76TH STREET OWNERS' CORP.

Financial Statements
as of December 31, 2015 and 2014
and for the years then ended

Syed N. Haque, CPA

Syed N. Haque, CPA

92-29 Queens Boulevard, Suite 1B
Rego Park, New York 11374
Tel: 718-896-8900
Fax: 718-896-7490
www.ourcpa.net

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of 76th Street Owners' Corp. (the "Corporation"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of revenues, expenses and accumulated 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.

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 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 76th Street Owners' Corp. as of December 31, 2015 and 2014, 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.

Other Matter

As discussed in Note 11, the Corporation has not estimated the remaining useful 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. Hoque, CPA

Rego Park, New York
May 4, 2016

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

BALANCE SHEETS
as of December 31, 2015 and 2014

ASSETS:	2015	2014
Cash (Note 3)	$1,018,790	$957,629
Receivables from shareholders (Note 4)	10,432	22,798
Prepaid expenses (Note 5)	54,398	57,478
Deferred mortgage refinancing costs, net of accumulated amortization of $26,843 and $18,790 (Note 2)	53,689	61,742
Property and improvements, net of accumulated depreciation of $6,158,515 and $5,909,645 (Notes 2 and 6)	2,282,053	2,467,411
Total assets	$3,419,362	$3,567,058

LIABILITIES AND STOCKHOLDERS' EQUITY:	2015	2014
Accounts payable and accrued expenses	$68,458	$66,476
Deferred maintenance charges	20,271	13,478
Due to shareholders	23,406	19,963
Due to sponsor	10,212	14,067
Security deposits payable	7,501	6,501
Mortgage note payable (Note 7)	3,200,000	3,200,000
Total liabilities	3,329,848	3,320,485
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	5,410,493	5,410,493
Accumulated deficit	(5,395,694)	(5,238,635)
Total stockholders' equity	89,514	246,573
Total liabilities and stockholders' equity	$3,419,362	$3,567,058

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, 2015 and 2014

	2015	2014
REVENUES:		
Maintenance charges (Note 2)	$865,696	$863,587
Rent income - storage bins (Note 15)	23,698	21,525
Interest income	2,372	2,485
Laundry income	18,750	13,850
Special assessments (Note 12)	61,266	57,531
Sublet fees	1,617	4,179
Recovery of legal fees and closing costs (Note 14)		86,273
Shareholder fine		6,139
Other income	3,955	2,683
Total revenues	977,354	1,058,252
EXPENSES:		
Payroll and related expense	112,806	99,222
Union pension and benefits (Note 10)	32,775	41,505
Real estate taxes	217,837	231,865
Interest expenses	129,778	129,778
Fuel, gas and electric	151,229	213,971
Repairs, maintenance and supplies	88,712	58,208
Insurance	46,193	42,552
Professional fees	6,561	25,789
Water and sewer	57,753	65,898
Management fees (Note 9)	18,833	18,333
Income taxes (Note 8)	4,726	1,199
License and permits	208	1,440
Telephone	6,490	6,265
Other	3,589	942
Total expenses before depreciation and amortization	877,490	936,967
Excess of revenues over expenses before depreciation and amortization	99,864	121,285
Less: depreciation and amortization	(256,923)	(255,319)
Deficiency of revenues over expenses	(157,059)	(134,034)
Accumulated deficit at January 1, 2015 and 2014	(5,238,635)	(5,104,601)
Accumulated deficit at December 31, 2015 and 2014	($5,395,694)	($5,238,635)

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses	($157,059)	($134,034)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	256,923	255,319
(Increase) decrease in:		
Receivables from shareholders	12,366	(10,009)
Prepaid expenses	3,080	(13,382)
(Decrease) increase in:		
Accounts payable and accrued expenses	1,982	(6,770)
Deferred maintenance charges	6,793	(5,933)
Due to shareholders	3,443	11,647
Due to sponsor	(3,855)	873
Security deposits payable	1,000	(25,175)
Net cash provided by operating activities	124,673	72,536
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in property and improvements	(63,512)	(129,943)
Net cash used in investing activities	(63,512)	(129,943)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in additional paid-in capital		54,570
Increase in treasury stock		180,343
Net cash provided by financing activities	0	234,913
Net increase in cash	61,161	177,506
Cash, beginning of year	957,629	780,123
Cash, end of year	$1,018,790	$957,629
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:		
Interest paid	$129,778	$129,778
Income taxes paid	$2,830	$1,062

The accompanying notes are an integral
part of these financial statements

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 113 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.

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:

	2015	2014
Operating accounts	$133,466	$351,482
Money market accounts	885,324	606,147
	$1,018,790	$957,629

4. Receivables from Shareholders:

At December 31, 2015 and 2014, receivables from shareholders amounted to $10,432 and $22,798, 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:

	2015	2014
Real estate taxes	$40,627	$39,791
Boiler service contract	1,572	1,572
Insurance	12,199	16,115
	$54,398	$57,478

6. Property and Improvements:

Property and improvements are comprised of the following:

	2015	2014
Land	$996,757	$996,757
Building and improvements	7,443,811	7,380,299
	8,440,568	8,377,056
Less: accumulated depreciation	(6,158,515)	(5,909,645)
	$2,282,053	$2,467,411

For the year ended December 31, 2015 and 2014, the Corporation incurred $63,512 and $129,943 for capital improvements. Such costs are included in building and improvements.

