

LE HAVRE OWNERS CORP.

Financial Statements
for the years ended
June 30, 2020 and 2019

Cesarano & Khan, PC
Certified Public Accountants



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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Le Havre Owners Corp.:

We have audited the accompanying financial statements of Le Havre Owners Corp., which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations, stockholders' 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

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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 Le Havre Owners Corp., as of June 30, 2020 and 2019, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted 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 missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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 the missing information.

Cesarano & Khan, CPAs, PC

Floral Park, New York
October 5, 2020

LE HAVRE OWNERS CORP.
(A Cooperative Housing Corporation)
BALANCE SHEETS
June 30, 2020 and 2019

<u>ASSETS</u>		<u>2020</u>	<u>2019</u>
Cash			
Operating - checking account		\$ 489,832	\$ 944,074
Operating - money market accounts		2,696,291	1,200,649
Reserve - checking accounts		669,465	389,793
Reserve - money market accounts		2,390,572	2,193,182
Investments			
Reserve - certificates of deposit		6,064,953	5,793,537
Shareholder receivables		300,974	175,463
Other receivables		11,285	53,348
Prepaid expenses		779,496	847,664
Land, buildings and improvements, net of accumulated depreciation of \$89,410,798 and \$86,603,034 respectively		45,799,935	47,689,304
Construction in progress		166,519	195,453
J-51 costs, net of accumulated amortization of \$102,220 and \$78,240, respectively		-0-	23,980
Deposits		66,159	8,814
Total assets		<u>\$ 59,435,481</u>	<u>\$ 59,515,261</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Accounts payable and accrued expenses		\$ 797,907	\$ 850,801
Payroll and related taxes payable		146,785	139,918
Deferred revenue		231,080	171,845
Deferred revenue - elevator assessment		374,618	-0-
Loan payable - GM Financial		22,787	29,623
Mortgage note payable		44,239,984	45,379,775
less: unamortized debt issuance costs		(163,151)	(173,849)
Deposits payable		58,521	25,021
Other liabilities		130,696	154,547
Total liabilities		<u>45,839,227</u>	<u>46,577,681</u>
Stockholders' equity:			
Common stock, par value \$1.00; authorized 750,000 shares;			
issued 694,024 shares; outstanding 694,024 and 693,147 shares, respectively		694,024	694,024
Additional paid-in capital		54,726,323	54,663,586
Accumulated deficit		(41,824,093)	(42,108,189)
Treasury stock, at cost; 0 and 877 shares, respectively		-0-	(311,841)
Total stockholders' equity		<u>13,596,254</u>	<u>12,937,580</u>
Total liabilities and stockholders' equity		<u>\$ 59,435,481</u>	<u>\$ 59,515,261</u>

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

LE HAVRE OWNERS CORP.
(A Cooperative Housing Corporation)
STATEMENTS OF OPERATIONS
for the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES:		
Maintenance charges	\$ 15,170,934	\$ 14,734,733
Less: tax abatements, exemptions and adjustments	(1,384,155)	(1,324,835)
Operating assessments	1,385,550	1,044,991
Capital assessments	749,543	874,470
Parking	658,404	657,721
Laundry	158,400	158,400
Le Club	55,277	193,549
Interest	169,059	190,596
Dividends - insurance and NCB stock	160,598	66,461
Access rights - Time Warner Cable	29,500	29,666
Rent - sales office	31,040	54,351
Refunds and other income	800,643	859,665
Total revenues	<u>17,984,793</u>	<u>17,539,768</u>
EXPENSES:		
Wages and payroll taxes	2,786,576	2,740,662
Health and pension benefits	1,086,377	1,022,124
Real estate taxes, net of abatements and certiorari refunds in 2019	3,624,251	3,427,352
Mortgage interest	2,498,034	2,560,040
Utilities	1,454,975	1,334,582
Water and sewer	652,482	614,259
Repairs and maintenance	642,784	732,571
Hardware, plumbing and maintenance supplies	169,621	219,949
Security	198,922	194,181
Le Club	448,488	412,120
Insurance	817,143	775,300
Management fees	66,000	66,000
Professional fees	132,074	137,717
Other expenses	132,215	148,672
Income taxes	23,547	53,730
Total expenses before depreciation and amortization	<u>14,733,489</u>	<u>14,439,259</u>
Excess of revenues over expense before depreciation and amortization	3,251,304	3,100,509
Depreciation and amortization	(2,842,442)	(4,079,901)
Excess (deficiency) of revenues over expenses	<u>\$ 408,862</u>	<u>\$ (979,392)</u>

