement the Smoking Policy in the future, in addition to such disclosure as may appear with respect to smoking in the House Rules, as the same may be amended, any such requirement with respect to restrictions on sales will be disclosed in Sponsor's Contract of Sale.

9. **Change in Principals of Sponsor.** Effective July 1, 2019, the interest of the Trust u/w/o Michael Heller was transferred to Harriette Heller. Effective January 1, 2020, the interest of the Estate of Blanche Orlofsky was transferred to Robert Orlofsky. As disclosed in the 28th Amendment to the Plan, both Harriette Heller and Robert Orlofsky are principals of Sponsor.

10. **No Other Material Changes in Plan.** There have been no material changes in the Plan, except as set forth in this Twenty-Eighth Amendment. The Plan, as amended hereby, does not knowingly omit any material fact or knowingly contain any untrue statement of any material fact.

Dated: MARCH 31, 2020

DALE ESTATES, LLC
Sponsor

HARTSDALE GARDENS OWNERS CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

HARTSDALE GARDENS OWNERS CORP.

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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
HARTSDALE GARDENS OWNERS CORP.**

We have audited the accompanying financial statements of Hartsdale Gardens Owners Corp., which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of loss, retained earnings (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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' judgement, 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 auditors consider 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartsdale Gardens Owners Corp., as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12, the entity 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. 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. Our opinion on the basic financial statements is not affected by this missing information.

Bloom and Streit LLP

BLOOM AND STREIT LLP
Certified Public Accountants
March 25, 2019

HARTSDALE GARDENS OWNERS CORP.

Balance Sheets

As of December 31,

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash in Operating Account | 7,857 | 4,911 |
| Cash in Bank - Money Market Accounts | 2,953 | 254,731 |
| Cash in Bank - Investment Account | 41,514 | 52,970 |
| Investments - Certificates of Deposit | 420,881 | 250,000 |
| Tenants' Accounts Receivable | 1,687 | 5,045 |
| Mortgage Escrow Deposits | 167,596 | 121,764 |
| Prepaid Expenses | 15,867 | 12,898 |
| Total | <u>658,355</u> | <u>702,319</u> |
| Less: Allocated to Funds (see below) | <u>(462,395)</u> | <u>(554,773)</u> |
| Total Current Assets | <u>195,960</u> | <u>147,546</u> |
| | | |
| FUNDS | | |
| Contingency Reserve: | | |
| Reserve for Replacements (see above) | <u>462,395</u> | <u>554,773</u> |
| | | |
| PROPERTY AND EQUIPMENT - | | |
| Net Book Value | <u>2,008,530</u> | <u>2,086,283</u> |
| | | |
| OTHER ASSETS | | |
| Investment in National Cooperative Bank | <u>8,070</u> | <u>13,527</u> |
| Total Other Assets | <u>8,070</u> | <u>13,527</u> |
| | | |
| TOTAL ASSETS | <u>2,674,955</u> | <u>2,802,129</u> |

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY) | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 27,949 | 32,379 |
| Accrued Interest | 11,722 | 11,957 |
| Star Credit Due to Stockholders | 20,715 | 22,479 |
| Rents Received in Advance | 2,616 | 8,596 |
| Exchanges Payable | 0 | 1,495 |
| Security Deposits | 16,296 | 14,721 |
| Mortgage Payable - Amortization payments due within one year | <u>74,009</u> | <u>71,188</u> |
| Total Current Liabilities | <u>153,307</u> | <u>162,815</u> |
| LONG-TERM LIABILITIES | | |
| First Mortgage Payable - Net of Payments due within one year | 3,470,861 | 3,544,870 |
| Less: Unamortized Debt Issuance Costs | <u>(50,181)</u> | <u>(57,436)</u> |
| Total Long-Term Liabilities | <u>3,420,680</u> | <u>3,487,434</u> |
| STOCKHOLDERS' EQUITY (DEFICIENCY) | | |
| Common Stock \$1.00 par value; 33,137 shares authorized; issued and outstanding, 32,772 shares | 33,137 | 33,137 |
| Paid-in Capital | 3,637,095 | 3,637,095 |
| Retained Earnings (Deficit) | <u>(4,409,691)</u> | <u>(4,358,779)</u> |
| Total | <u>(739,459)</u> | <u>(688,547)</u> |
| Less: Treasury Stock, 365 shares | <u>(159,573)</u> | <u>(159,573)</u> |
| Total Stockholders' Equity (Deficiency) | <u>(899,032)</u> | <u>(848,120)</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY) | <u>2,674,955</u> | <u>2,802,129</u> |

See accompanying notes and auditors' report

HARTSDALE GARDENS OWNERS CORP.