7. Mortgage Note Payable:

On September 4, 2012, the Corporation refinanced its mortgage note payable with Valley National Bank for $3,200,000 at an interest rate of 4% per annum. The mortgage note is secured by the land and building, and requires monthly interest only payment of approximately $10,667. The mortgage will mature on September 30, 2022 at which time the remaining balance will be due. At December 31, 2015 and 2014, mortgage note payable amounted to $3,200,000.

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.

For the years ended December 31, 2015 and 2014, the Corporation has a net taxable income of $28,777 and $52,872, respectively, which has been offset by utilizing the net operating loss carryforwards. As a result, the Corporation is not subject to federal income tax in 2015 and 2014. State and local franchise taxes are computed based on the capital method for cooperative housing corporations, which amounted to $4,726 and $1,199 in 2015 and 2014, respectively.

At December 31, 2015 and 2014, the Corporation has federal net operating loss carryforwards of $599,467 and $628,244, respectively, which are available to reduce future taxable income. Net operating loss carryforwards expire through the year 2035.

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

	2015	2014
Net loss per financial statements	($157,059)	($134,034)
Financial depreciation in excess of tax depreciation	185,836	186,906
Taxable income (loss) before net operating loss deduction	$28,777	$52,872

The Corporation's tax filings are subject to audit by various taxing authorities. The Corporation's federal, state and city income tax returns for years ended December 31, 2012 through 2015 remain open to examination by various taxing authorities. In evaluating the Corporation's tax provisions and accruals, the Corporation believes that its estimates are appropriate based on current facts and circumstances.

9. Related Party Transactions:

Maxx Properties (Maxx), an affiliate of the Sponsor, Equity Investments, is the managing agent of the Corporation. The management contract with Maxx was renegotiated in 2013 for an additional three-year period with a fee of $18,000 for year one, $18,500 for year two and $19,000 for year three, effective May 1, 2013.

The Corporation incurred management fees of $18,333 for each of the year ended December 31, 2015 and 2014, respectively.

Maxx serves as the paymaster for the employees of the Corporation and is reimbursed for all payroll and related costs incurred on the Corporation's behalf. Employees of Maxx serve on the board of directors of the Corporation.

At December 31, 2015 and 2014, the sponsor owned approximately 12% of the outstanding shares of the Corporation. Maintenance charges to the sponsor amounted to $99,819 in 2015 and 2014. For years ended December 31, 2015 and 2014, the sponsor also paid a special assessment of $7,064 and $6,634, respectively.

10. Union Pension and Benefits:

The Corporation's employees are members of Local 32B-J of the Service Employees International Union, AFL-C10. In 2015 and 2014, the Corporation incurred $32,775 and $41,505, respectively, for employee pension and welfare benefits to the union sponsored plans.

11. Future Major Repairs and Replacements:

The Corporation has not conducted a study to determine the remaining useful lives of the components of real property and current estimates of the costs of major repairs and replacements that may be required in the future. The board has also not developed a plan to fund those needs. 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.

12. Special Assessments:

In 2015 and 2014, the board of directors approved special assessments to offset the tax abatements granted to certain shareholders by the City of New York in the amount of $61,266 and $57,531, respectively. Such assessments have been recorded as income. During 2015 and 2014, the Corporation on the other hand distributed $64,756 and $56,496, respectively, as Coop and STAR abatements to eligible shareholders.

13. Treasury Stock:

In August 2013, the Corporation acquired the apartment 429 for $180,343 including closing costs. Subsequently, the apartment was renovated at the cost of $28,985 including appliances. In April 2014, the apartment was sold for $280,000 less closing costs of $16,102. The Corporation realized a net gain of $54,570, which is recorded as additional paid-in capital.

14. Recovery of legal fees and closing costs:

In 2014, the Corporation recovered $76,273 of legal fees incurred in litigation, 76th Street Owners' Corp. vs Elshiekh, which were expensed in prior years. Additionally, the Corporation recovered closing costs of $10,000.

15. Impairment:

In accordance with FASB ASC 360 long-lived assets, including property and equipment, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future discounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows. The management believes that there has not been any impairment in 2015 and 2014.

16. Concentration of Credit Risk:

The Corporation maintains accounts with financial institutions. At times, cash balances may exceed the maximum coverage provided by the Federal Deposit Insurance Corporation ("FDIC") on insured depositor accounts. The Corporation believes it mitigates risk by investing its cash and cash equivalents with major financial institutions. As of December 31, 2015 and 2014, the uninsured cash balances amounted to $239,100 and $213,903, respectively.

17. Date of Management's Review:

Management has evaluated subsequent events through May 4, 2016, the date on which the financial statements were available to be issued. As of May 4, 2016, there are no subsequent events to be recognized or reported.