

76TH STREET OWNERS' CORP.

**Financial Statements
as of December 31, 2009 and 2008
and for the years then ended**

Syed N. Haque, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
76th Street Owners' Corp.:

We have audited the accompanying balance sheets of 76th Street Owners' Corp. (the "Corporation") as of December 31, 2009 and 2008, and the related statements of revenues, expenses and accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 76th Street Owners' Corp. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in United States of America.

As discussed in Note 11, the Corporation has not estimated the remaining lives and replacement costs of the real 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.

Syed N. Haque, CPA

Rego Park, New York
May 24, 2010

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

BALANCE SHEETS
as of December 31, 2009 and 2008

ASSETS:	2009	2008
Cash (Note 3)	\$539,942	\$487,123
Receivables from shareholders (Note 4)	22,603	13,000
Prepaid expenses (Note 5)	48,782	28,820
Deferred mortgage refinancing costs, net of accumulated amortization of \$25,076 and \$21,553 (Note 2)	10,152	13,675
Property and improvements, net of accumulated depreciation of \$4,763,804 and \$4,547,337 (Notes 2 and 6)	2,634,923	2,846,261
 Total assets	 \$3,256,402	 \$3,388,879
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable and accrued expenses	\$54,475	\$36,117
Deferred maintenance charges	9,559	20,524
Due to sponsor		15,442
Due to shareholders	27,326	22,465
Mortgage note payable (Note 7)	2,321,380	2,368,470
Other	5,335	4,465
 Total liabilities	 2,418,075	 2,467,483
Stockholders' equity:		
Common stock, par value \$1; authorized 80,000 shares; issued and outstanding 74,715 shares	74,715	74,715
Additional paid-in capital	5,355,923	5,355,923
Accumulated deficit	(4,592,311)	(4,509,242)
 Total stockholders' equity	 838,327	 921,396
 Total liabilities and stockholders' equity	 \$3,256,402	 \$3,388,879

The accompanying notes are an integral
part of these financial statements

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT
for the years ended December 31, 2009 and 2008

	2009	2008
REVENUES:		
Maintenance charges (Note 2)	\$865,729	\$823,588
Rent income - storage bins	18,005	18,471
Interest income	4,666	11,429
Laundry income	9,600	9,600
Special assessments (Note 12)		63,672
Other income	2,090	845
Total revenues	900,090	927,605
EXPENSES:		
Payroll and related expenses (Notes 9 and 10)	117,586	110,530
Real estate taxes	196,097	192,493
Interest expenses	134,931	137,949
Fuel	98,509	121,768
Gas and electric	22,007	23,345
Repairs, maintenance and supplies	68,644	63,419
Insurance	49,380	52,725
Professional fees	18,890	11,631
Water and sewer	29,628	28,483
Management fees (Note 9)	17,000	16,083
Income taxes (Note 8)	5,220	2,953
License and permits	1,547	1,404
Telephone	2,921	2,798
Other	809	1,259
Total expenses before depreciation and amortization	763,169	766,840
Excess of revenues over expenses before depreciation and amortization	136,921	160,765
Less: depreciation and amortization	(219,990)	(219,762)
Deficiency of revenues over expenses	(83,069)	(58,997)
Accumulated deficit at January 1, 2009 and 2008	(4,509,242)	(4,450,245)
Accumulated deficit at December 31, 2009 and 2008	(\$4,592,311)	(\$4,509,242)

The accompanying notes are an integral
part of these financial statements

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses	(\$83,069)	(\$58,997)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	219,990	219,762
Decrease (increase) in:		
Receivables from shareholders	(9,603)	(5,890)
Prepaid expenses	(19,962)	19,484
Increase (decrease) in:		
Accounts payable and accrued expenses	18,358	(39,753)
Deferred maintenance charges	(10,965)	902
Due to shareholders	4,861	2,704
Due to sponsor	(15,442)	(1,008)
Other	870	445
Net cash provided by operating activities	105,038	137,649
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in property and improvements	(5,129)	(2,936)
Net cash used in investing activities	(5,129)	(2,936)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in mortgage note payable	(47,090)	(44,086)
Net cash used in financing activities	(47,090)	(44,086)
Net increase in cash	52,819	90,627
Cash, beginning of year	487,123	396,496
Cash, end of year	\$539,942	\$487,123
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:		
Interest paid	\$135,161	\$138,165
Income taxes paid	\$5,182	\$2,660

The accompanying notes are an integral
part of these financial statements

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Organization:

76th Street Owners' Corp. (the "Corporation"), a cooperative housing corporation, was incorporated in the State of New York on June 4, 1984. The Corporation owns the building located at 35-36 76th Street, Jackson Heights, New York. This building has 114 residential units, and a superintendent apartment.