Statements of Loss

For the Year Ended December 31,

| | <u>2018</u> | <u>2017</u> |
|--|------------------|-----------------|
| INCOME | | |
| Carrying Charges - Net Uncollectable Charges | 880,721 | 825,455 |
| Parking Income | 59,140 | 60,390 |
| Rental Income | 65,575 | 61,325 |
| Laundry Room Income | 11,100 | 11,100 |
| Storage Income | 4,569 | 4,938 |
| Interest/Dividend Income | 5,978 | 8,066 |
| Miscellaneous Income | 655 | 383 |
| Total Income | <u>1,027,738</u> | <u>971,657</u> |
| EXPENSES | | |
| Administrative Expenses | 50,726 | 51,903 |
| Maintenance Expenses | 230,615 | 243,356 |
| Utilities Expenses | 149,953 | 127,194 |
| Taxes and Insurance Expenses | 423,064 | 398,431 |
| Financial Expenses | 139,284 | 142,006 |
| Interest Expense - Debt Issuance Costs | 7,255 | 7,255 |
| Total Expenses Before Depreciation | <u>1,000,897</u> | <u>970,145</u> |
| NET INCOME BEFORE DEPRECIATION | 26,841 | 1,512 |
| Depreciation | <u>(77,753)</u> | <u>(81,774)</u> |
| NET LOSS FOR THE YEAR | <u>(50,912)</u> | <u>(80,262)</u> |

See accompanying notes and auditors' report

HARTSDALE GARDENS OWNERS CORP.

Statements of Retained Earnings (Deficit)

For the Year Ended December 31,

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------------|-------------------------------|
| RETAINED EARNINGS (DEFICIT) - Beginning of Year | (4,358,779) | (4,278,517) |
| Net Loss for the Year | <u>(50,912)</u> | <u>(80,262)</u> |
| RETAINED EARNINGS (DEFICIT) - End of Year | <u><u>(4,409,691)</u></u> | <u><u>(4,358,779)</u></u> |

See accompanying notes and auditors' report

HARTSDALE GARDENS OWNERS CORP.

Statements of Cash Flows

For the Year Ended December 31,

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Cash Flows From Operating Activities | | |
| Net Loss | (50,912) | (80,262) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | 77,753 | 81,774 |
| Interest - Debt Issuance Costs | 7,255 | 7,255 |
| Revenue allocated to financing activities | (71,188) | (68,474) |
| Decrease (Increase) in operating assets: | | |
| Tenants' Accounts Receivable | 3,358 | (473) |
| Mortgage Escrow Deposits | (45,832) | 4,071 |
| Prepaid Expenses | (2,969) | 643 |
| Increase (Decrease) in operating liabilities: | | |
| Accounts Payable | (4,430) | 1,869 |
| Accrued Interest | (235) | (227) |
| Star Credit Due to Stockholders | (1,764) | 1,640 |
| Rents Received in Advance | (5,980) | 6,804 |
| Exchanges Payable | (1,495) | 1,495 |
| Security Deposits | 1,575 | 1,650 |
| Net cash used by operating activities | <u>(94,864)</u> | <u>(42,235)</u> |
| Cash Flows From Investing Activities | | |
| Redemption of NCB Stock | 5,457 | 4,777 |
| Purchase of Investments - Certificates of Deposit | (619,916) | (250,000) |
| Maturities of Investments - Certificates of Deposit | 449,035 | 400,000 |
| Purchase of Property and Equipment | 0 | 0 |
| Net cash (used) provided by investing activities | <u>(165,424)</u> | <u>154,777</u> |
| Cash Flows From Financing Activities | | |
| Purchase of Treasury Stock | 0 | (159,573) |
| Portion of Carrying Charges applied to Amortization of Mortgage | 71,188 | 68,474 |
| Amortization Payments on Mortgage | (71,188) | (68,474) |
| Net cash used by financing activities | <u>0</u> | <u>(159,573)</u> |
| Decrease in Cash and Cash Equivalents (carryforward) | <u>(260,288)</u> | <u>(47,031)</u> |

See accompanying notes and auditors' report

HARTSDALE GARDENS OWNERS CORP.