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

LE HAVRE OWNERS CORP.
(A Cooperative Housing Corporation)
STATEMENTS OF STOCKHOLDERS' EQUITY
for the years ended June 30, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
Balance at June 30, 2018	\$ 694,024	\$54,544,923	\$ (41,128,797)	\$ (267,304)	\$13,842,846
Reissuance of treasury stock	-0-	118,663	-0-	-0-	118,663
Treasury stock - unit improvements	-0-	-0-	-0-	(44,537)	(44,537)
Deficiency of revenues over expenses	-0-	-0-	(979,392)	-0-	(979,392)
Balance at June 30, 2019	694,024	54,663,586	(42,108,189)	(311,841)	12,937,580
Reissuance of treasury stock	-0-	62,737	-0-	311,841	374,578
Adjustment - 2019 elevator assessment received in advance (Note 3 - Revenue Recognition)	-0-	-0-	(124,766)	-0-	(124,766)
Excess of revenues over expenses	-0-	-0-	408,862	-0-	408,862
Balance at June 30, 2020	<u>\$ 694,024</u>	<u>\$54,726,323</u>	<u>\$ (41,824,093)</u>	<u>\$ -0-</u>	<u>\$13,596,254</u>

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

LE HAVRE OWNERS CORP.
(A Cooperative Housing Corporation)
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ 408,862	\$ (979,392)
Adjustments for noncash and operating items:		
Depreciation and amortization	2,842,442	4,079,901
Change in operating assets and liabilities:		
Shareholder receivables	(125,511)	201,579
Insurance claim receivable	-0-	116,620
Other receivables	42,063	(9,104)
Prepaid expenses	68,168	(32,526)
Accounts payable and accrued expenses	(52,894)	41,231
Payroll and relates taxes payable	6,867	(4,100)
Deferred revenue, including elevator assessment	433,853	76,286
Other liabilities	(23,851)	27,645
Net cash provided by operating activities	<u>3,599,999</u>	<u>3,518,140</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, net	(271,416)	(1,400,614)
Additional building improvements and equipment	(918,395)	(2,610,443)
Construction in progress	28,934	603,871
Deposits - net	(23,845)	26,053
Net cash used in investing activities	<u>(1,184,722)</u>	<u>(3,381,133)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments - GM Financial	(6,836)	(6,836)
Principal payments - mortgage note payable	(1,139,791)	(1,078,072)
Adoption og ASC 606	(124,766)	-0-
Additional paid-in capital, reissuance of treasury stock	62,737	118,663
Treasury stock	311,841	(44,537)
Net cash used in financing activities	<u>(896,815)</u>	<u>(1,010,782)</u>
Net increse (decrease) in cash	1,518,462	(873,775)
Cash, beginning of year	4,727,698	5,601,473
Cash, end of year	<u>\$ 6,246,160</u>	<u>\$ 4,727,698</u>
SUMMARY OF CASH:		
Operating - checking account	\$ 489,832	\$ 944,074
Operating - money market accounts	2,696,291	1,200,649
Reserve - checking accounts	669,465	389,793
Reserve - money market accounts	2,390,572	2,193,182
Total cash	<u>\$ 6,246,160</u>	<u>\$ 4,727,698</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 2,503,334	\$ 2,565,053
Income taxes paid	\$ 1,581	\$ 1,460

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

LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS

June 30, 2020 and 2019

1. Organization:

Le Havre Owners Corp. (the "Corporation"), a cooperative housing corporation, was incorporated in the State of New York on June 4, 1982. The Corporation owns thirty-two buildings, located in Whitestone, New York, consisting of 1,024 residential apartments. In addition, the property contains tennis courts, swimming pools, play areas, parking spaces and one additional building used for a management office, maintenance shop and clubhouse. The property was converted to cooperative ownership on September 12, 1984, under a plan approved by the Attorney General of the State of New York.

