76th Street Owners' Corp.

Financial Statements
as of December 31, 2017 and 2016
and for the years then ended

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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, 2017 and 2016, 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, 2017 and 2016, 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 14, 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 & Associates, P.C.

Rego Park, New York
May 15, 2018

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Balance Sheets
as of December 31, 2017 and 2016

ASSETS:

	2017	2016
Cash (Note 3)	$1,078,907	$1,158,837
Receivables from shareholders (Note 4)	10,181	14,309
Prepaid expenses (Note 5)	49,847	15,358
Property and equipment, net of accumulated depreciation of $6,677,822 and $6,410,965 (Notes 2 and 6)	1,972,235	2,212,784
Total assets	$3,111,170	$3,401,288

LIABILITIES AND STOCKHOLDERS' EQUITY:

	2017	2016
Accounts payable and accrued expenses	$151,293	$130,245
Deferred maintenance charges	19,173	27,628
Due to shareholders	24,013	17,267
Due to sponsor	7,776	8,603
Security deposits payable	6,499	7,499
Mortgage note payable (Note 7)	3,162,417	3,154,364
Total liabilities	3,371,171	3,345,606
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	(5,745,209)	(5,429,526)
Total stockholders' equity	(260,001)	55,682
Total liabilities and stockholders' equity	$3,111,170	$3,401,288

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, 2017 and 2016

	2017	2016
REVENUES:		
Maintenance charges (Note 2)	$865,696	$865,696
Special assessment (Note 13)	51,956	66,496
Rent income - storage bins	24,075	22,789
Sublet fees	1,050	1,451
Laundry income	16,200	16,200
Interest income	6,114	3,796
Other income	4,164	3,835
Total revenues	969,255	980,263
EXPENSES:		
Payroll and related expenses	121,684	114,399
Union pension and benefits	45,776	29,685
Real estate taxes	227,613	185,867
Interest expense	129,779	130,133
Fuel, gas and electric	90,550	95,214
Repair, maintenance, and supplies (Note 9)	96,458	58,616
Insurance	44,769	47,007
Professional fees	6,795	10,260
Water and sewer	53,687	50,533
Management fees (Note 10)	19,500	19,333
Income taxes (Note 12)	9,972	716
License and permit	743	4,283
Telephone	7,038	7,293
Other	1,211	253
Total expenses before depreciation and amortization, and interior painting	855,575	753,592
Excess of revenues over expenses before depreciation and amortization, and interior painting	113,680	226,671
Less: depreciation and amortization	(274,910)	(260,503)
interior painting	(154,453)	-
Deficiency of revenues over expenses	(315,683)	(33,832)
Accumulated deficit at January 1, 2017 and 2016	(5,429,526)	(5,395,694)
Accumulated deficit at December 31, 2017 and 2016	($5,745,209)	($5,429,526)

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses	($315,683)	($33,832)
Adjustments to reconcile deficiency of revenues over expenses to net cash (used in) provided by operating activities:		
Depreciation and amortization	274,910	260,503
(Increase) decrease in:		
Receivables from shareholders	4,128	(3,877)
Prepaid expenses	(34,489)	39,040
Increase (decrease) in:		
Accounts payable and accrued expenses	21,048	61,787
Deferred maintenance charges	(8,455)	7,357
Security deposits payable	(1,000)	(2)
Due to shareholders	6,746	(6,139)
Due to sponsor	(827)	(1,609)
Net cash (used in) provided by operating activities	(53,622)	323,228
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in property and equipment	(26,308)	(183,181)
Net cash used in investing activities	(26,308)	(183,181)
Net (decrease) increase in cash	(79,930)	140,047
Cash, beginning of year	1,158,837	1,018,790
Cash, end of year	$1,078,907	$1,158,837
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:		
Cash interest paid	$129,779	$130,133
Income taxes paid	$9,526	$1,326

The accompanying notes are an integral
part of these financial statements

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Notes to Financial Statements
as of December 31, 2017 and 2016

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:**

Use of Estimates:
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 Equipment:
Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets.

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.

Maintenance Charges:
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.

Cash and Cash Equivalents:
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:**

At December 31, 2017 and 2016, the cash balances consist of the following:

	2017	2016
Operating accounts	$80,923	$160,762
Interest bearing accounts	997,984	998,075
	$1,078,907	$1,158,837

4. Receivables from Shareholders:

At December 31, 2017 and 2016, receivables from shareholders amounted to $10,181 and $14,309, 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:

	2017	2016
Real estate taxes	$34,347	-
Boiler service contract	2,029	$2,008
Insurance	13,471	13,350
	$49,847	$15,358

6. Property and Equipment:

Property and equipment are comprised of the followings:

	2017	2016
Land	$996,757	$996,757
Building and improvements	7,653,300	7,626,992
	8,650,057	8,623,749
Less: accumulated depreciation	(6,677,822)	(6,410,965)
	$1,972,235	$2,212,784

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 balance will be due.