Statements of Cash Flows

For the Year Ended December 31,

| | <u>2018</u> | <u>2017</u> |
|--|----------------|----------------|
| Decrease in Cash and Cash Equivalents (brought forward) | (260,288) | (47,031) |
| Cash and Cash Equivalents at Beginning of Year | <u>312,612</u> | <u>359,643</u> |
| Cash and Cash Equivalents at End of Year (see below) | <u>52,324</u> | <u>312,612</u> |
| Represented by: | | |
| Cash in Operating Account | 7,857 | 4,911 |
| Cash in Bank - Money Market Accounts | 2,953 | 254,731 |
| Cash in Bank - Investment Account | <u>41,514</u> | <u>52,970</u> |
| Cash and Cash Equivalents (as above) | <u>52,324</u> | <u>312,612</u> |
| Supplemental Disclosure: | | |
| Interest Paid | <u>139,519</u> | <u>142,233</u> |
| Taxes Paid | <u>3,921</u> | <u>2,200</u> |

See accompanying notes and auditors' report

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1

Organization

Hartsdale Gardens Owners Corp., a Cooperative Housing Corporation, was incorporated in the State of New York in February 1981. The cooperative owns and operates an apartment building located at 27 North Central Avenue, Hartsdale, New York, consisting of 73 residential units. The primary purpose of the cooperative is to manage the operations of the building and maintain the common elements.

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 housing corporations and condominium associations) 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 loss.

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

The cooperative classifies its marketable debt securities as "held to maturity" since it has the positive intent and ability to hold the securities to maturity. Securities classified as "held to maturity" are carried at amortized cost.

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. The cooperative's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose assessments are delinquent. Any excess charges at year end are retained by the cooperative for use in the succeeding year.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2

Summary of Significant Accounting Policies - continued

Property and equipment is being carried at cost. Depreciation of the building is being computed by the straight line method over an estimated useful life of 30 years. Building improvements and equipment are depreciated on the straight line method over estimated lives that range from 15 to 27.5 years.

Costs incurred in obtaining long-term financing, included under mortgage payable on the balance sheets, are amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreement. The amortization of these costs are being recognized as interest expense-debt issuance costs on the statements of loss.

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.

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.

Note 3

Concentration of Credit Risk

The cooperative maintains various bank and money market accounts that at times may exceed insured credit limits. The cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances. However, should any of these institutions fail, the cooperative could suffer a loss.

The cooperative has investments in money funds which are not bank deposits or F.D.I.C. insured and are not guaranteed by the brokerage house. These funds are subject to investment risks including possible loss of the principal amount invested.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 4

Property and Equipment

Property and Equipment consists of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|------------------|
| Land | 858,440 | 858,440 |
| Building | 3,433,760 | 3,433,760 |
| Building improvements | <u>2,341,723</u> | <u>2,341,723</u> |
| | 6,633,923 | 6,633,923 |
| Less: accumulated depreciation | <u>4,625,393</u> | <u>4,547,640</u> |
| Total Property and Equipment | <u>2,008,530</u> | <u>2,086,283</u> |

Depreciation expense for the years ended December 31, 2018 and 2017 is \$77,753 and \$81,774, respectively.

Note 5

Debt Service

First Mortgage Payable

On November 30, 2015, the cooperative refinanced their mortgage with NCB (National Cooperative Bank) in the amount of \$3,750,000. The mortgage is payable in monthly installments of \$17,559, including interest at the rate of 3.84% per annum, based on a 30 year amortization period. The note will mature November 1, 2025, at which time a balloon payment of approximately \$2,978,000 will be due.

In conjunction with the mortgage, the cooperative was required to purchase shares of NCB's Class B1 and B2 stock. Class B1 shares earn a patronage dividend payable in cash and in Class B2 stock, as determined by NCB. Class B1 shares are redeemable by NCB upon satisfactory repayment of all loans made to or guaranteed by eligible customers. Class B2 shares are non-redeemable, non-transferable, and pay no dividends. Additional shares were purchased during 2014 in order to draw on the line of credit and in 2015 to refinance. At December 31, 2018 and 2017, the cooperative owned 81 and 135 Class B1 shares and 356 and 322 Class B2 shares, respectively.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 5

Debt Service - continued

Principal maturities of the mortgage are as follows:

| | |
|------------|-----------|
| 2019 | 74,009 |
| 2020 | 76,563 |
| 2021 | 79,978 |
| 2022 | 83,147 |
| 2023 | 86,443 |
| Thereafter | 3,144,730 |

As part of the newer refinancings, the cooperative paid closing costs of approximately \$72,500, which are being amortized over the life of the mortgage.