A Board of Directors governs the affairs of the Corporation. The Board of Directors consists of eleven members elected by the shareholders. Directors, as such, receive no compensation for their services. The Board of Directors retains a management company, to provide certain administrative and bookkeeping services. On-site property management is performed by employees of the Corporation.

2. Date of Management Review:

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 5, 2020, the date the financial statements were available to be issued.

3. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Pervasiveness of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the report period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Corporation considers all highly liquid investments with little to no exposure to credit, market and liquidity risks, with original maturities of three months or less to be classified as cash equivalents.

Concentration of Credit Risk:

The Corporation maintains its cash and cash equivalents with major financial institutions. Balances, at times, may exceed Federal Deposit Insurance Corporation ("FDIC") limits currently \$250,000 per financial institution. The Corporation performs periodic evaluations of the relative credit standing of these financial institutions and also evaluates its balance with each institution in order to limit the amount of credit exposure.

Investments:

Investments purchased by the Corporation are classified as either held-to-maturity or available-for-sale. Held-to-maturity investments are carried at cost, which approximates fair value. Available-for-sale investments are stated at fair value as determined by the most recently traded price of each investment at the balance sheet date. The net unrealized gains or losses on available-for-sale securities are reported as a component of comprehensive income (loss). The specific identification method is used to compute the realized gains and losses on debt and equity investments.

The Corporation's investment in certificates of deposit totaling \$6,064,953 and \$5,793,537, for the years ended 2020 and 2019, respectively, are classified as held-to-maturity. The fair value of the certificates of deposit is based on original cost plus accrued interest.

Maintenance and Other Receivables:

The Corporation's policy is to initiate summary non payment proceedings against the individual or entity whose assessments are 60 days in arrears. The Corporation has a first lien upon the shares owned by shareholders for indebtedness arising under the provisions of the proprietary lease. The Corporation believes that the fair market value of delinquent shares is sufficient to cover most charges in arrears. Accordingly, no allowance for uncollectible charges is deemed necessary.

Land, Buildings and Improvements:

Land, buildings and improvements are stated at cost. Capitalized amounts include expenditures, which materially extend the useful life of the existing property. Costs associated with repair and maintenance of property is expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful life of the asset

Continued

LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

Long-Lived Assets:

The Corporation reviews real estate assets for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. Through June 30, 2020 and June 30, 2019, management believes no indicators of impairment exist.

J-51 Costs:

Costs in connection with J-51 property tax exemptions are amortized on a straight-line basis over approximately three years.

Debt Issuance Costs:

Debt issuance costs are amortized on the straight-line method over the term of the loan. Amortization on the interest method would not be materially different. Deferred costs of \$320,947 were incurred in connection with the mortgage note as discussed in Note 7.

Revenue Recognition:

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, ("CIRA"), Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Corporation adopted the new revenue standard as of July 1, 2019, using the modified retrospective method of transition. The Corporation applied the new standard only to contracts that were not completed prior to July 1, 2019. The comparative prior period information continues to be reported under the accounting standards in effect during those periods. We expect the impact of the adoption to be immaterial to our financial position, results of operations, and cash flows on an ongoing basis. The Corporation deferred its elevator assessments of \$0.03 cents per share per month in 2020 and \$0.015 cents per share per month in 2019 until the project is completed as further discussed in Note 9. As a result of the adoption, the 2019 elevator assessment has been reclassified to deferred revenue as disclosed in the statements of stockholders' equity.

Maintenance charges are based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share holdings. Monthly maintenance charges represent multiple performance obligations, which, on a standalone basis are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for maintenance charges are satisfied over time on a daily pro-rata basis using the input method. The Corporation had increases in 2020 and 2019 of 2.96% and 2.15%, respectively. The June 30, 2021 budget provides no increase in maintenance charges.