At December 31, 2017 and 2016, the mortgage note payable and unamortized debt issuance costs are as follows:

	2017	2016
Mortgage note payable	$3,200,000	$3,200,000
Less: unamortized debt issuance costs	(37,583)	(45,636)
Net mortgage note payable	$3,162,417	$3,154,364

8. Debt Issuance Costs:

Effective January 1, 2016, the Corporation adopted Accounting Standards Update (ASU) 2015-03 (Subtopic 835-30) which requires debt issuance costs to be presented on the balance sheet as a direct reduction of the carrying amount of the related debt liability. As of December 31, 2017 and 2016, unamortized debt issuance costs amounted to $37,583 and $45,636, respectively, as reported in Note 7 above.

9. Repair, Maintenance and Supplies:

For the year ended December 31, 2017 and 2016, repair, maintenance and supplies comprised of the following:

	2017	2016
Boiler and plumbing	$28,796	$15,933
Hardware and supplies	13,949	11,080
General repair and maintenance	13,688	12,109
Exterminating	3,757	3,692
Elevator	14,365	15,171
Landscaping	21,903	631
	$96,458	$58,616

10. Related Party Transactions:

Maxx Management Corp. (Maxx), an affiliate of the Sponsor, Equity Investments, is the managing agent of the Corporation. The Corporation incurred management fees of $19,500 and $19,333 for the years ended December 31, 2017 and 2016, respectively.

Maxx also 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, 2017 and 2016, the sponsor owned approximately 12% of the outstanding shares of the Corporation. Maintenance charges to the sponsor amounted to $99,819 in 2017 as well as 2016. For the years ended December 31, 2017 and 2016, the sponsor also paid a special assessment of $5,991 and $7,667, respectively.

11. Multi-employer Pension Plan:

The Corporation contributes to a multi-employer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union represented employees. The risks of participating in a multi-employer plan differ from those of a single employer plan in the following respects: (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 Corporation chooses to stop participating in the multi-employer plan, the Corporation 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.

The Corporation's participation in plan is outlined in the table below:

Pension Plan	Employer Identification number	Pension Plan number	PPA Zone Plan Years 1/1/16 to 12/31/16 1/1/17 to 12/31/17	FIP/RP Status Implemented	Surcharge Imposed	Expiration date Collective Bargaining Agreement
Building Service 32BJ Fund	13-3289511	001	Red	Implemented	None	4/20/2018

The Corporation's pension contributions for the year ended December 31, 2017 and 2016 was $9,271 and $5,327, respectively. The Corporation has not contributed more than 5% of the total contribution to the plan.

12. 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, 2017, the Corporation incurred a net operating loss of $125,303. In 2016, Corporation earned a net operating income of $153,074, which has been offset by utilizing the net operating loss carryforwards. As a result, the Corporation is not subject to federal income tax in 2017 and 2016. State and local franchise taxes are computed based on the capital method for cooperative housing corporations, which amounted to $9,972 and $716 in 2017 and 2016, respectively.

At December 31, 2017 and 2016, the Corporation has federal net operating loss carryforwards of $567,800 and $442,497, respectively, which are available to reduce future taxable income. Net operating loss carryforwards expire through the year 2037.

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

	2017	2016
Net losses per financial statements	($315,683)	($33,832)
Financial statements depreciation in excess of tax depreciation	190,380	186,906
Taxable (loss) income	($125,303)	$153,074

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, 2014 through 2017 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.

13. Special Assessments:

In 2017 and 2016, 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 $51,956 and $66,496, respectively. Such assessments have been recorded as income. During 2017 and 2016, the Corporation on the other hand distributed $60,156 and $72,911, respectively, as Coop and STAR abatements to eligible shareholders.

14. 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.

15. 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 that it mitigates risk by investing its cash and cash equivalents with major financial institutions. As of December 31, 2017 and 2016, the uninsured cash balances amounted to $304,868 and $300,678, respectively.

16. 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 2017 and 2016.

17. Date of Management's Review:

Management has evaluated subsequent events through May 15, 2018, the date on which the financial statements were available to be issued. As of May 15, 2018, there are no subsequent events to be recognized or reported.