Note 6

Sponsor Ownership

At December 31, 2018 and 2017, the Sponsor owned twenty (20) residential units, or approximately 27% of the total residential units. Carrying charges received from the Sponsor's residential units aggregated approximately \$241,000 and \$226,000 for the years ended December 31, 2018 and 2017, respectively. As of these dates, the Sponsor was current in the payment of carrying charges.

Note 7

Treasury Stock

During the year ended December 31, 2017, the cooperative acquired the title to unit 37-6F. The financial statements reflect the treasury stock at cost in the amount of \$159,573 which includes all the costs incurred to acquire these shares.

Note 8

Carrying Charges

Pursuant to meetings of the Board of Directors, the cooperative approved an increase of 6% effective January 1, 2018 and 3% effective January 1, 2017. These increases were necessary to offset higher operating costs and to present a balanced budget.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 9

Real Estate Taxes/Tax Abatements

During the year ended December 31, 2017, the Town of Greenburgh revalued the property values. As a result of these revaluations, the cooperative's real estate taxes increased approximately 26% and 29% for the town and school taxes, respectively. The cooperative has appealed the increase in their property valuation and is currently involved in certiorari proceedings.

The cooperative is entitled to and has received tax abatements on behalf of its stockholders during December 31, 2018 and 2017. The abatements, which include Star, Veterans and Senior Citizens are 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 Star Credit Due to Stockholders. 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 10

Benefits

The cooperative participated in the 32BJ North Pension Fund, Employer Identification Number 13-1819138, Plan 001, for the years ended December 31, 2018 and 2017. The cooperative participated in this multi-employer plan, for the years ended December 31, 2018 and 2017 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expires September 30, 2022 and the cooperative has no intention of withdrawing from the plan.

The risks of participating in multi-employer plans are different from single-employer plans for the following reasons: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and 3) if the cooperative chooses to stop participating in its multi-employer pension plan, the cooperative may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 10

Benefits - continued

The zone status is based on information that the cooperative received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The most recent Pension Protect Act (PPA) zone status available is for the plan's year-end at December 31, 2018 and 2017. The certified zone status for the plan for each of these years was red and a rehabilitation plan has been implemented. This rehabilitation plan currently involves a surcharge to the cooperative.

In addition to the Pension Fund, the cooperative also participated in a Health Fund for the years ended December 31, 2018 and 2017. The fund provides health benefits (medical, surgical, hospital, prescription drugs, behavioral health, optical, dental) and life insurance coverage for eligible participants and their covered dependents. Retired employees are eligible for health benefits if they retire before age 65, but after age 62; accumulated 15 combined years of pension service credit; worked both 90 days immediately before retirement and at least 36 months of the 60 months before retiring; and are receiving an early or regular retirement pension from the 32BJ North Pension Fund. These benefits continue for the retired employee and eligible dependents until they become eligible for Medicare, until age 65, or until the retiree's pension is suspended, whichever occurs first.

The cooperative made the following contributions to the plans:

| | <u>2018</u> | <u>2017</u> |
|-----------------------|-------------|-------------|
| Pension Contributions | 7,492 | 7,002 |
| Health Contributions | 34,392 | 32,448 |

The cooperative's contributions to the plan were not greater than 5% of the plan's total contributions.

Note 11

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources in excess of expenses properly attributable thereto may be subject to tax. The cooperative 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 cooperative's income has been reflected in the accompanying financial statements.

HARTSDALE GARDENS OWNERS CORP.

Notes to Financial Statements

December 31, 2018 and 2017

Note 11

Income Taxes - continued

New York State Franchise tax is calculated by utilizing special tax rates available to cooperative housing corporations based on the cooperative's capital base.

As of December 31, 2017, the cooperative had available federal net operating loss carryforwards to apply to future taxable income of approximately \$1,139,000. If not used, these carryforwards expire beginning in 2022 and continuing through 2037. New York State substantially limits the use of these net operating loss carryforwards.