Deferred Revenue:

Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. Deferred revenue consists of prepaid monthly maintenance charges and other shareholder fees and has been recorded as the Corporation has the right to receive payment in advance for the satisfaction of performance obligations.

Transfer Fees:

The Corporation has an apartment transfer fee policy that charges the seller of shares of stock \$1 per share.

Reclassifications:

Certain reclassifications have been made to the 2019 financial statements for comparative purposes. Such reclassifications had no effect on previously reported stockholders' equity.

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LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

4. Land, Buildings and Improvements:

Land, buildings and improvements were comprised of the following:

	2020	2019
Land	\$10,405,550	\$10,405,550
Buildings	55,785,108	55,785,108
Building improvements and equipment	68,916,554	67,998,159
Vehicles	103,521	103,521
	<u>135,210,733</u>	<u>134,292,338</u>
Less: accumulated depreciation	<u>(89,410,798)</u>	<u>(86,603,034)</u>
	<u>\$45,799,935</u>	<u>\$47,689,304</u>

5. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses were comprised of the following:

	2020	2019
Utilities	\$310,228	\$277,116
Major repairs / improvements	218,908	245,346
Interest expense	205,716	211,016
Professional fees	28,124	74,050
Tax exemptions (SCRIE) - Holder of Unsold Shares	16,851	10,774
Repairs and maintenance	8,082	12,298
Hardware, plumbing and maintenance supplies	7,850	11,259
Le Club supplies and repairs	1,299	324
Tax exemptions, net - tenant shareholders	735	6,939
Administrative	114	1,679
	<u>\$797,907</u>	<u>\$850,801</u>

6. Loan Payable – GM Financial:

On October 26, 2017, the Corporation purchased a 2017 Chevrolet Silverado Series 3500 truck under a financing agreement with GM Financial, in the amount of \$41,016. The agreement is for six years with a 0% interest rate and is collateralized by the vehicle. Monthly payments of approximately \$570 are being applied to the principal balance.

7. Mortgage Note Payable:

On September 19, 2005, the Corporation entered into a mortgage note, secured by the land and buildings, with National Cooperative Bank ("NCB"). The mortgage, in the initial principal amount of \$53,000,000, is for a thirty-year term and provides for monthly payments of interest only for the first five years of the loan, at a fixed rate of 5.58% per annum. During years six through thirty, monthly payments of \$303,594 includes principal based upon a thirty-year amortization schedule. The mortgage matures on September 30, 2035.

The aggregate amounts of required principal payments were as follows:

2021	\$1,205,043
2022	1,274,032
2023	1,346,969
2024	1,424,082
Thereafter	<u>38,989,858</u>
	<u>44,239,984</u>
Less: unamortized debt issuance costs	<u>(163,151)</u>
	<u>\$44,076,833</u>

Continued

LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

Mortgage Note Payable (continued):

The Corporation made \$1,139,791 and \$1,078,072, in principal payments during the years ended June 30, 2020 and 2019, respectively. In addition, the remaining principal balance due at maturity of the mortgage is \$16,092,078.

As of the date of this financial statements, the Corporation is actively seeking refinancing of the aforementioned mortgage to reflect current interest rate.

8. Treasury Stock:

On January 31, 2019, the Corporation acquired 877 shares of its common stock for a total of \$311,841 or approximately \$356 per share allocated to Apartment 6D in Building 30. During the year ended June 30, 2020, the Corporation incurred \$14,660, which represents maintenance and other charges to the apartment. The total cost of treasury stock was \$326,501 or approximately \$372 per share. On February 11, 2020, the Corporation reissued these shares for \$389,238, or approximately \$444, per share.

On June 28, 2017, the Corporation acquired 765 shares of its common stock for a total of \$202,125 or approximately \$264.22 per share allocated to Apartment 3A in Building 13. During the years ended June 30, 2019 and 2018, the Corporation incurred \$3,244 and \$65,179, respectively, which represents improvements to the apartment. The cost of treasury stock was \$270,528 or approximately \$354 per share. On August 9, 2018, the Corporation reissued these shares for \$389,191, or approximately \$509, per share.