2. Summary of Significant Accounting Policies:

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.

Property and improvements are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets.

Deferred mortgage refinancing costs are amortized on the straight-line method over the term of the loan. Amortization on the interest method would not be materially different.

Maintenance charges are based on an annual budget determined by the board of directors. Shareholders are billed monthly based on their respective share holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods. The board of directors increased maintenance charges by 7% effective October 1, 2008.

For statement of cash flows, all cash in bank, including demand deposits, certificate of deposits and money market accounts are considered cash by the Corporation.

3. Cash:

The cash balances consist of the following:

	<u>2009</u>	<u>2008</u>
Operating accounts	\$57,918	\$142,253
Money market	216,362	134,860
Certificate of deposits	265,662	210,010
	<u>\$539,942</u>	<u>\$487,123</u>

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

NOTES TO FINANCIAL STATEMENTS

4. Receivables from Shareholders:

At December 31, 2009 and 2008, receivables from shareholders amounted to \$22,603 and \$13,000, respectively. The Corporation has first lien upon the shares owned by shareholders for indebtedness arising under the provision of the proprietary lease issued to the shareholders. As a result, the Corporation believes that the fair market value of delinquent shares is sufficient to cover maintenance charges in arrears. Accordingly, no allowance for uncollectible maintenance charges is deemed necessary.

5. Prepaid expenses:

Prepaid expenses are comprised of the following:

	2009	2008
Real estate taxes	\$35,451	\$24,365
Insurance	13,331	4,455
	\$48,782	\$28,820

6. Property and Improvements:

Property and improvements are comprised of the following:

	2009	2008
Land	\$996,757	\$996,757
Building and improvements	6,401,970	6,396,841
	7,398,727	7,393,598
Less: accumulated depreciation	(4,763,804)	(4,547,337)
	\$2,634,923	\$2,846,261

7. Mortgage Note Payable:

On November 19, 2002, the Corporation refinanced its mortgage note payable with National Cooperative Bank for \$2,600,000 at the rate of 5.68% per annum. The mortgage note is secured by the land and building, and requires monthly principal and interest payments of \$15,188. The mortgage will mature on December 1, 2012 at which time the remaining balance will be due. At December 31, 2009 and 2008 mortgage note payable amounted to \$2,321,380 and \$2,368,470, respectively.

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

NOTES TO FINANCIAL STATEMENTS

Principal maturities of the mortgage note payable at December 31, 2009 are as follows:

<u>Year</u>	
2010	\$49,922
2011	52,774
2012	2,218,684
	<u>\$2,321,380</u>

8. Income Taxes:

The Corporation qualifies under Section 216 of the Internal Revenue Code as a cooperative housing corporation. This section permits shareholders to deduct their proportionate share of real estate taxes and mortgage interest on their own tax returns.

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. 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.

The Corporation has a net taxable income of \$104,734 and \$128,579 for the years ended December 31, 2009 and 2008 respectively. In 2009 and 2008, the Corporation utilized net operating loss carryforwards of \$104,734 and \$128,579, respectively. As a result, the Corporation is not subject to federal income tax. State and local franchise taxes are computed based on the capital method for cooperative housing corporations.

At December 31, 2009 and 2008, the Corporation has federal net operating loss carryforwards of \$947,009 and \$1,051,743, respectively, which are available to reduce future taxable income. Net operating loss carryforwards expire through the year 2024.

The net losses per financial statements reconciled to taxable income on federal income tax returns are as follows:

	<u>2009</u>	<u>2008</u>
Net loss per financial statements	(\$83,069)	(\$58,997)
Financial depreciation and amortization in excess of tax depreciation and amortization	187,803	187,576
Taxable income before net operating loss deduction	<u>\$104,734</u>	<u>\$128,579</u>