Beginning in 2018, the rules for federal net operating loss carryforwards have changed. These losses may be carried forward indefinitely, but may only be used to offset 80% of taxable income in each year. The net operating loss incurred in 2018 is approximately \$122,000.

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 12

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.

Note 13

Subsequent Events

Management has evaluated subsequent events through March 25, 2019, 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.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

**To the Board of Directors
HARTSDALE GARDENS OWNERS CORP.**

We have audited the financial statements of Hartsdale Gardens Owners Corp. as of and for the years ended December 31, 2018 and 2017, and our report thereon dated March 25, 2019, which expressed an unqualified opinion on those financial statements, appears on Page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget with actual operating amounts and detailed schedule of repairs and improvements, which are the responsibility of the entity's management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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 our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bloom and Streit LLP

**BLOOM AND STREIT LLP
Certified Public Accountants
March 25, 2019**

HARTSDALE GARDENS OWNERS CORP.

Schedule of Budget with Actual Operating Amounts

| | Budget Year Ended <u>Dec. 31, 2018</u> (Unaudited) | Actual Year Ended <u>Dec. 31, 2018</u> | Actual Year Ended <u>Dec. 31, 2017</u> |
|--------------------------------------|---|--|--|
| RECEIPTS | | | |
| Carrying Charges | 880,721 | 880,721 | 825,455 |
| Parking Income | 60,500 | 59,140 | 60,390 |
| Rental Income | 71,000 | 65,575 | 61,325 |
| Laundry Room Income | 11,100 | 11,100 | 11,100 |
| Storage Income | 6,000 | 4,569 | 4,938 |
| Interest and Dividend income | 0 | 5,978 | 8,066 |
| Miscellaneous Income | 1,000 | 655 | 383 |
| Total Receipts | <u>1,030,321</u> | <u>1,027,738</u> | <u>971,657</u> |
| EXPENDITURES | | | |
| ADMINISTRATIVE EXPENSES | | | |
| Management Fee | 30,000 | 30,000 | 30,000 |
| Legal Expense | 2,500 | 1,650 | 1,814 |
| Auditing | 9,000 | 9,000 | 8,700 |
| Telephone and Beeper | 3,000 | 3,107 | 3,188 |
| Lease Commissions | 0 | 1,950 | 1,625 |
| Office and Administrative Expenses | 4,949 | 5,019 | 6,576 |
| Total Administrative Expenses | <u>49,449</u> | <u>50,726</u> | <u>51,903</u> |
| MAINTENANCE EXPENSES | | | |
| Super and Maintenance Payroll | 110,000 | 119,073 | 116,843 |
| Supplies | 12,000 | 8,689 | 11,910 |
| Repairs (see schedule) | 52,000 | 48,931 | 63,756 |
| Elevator Maintenance | 15,000 | 15,370 | 16,720 |
| Landscaping and Tree Work | 11,000 | 15,801 | 16,028 |
| Snow Removal | 10,000 | 17,620 | 12,816 |
| Exterminating | 5,000 | 5,131 | 5,283 |
| Total Maintenance Expenses | <u>215,000</u> | <u>230,615</u> | <u>243,356</u> |
| UTILITIES EXPENSES | | | |
| Gas Heat and Fuel Oil | 76,000 | 91,437 | 67,820 |
| Electricity and Gas | 22,000 | 24,914 | 21,847 |
| Water | 34,000 | 33,602 | 37,527 |
| Total Utilities Expenses | <u>132,000</u> | <u>149,953</u> | <u>127,194</u> |

See auditors' report on supplementary information

HARTSDALE GARDENS OWNERS CORP.