9. Assessments:

The Corporation implemented operating assessments of approximately \$1.996 and \$1.508 per outstanding share in 2020 and 2019, respectively.

The Corporation implemented the following capital assessments; 1) capital assessments of approximately \$0.09 per outstanding share, payable over twelve months in 2020 and 2019, respectively, and 2) elevator assessments of approximately \$0.03 per outstanding share, and \$0.015 per outstanding share, payable over twelve months in 2020 and 2019, respectively.

Effective November 1, 2020, the Corporation will eliminate the elevator assessment.

Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. As the capital assessment is for explicit purpose of upgrading the elevators, the performance obligation for this capital assessment is satisfied when the funds are expended for this purpose. Deferred revenue of approximately \$374,618 has been recorded in 2020, as the Corporation has the right to receive payment in advance for the satisfaction of performance obligations.

10. Laundry:

On April 4, 2014, the Corporation entered into a ten-year lease agreement with Coinmach Corp. for the operation of various laundry room facilities. The Corporation receives rent at a rate of \$158,400 per year, until its' expiration on April 3, 2024.

11. Le Club Income:

Le Club income was comprised of the following:

	2020	2019
Pool and club fees	\$45,255	\$187,615
Social events	10,022	5,934
	<u>\$55,277</u>	<u>\$193,549</u>

Continued

LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

12. Refunds and Other Income:

Refunds and other income consist of the following:

	2020	2019
Parking transfer fees	\$408,000	\$391,000
Move in and out fees	161,500	172,200
Application fees	45,300	61,000
Repairs chargeback's	33,626	48,821
Late fees	32,950	43,200
Transfer fees	32,596	34,891
Tax provision credit / refunds	19,891	24,625
Annual dog fees	15,300	19,700
Other fees	13,264	11,405
Legal fees	12,786	28,994
Alteration fees	9,900	7,050
Insurance refunds	9,130	9,379
Transfer fees - unsold shares	4,500	6,000
Administrative processing fees	1,900	1,400
	<u>\$800,643</u>	<u>\$859,665</u>

13. Multi-Employer 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) assets contributed to the multiemployer 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 multiemployer 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 year ended June 30, 2020 and 2019, 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, 2022
Pension Protection Act Zone Status:
Year Ended July 1, 2019 - Red (less than 65% funded)
Year Ended July 1, 2018 - Red (less than 65% funded)
Funding Improvement Plan/Rehabilitation Plan Status: Implemented
Surcharges Paid to Plan: None

Corporation's Contributions:
Year Ended June 30, 2020 - \$224,715
Year Ended June 30, 2019 - \$221,645

Minimum Required Pension Contributions (per week/per employee):
Period Ended April 20, 2022 - \$122.75
Year Ended December 31, 2021 - \$122.75
Year Ended December 31, 2020 - \$118.75

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LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

Multi-Employer Plan (continued):

Year Ended December 31, 2019 - \$114.75

The information provided above is from the Plan's most current annual report for the year ended June 30, 2019. 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 employer's contributions to the Plan, and there have been no significant changes that would affect the contributions for the year ended June 30, 2020. In addition, under the Collective Bargaining Agreement, certain retired employees are eligible for health benefits as defined in the Agreement.

14. Utilities:

Utilities were comprised of the following:

	2020	2019
Gas	\$1,116,118	\$1,084,773
Electric	251,383	249,239
Oil	87,474	570
	<u>\$1,454,975</u>	<u>\$1,334,582</u>

15. Repairs and Maintenance:

Repairs and maintenance were comprised of the following:

	2020	2019
Elevator	\$245,430	\$221,773
Landscaping	190,349	190,667
Boiler	55,325	79,518
Plumbing	32,039	27,324
General	29,308	21,375
Façade, balcony and masonry	28,246	132,500
Exterminating	16,344	12,534
Compactor	16,139	5,265
Doors and locks	9,017	5,745
Intercom	7,889	1,607
Vehicles	7,265	4,966
Sprinkler systems	4,837	4,370
Snow removal and related costs	596	11,094
Roof and drain pipes	0	7,198
Roof fans	0	6,635
	<u>\$642,784</u>	<u>\$732,571</u>