Schedule of Budget with Actual Operating Amounts

| | Budget Year Ended Dec. 31, 2018 (Unaudited) | Actual Year Ended Dec. 31, 2018 | Actual Year Ended Dec. 31, 2017 |
|--------------------------------------|--|--|--|
| TAXES AND INSURANCE | | | |
| Real Estate Taxes | 308,000 | 308,427 | 289,377 |
| Payroll Taxes | 9,300 | 9,393 | 9,307 |
| Licenses and Permits | 200 | 0 | 0 |
| Insurance | 58,000 | 56,975 | 56,306 |
| Union Welfare and Pension Fund | 44,000 | 44,348 | 41,241 |
| NYS Franchise Taxes | 3,900 | 3,921 | 2,200 |
| Total Taxes and Insurance | <u>423,400</u> | <u>423,064</u> | <u>398,431</u> |
| FINANCIAL EXPENSES | | | |
| Interest on Mortgage | <u>139,284</u> | <u>139,284</u> | <u>142,006</u> |
| Total Financial Expenses | <u>139,284</u> | <u>139,284</u> | <u>142,006</u> |
| CONTRIBUTIONS TO EQUITY | | | |
| Amortization of Mortgage | <u>71,188</u> | <u>71,188</u> | <u>68,474</u> |
| Total Contributions to Equity | <u>71,188</u> | <u>71,188</u> | <u>68,474</u> |
| Total Expenditures | <u>1,030,321</u> | <u>1,064,830</u> | <u>1,031,364</u> |
| NET DEFICIT FOR THE YEAR | <u>0</u> | <u>(37,092)</u> | <u>(59,707)</u> |

See auditors' report on supplementary information

HARTSDALE GARDENS OWNERS CORP.

Detailed Schedule of Repairs and Maintenance

For the Year Ended December 31,

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| REPAIRS AND MAINTENANCE | | |
| Boiler and Burners | 2,164 | 17,848 |
| Plumbing and Pipes | 17,121 | 11,465 |
| Electrical and Intercoms | 2,406 | 7,478 |
| Painting, Plastering and Carpentry Work | 19,956 | 9,681 |
| Roofing and Waterproofing | 2,631 | 7,517 |
| Masonry, Equipment and Locks | 750 | 2,567 |
| Compactors and Refuse Removal | 608 | 4,476 |
| General | 3,295 | 2,724 |
| Total Repairs and Maintenance | <u>48,931</u> | <u>63,756</u> |

See auditors' report on supplementary information

**HARTSDALE GARDENS OWNERS CORP.
 APPROVED OPERATING BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2020**

EXHIBIT B

| RECEIPTS | | |
|----------------------|--------------|-----------|
| CARRYING CHARGES | 963,108 | |
| PARKING | 59,000 | |
| RENTAL INCOME | 52,000 | |
| LAUNDRY ROOM INCOME | 11,100 | |
| STORAGE UNITS | 6,000 | |
| INTEREST INCOME | 7,000 | |
| MISCELLANEOUS INCOME | <u>1,000</u> | |
| TOTAL RECEIPTS | | 1,099,208 |

| EXPENDITURES | | |
|---------------------------------|--------------|--------|
| ADMINISTRATIVE EXPENSES | | |
| MANAGEMENT FEE | 30,000 | |
| LEGAL EXPENSES | 1,500 | |
| AUDITING | 9,000 | |
| TELEPHONE AND ANSWERING SERVICE | 3,000 | |
| OFFICE AND ADMIN EXPENSES | <u>6,654</u> | |
| TOTAL ADMINISTRATIVE EXPENSES | | 50,154 |

| MAINTENANCE EXPENSES | | |
|------------------------------|--------------|---------|
| PAYROLL | 123,000 | |
| SUPPLIES | 12,000 | |
| REPAIRS AND MAINTENANCE | 48,000 | |
| ELEVATOR MAINTENANCE | 15,000 | |
| LANDSCAPING AND TREE SERVICE | 30,000 | |
| SNOW REMOVAL AND SUPPLIES | 20,000 | |
| EXTERMINATING SERVICES | 5,500 | |
| SECURITY SERVICES | <u>5,000</u> | |
| TOTAL MAINTENANCE EXPENSES | | 258,500 |

| UTILITIES EXPENSES | | |
|---------------------------|---------------|---------|
| GAS HEAT | 95,000 | |
| ELECTRICITY AND GAS | 23,000 | |
| WATER | <u>38,000</u> | |
| TOTAL UTILITIES EXPENSES | | 156,000 |

HARTSDALE GARDENS OWNERS CORP.