16. Le Club Expenses:

Le Club expenses were as follows:

	2020	2019
Health club and pool management fee	\$381,063	\$347,221
Pool repairs and supplies	18,318	6,209
Wages and related costs	17,770	27,763
Social programs	11,857	6,044
Cleaning and maintenance	8,538	8,465
Tennis court repairs and supplies	8,356	9,269
Gym equipment, repairs and supplies	2,586	7,149
	<u>\$448,488</u>	<u>\$412,120</u>

Continued

LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

Le Club Expenses (continued):

The Corporation had an agreement with Elite Pool & Fitness Management, Inc. The agreement included management services for the Le Club facility, in addition to the pool. On April 1, 2018 the agreement was extended to March 31, 2019. On March 31, 2019, the agreement was terminated. The Corporation paid \$254,544 for 2019.

The Corporation retained Urban Playground, Inc. to manage the health club and the pool at a rate of \$350,000 per year plus sales tax. The fees paid for the years ended June 30, 2020 and 2019 were \$381,063 and \$92,677, respectively. Due to the Coronavirus (Covid-19) pandemic, the fees were reduced to \$182,500, plus sales tax per year. Subsequently, the Corporation opened the pool during the period July 2020 through September 2020 at the renegotiated rate of \$38,122 per month plus sales tax.

17. Lease Agreement:

Commencing August 2017, the Corporation entered into a fair market value office equipment lease agreement with CIT Finance LLC. The lease is for 63 months, at a rate of \$350 per month, plus sales tax.

18. Agreements:

Management:

The Corporation entered into an agreement with Metro Management Development, Inc., to provide back-office management services, at a rate of \$66,000 per annum. The term of the agreement is month-to-month.

Elevator:

On January 19, 2005, the Corporation entered into a three-year contract with Century Elevator Maintenance Corp., to provide certain elevator maintenance for thirty-two elevators, commencing on June 25, 2005, at a rate of \$109,440 plus sales tax, during the first year. Annual increases are limited to 3% per year. Thereafter, the agreement continued on a month-to-month basis. The rate was \$168,362 and \$168,362 per year, plus sales tax for 2020 and 2019, respectively.

Engineering:

The Corporation entered into an agreement with Lawless & Mangione, to provide the facade inspection program reports at a cost of \$132,500. As of June 30, 2019, the agreement was paid in full.

Roof Replacement:

On April 16, 2018, the Corporation entered into an agreement with AM&G Waterproofing, LLC., to replace the roof of building number 32 at a cost of \$450,000. As of June 30, 2019, and 2018, \$239,400 and \$210,600 was paid to the contractor, respectively. The cost was fully insured and paid by the Corporation's insurance carrier.

Common Area Upgrades:

On March 1, 2018, the Corporation entered into an agreement with Corridors, LLC, to provide certain upgrades and refurbishing work on the lobbies and hallways of all 32 buildings at a cost of approximately \$1,712,000. Subsequently, the Corporation received a credit of \$2,840 and as of the date of the financial statements the Corporation paid approximately \$1,682,500.

Porticos:

The Corporation entered into an agreement with Sal Salamone General Contracting, to provide certain repair to various building's porticos. As of the years ended 2020 and 2019, \$356,780 and \$809,615 was paid to the contractor, respectively.

Elevator upgrade:

On November 1, 2019, the Corporation entered into an agreement with Century Elevator Maintenance Corp., to upgrade the elevators and meet with new requirements by the Department of Buildings at a cost of \$300,000. As of June 30, 2020, the agreement was paid in full.

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LE HAVRE OWNERS CORP.

(A Cooperative Housing Corporation)

NOTES to FINANCIAL STATEMENTS, Continued

June 30, 2020 and 2019

19. Professional Fees:

Professional fees were comprised of the following:

	2020	2019
Accounting - audit and taxes	\$36,000	\$34,800
Accounting - other	32,249	25,502
Legal	27,617	54,955
Fire safety and window guide notices	16,384	5,120
Engineering and other consulting	9,960	6,340
Mortgage interest statement preparation	9,864	7,801
Environmental consultant	0	3,199
	<u>\$132,074</u>	<u>\$137,717</u>

20. Other Expenses:

Other expenses were as follows:

	2020	2019
Telephone	\$30,327	\$31,921
Office	22,580	19,264
Settlements - shareholders (Note 24)	20,928	29,210
Computer support	14,861	10,707
Licenses and permits	13,801	19,796
Payroll processing	12,476	13,136
Postage and messenger service	7,559	6,776
Equipment rental and supplies	4,573	8,808
Dues and subscriptions	4,066	4,002
Bank charges	694	700
Board and annual meetings	350	4,352
	<u>\$132,215</u>	<u>\$148,672</u>

21. Income Taxes:

Pursuant to a 1996 United States Tax Court decision, the Corporation prepares its tax returns under the provisions of Subchapter T of the Internal Revenue Code. Subchapter T requires the allocation of patronage and non-patronage source income. In addition, Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income is patronage income within the meaning of Subchapter T. Additionally, the Corporation treats special assessments used for the acquisition of capital improvements and maintenance charges used for amortization of mortgage principal as contributions to capital for tax purposes only.

The Corporation also qualified under Section 216 of the Internal Revenue Code. This section permits tenant-shareholders to deduct, on their own tax returns, their proportionate share of real estate taxes and mortgage interest that is deductible by the Corporation.

The Corporation had tax attributes available, for the years ended June 30, 2020 and 2019, and as a result was not subject to federal income tax. The Corporation's net operating loss were approximately \$46,394,000 and \$46,035,000, for 2020 and 2019, respectively. The NOLs expire, if not utilized, between 2020 and 2039. The Corporation was however subject to certain state and city minimum franchise taxes based upon the Corporation's capital base. The rate of tax is .04%.

Generally accepted accounting principles (GAAP) requires evaluation of the tax positions taken or expected to be taken in the course of preparing the Corporation's tax returns to determine whether the tax positions are more likely than not sustainable upon examination by the applicable taxing authorities, based on the technical merits of the tax position, and then recognizing the tax benefit that is more likely than not realizable. Tax positions not deemed to meet the more likely than not

Continued

LE HAVRE OWNERS CORP.
(A Cooperative Housing Corporation)
NOTES to FINANCIAL STATEMENTS, Continued
June 30, 2020 and 2019

Income Taxes (continued):

threshold would be recorded as a tax expense in the current reporting period. Management believes any such positions would be immaterial to the overall financial statements.

With few exceptions, the Corporation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2015.

22. Holder of Unsold Shares:

At June 30, 2020, the holder of unsold shares, Whitestone Equities LLC, owned 56,358 shares of the Corporation, which was approximately 8.1% of the outstanding shares. At June 30, 2019, the holder of unsold shares owned 59,040 shares of the Corporation, which was approximately 8.5% of the outstanding shares.

23. Rent – Sales Office:

The Corporation has a lease agreement with Shares of New York Marketing LLC (“SNYM”), related party of PSONY, the former holder of unsold shares, to operate a real estate sales office on the ground floor of building number 24. Effective September 1, 2019, the agreement calls for a fix annual rent of \$30,000, plus utilities and an annual escalation rate of 3.5% per year. The agreement expires on August 31, 2039.

24. Contingencies / Settlements:

The Corporation has also settled one shareholders claims in 2020 and two shareholders claims in 2019 for property damage as described in Note 20 (settlements - shareholders).

25. Future Major Repairs and Replacements:

The Corporation has omitted a study to determine the remaining useful lives of the components of the property and current estimates of the 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 Corporation has the right to increase regular maintenance, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

26. Subsequent Events:

Subsequent to year end, the coronavirus (COVID-19) pandemic is altering business and consumer activity in affected areas and beyond. The coronavirus has the potential to create significant changes and effects on all businesses, considering the disruptions to global supply chains and other business activity, as the pandemic continues to spread. Due to the uncertainty surrounding the various facts and circumstances, the Corporation cannot predict the extent to which its financial condition, results of operations and cash flows will be affected.