| | | |
|---|---------|------------------|
| TAXES AND INSURANCE | | |
| REAL ESTATE TAXES | 282,000 | |
| PAYROLL TAXES | 9,600 | |
| LICENSES AND PERMITS | 500 | |
| INSURANCE | 62,000 | |
| UNION WELFARE AND PENSION FUND | 48,500 | |
| FRANCHISE TAXES | 3,500 | |
| TOTAL TAXES AND INSURANCE | | 406,100 |
| | | |
| FINANCIAL EXPENSES | | |
| INTEREST ON MORTGAGE | | 133,891 |
| | | |
| CONTRIBUTIONS TO EQUITY/RESERVES | | |
| AMORTIZATION OF MORTGAGE | | 76,563 |
| CONTINGENCY RESERVE | | 18,000 |
| | | |
| TOTAL EXPENDITURES | | <u>1,099,208</u> |
| | | |
| NET SURPLUS | | <u><u>0</u></u> |

NOTES

1. CARRYING CHARGES - 3% INCREASE JAN 2020

**HARTSDALE GARDENS OWNERS CORP.
SMOKING POLICY – HOUSE RULE**

The Board of Directors of HARTSDALE GARDENS OWNERS CORP. (hereinafter referred to as the "Corporation") has implemented and established a Smoking Policy – House Rule ("Policy"), that specifically prohibits smoking in the common areas of the building. The purpose of such Policy is to prevent both secondhand smoke and noxious odors migrating, infiltrating, penetrating and/or entering into the common areas and/or apartments in the building.

The rationale for the implementation and establishment of this Policy is to highlight the serious concerns of the Board of Directors for the health and safety of the cooperative community due to the known adverse health effects of secondhand smoke and increased risk of fire. This Policy is effective immediately and applies to all shareholders, residents, subtenants, roommates, guests, employees, contractors, caregivers and service personnel, including members of their immediate family, (hereinafter collectively referred to as the "Resident"). The term "smoking" means inhaling, exhaling, breathing, chewing or carrying a lighted cigar, cigarette, pipe or other tobacco product or a similar light product, such as marijuana or electric smoking device, E-cigarettes/vaping] in any manner or in any form. All Residents of the Building are prohibited from smoking in any of the common areas of the building, including, but not limited to, the lobby, entry, hallways, stairwells, corridors, elevators, storage areas, garage, rooftops/decks and courtyard or playground. Outdoor smoking is strictly prohibited within twenty (20) feet of any entry door or window.

Please note: While at this time Residents are permitted to smoke within the confines of their respective apartments, such smoking may interfere with the health, safety and welfare of another Resident, and cause or create disturbance, nuisance or inconvenience to other Residents. Accordingly, the Corporation reserves all of its rights and remedies to require that any current smoker make reasonable accommodations to his/her neighbors including, but not limited to, taking necessary steps and realistic measures to effectively prevent the migration of secondhand smoke in order to contain such smoke and/or otherwise prevent the secondhand smoke and odors from entering into other apartments and/or the common areas of the building.

These reasonable accommodations, steps and measures include, but not limited to, the smoking Resident, at his/her expense taking such steps, measures and/or concerted actions, as demanded by the Corporation, to reduce the level of smoke emanating from the apartment and migrating into the common areas or other apartments in the building, by the installation and utilization of exhaust fans inside the apartment, use of air purifiers/air cleaners, charcoal filter ashtrays, application of weather stripping and/or foam insulation, performance of remedial work to close possible building gaps or cavities of areas of the apartment such as caulking baseboard openings, crawl spaces, dumbwaiters, plumbing/heating electrical chases, conduits, radiators, vents, electrical fixtures, outlets and circuit breaker boxes. Moreover, it may be necessary for such smoking Resident to restrict the rooms or areas in the apartment in which smoking occurs.

Please note that the Corporation's adoption of the Policy does not ensure that there will be no second hand smoke or odors. Furthermore, the inability or failure by the Corporation to effectively enforce the Policy and/or respond to a complaint filed regarding smoke or odors shall

not be construed as a breach of the warranty of habitability or the covenant of quiet enjoyment, nor shall it be deemed to constitute a constructive eviction.

In furtherance of the Policy, the failure and/or refusal to act in compliance with this Policy shall constitute a material default and/or substantial breach of the obligations of the Shareholder/Lessee under the Proprietary Lease. Please be further advised that the Corporation reserves all of its rights and remedies to obtain compliance with and/or enforcement of the Policy. In conclusion, the Board of Directors reserves the right to restrict sales or leasing to non-smokers to facilitate the Policy.

Dated: January 9, 2019

HARTSDALE GARDENS OWNERS, CORP.
By: Board of Directors