

**602 AVENUE T OWNERS CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**ALAN J. IRNI, CPA, P.C.**  
**Certified Public Accountant**

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**INDEPENDENT AUDITORS' REPORT**

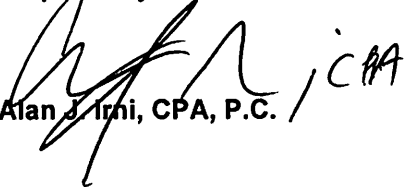
**Board of Directors  
602 Avenue T Owners Corp.  
Brooklyn, NY 11223**

I have audited the accompanying balance sheets of 602 Avenue T Owners Corp. as of December 31, 2019 and 2018, and the related statements of operations, 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 my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 statements presentation. I believe that our audits provide a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 602 Avenue T Owners Corp. as of December 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

  
Alan J. Irni, CPA, P.C.

Brooklyn, New York  
May 6, 2020

**602 AVENUE T OWNERS CORP.**  
**BALANCE SHEET**  
**DECEMBER 31, 2019 AND 2018**

**ASSETS**

<b><u>Current assets</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Cash- operating	\$ 288,579	\$ 305,385
Cash- reserve fund (note 3)	131,432	131,327
Accounts receivable & miscellaneous income (note 2)	43,435	18,724
Prepaid expenses (schedule 1)	<u>10,104</u>	<u>11,178</u>
Total current assets	473,550	466,614
<b><u>Property and improvements – real estate (note 2)</u></b>		
Land	883,086	883,086
Building, less accumulated depreciation of \$2,337,153 and 2,337,153 respectively	774,594	774,594
Improvements, less accumulated depreciation of \$305,679 and \$305,679 respectively	<u>170,212</u>	<u>182,431</u>
Net Real Estate	1,827,892	1,840,111
<b><u>Other assets - (note 4)</u></b>		
Refinancing costs, less accumulated amortization of \$79,374 and \$58,320, respectively	<u>177,207</u>	<u>198,261</u>
Total assets	<u>\$ 2,478,649</u>	<u>\$ 2,504,986</u>
<b><u>Current liabilities</u></b>		
Accts payable & accrued expenses (schedule 2)	\$ 29,833	\$ 30,459
Maintenance paid in advance	9,351	23,491
Security deposits payable	4,256	4,756
Mortgage payable – current portion (note 4)	<u>28,659</u>	<u>28,659</u>
Total current liabilities	72,099	87,365
<b><u>Long term liabilities</u></b>		
Mortgage payable (note 4)	<u>1,581,639</u>	<u>1,610,023</u>
Total liabilities	<u>1,653,738</u>	<u>1,697,388</u>
<b><u>Stockholders equity</u></b>		
Common stock - \$1 par value; 6000 shares authorized; 5488 shares issued & outstanding	5,488	5,488
Additional paid-in capital	1,713,099	1,713,099
Accumulated deficit	<u>(893,676)</u>	<u>(910,989)</u>
Total stockholders equity	<u>824,911</u>	<u>807,598</u>
Total liabilities and stockholders equity	<u>\$ 2,478,649</u>	<u>\$ 2,504,986</u>

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

**602 AVENUE T OWNERS CORP.**  
**STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Income</u></b>		
Maintenance fee income (note 9)	\$ 504,457	\$ 508,902
Other income		
Fees & miscellaneous	19,108	28,102
Laundry income	3,000	3,000
Interest income	<u>279</u>	<u>211</u>
<b>Total income</b>	<b><u>526,844</u></b>	<b><u>540,215</u></b>
<b><u>Expenses</u></b>		
Real estate taxes (note 10)	137,093	147,186
Mortgage interest	66,525	76,653
Heating & gas	52,286	57,637
Insurance	46,346	41,296
Repairs & maintenance	57,769	52,422
Water & sewer	51,289	54,083
Payroll	24,447	30,291
Management fees	19,008	19,008
Utilities	10,068	10,924
Accounting	3,000	3,000
Licenses, permits & fees	4,947	2,272
Office & miscellaneous	2,469	2,266
Bank charges	<u>78</u>	<u>75</u>
<b>Total operating expenses</b>	<b><u>475,325</u></b>	<b><u>497,113</u></b>
<b>Income from operations before depreciation, amortization expense and provision for taxes</b>	<b><u>51,519</u></b>	<b><u>43,102</u></b>
Depreciation expense (note 2)	12,219	12,525
Amortization expense (note 4)	<u>21,054</u>	<u>12,282</u>
<b>Net income from operations before provision for taxes</b>	<b>18,246</b>	<b>18,295</b>
<b>Provision for taxes</b>	<b><u>933</u></b>	<b><u>1,362</u></b>
<b>Net income for the Year</b>	<b>17,313</b>	<b>16,933</b>
<b>Accumulated deficit – January 1</b>	<b><u>(910,989)</u></b>	<b><u>(927,922)</u></b>
<b>Accumulated deficit – December 31</b>	<b><u>\$ (893,676)</u></b>	<b><u>\$ (910,989)</u></b>

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

**602 AVENUE T OWNERS CORP.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b><u>Cash flows from operating activities</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Net income/(Loss)	\$ 17,313	\$ 16,933
Adjustments to reconcile net (loss) to operating activities		
Depreciation & amortization	33,273	24,807
Miscellaneous receivables	(24,713)	4,020
Prepaid expenses	1,074	0
Accounts payable & accrued expenses	(624)	2
Maintenance paid in advance	(14,140)	20,730
Security deposits payable	(500)	1,700
Total adjustments	<u>(5,630)</u>	<u>51,259</u>
Net cash provided by operating activities	11,683	68,192
<b><u>Cash flows (used by) financing activities</u></b>		
Principal payments on mortgage	(28,384)	210,461
Mortgage refinance costs	<u>0</u>	<u>(210,543)</u>
Net cash used by operating activities	<u>(28,384)</u>	<u>(82)</u>
Net increase/(decrease) in cash	(16,701)	68,110
Cash and cash equivalents – January 1	<u>436,712</u>	<u>368,602</u>
Cash and cash equivalents – December 31	<u>\$ 420,011</u>	<u>\$ 436,712</u>
 <b><u>Supplemental disclosures of cash flow information:</u></b>		
Cash paid during the year for:		
Interest	<u>\$ 78,300</u>	<u>\$ 78,300</u>
Income tax	<u>\$ 1,700</u>	<u>\$ 1,700</u>

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

**602 AVENUE T OWNERS CORP.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 – ORGANIZATION**

602 Avenue T Owners Corp. is a qualified Cooperative Housing Corporation under Section 216(b)(3) of the Internal Revenue Code. The Corporation own the six story building located at 602 Avenue T in Brooklyn, New York. The building was converted to cooperative ownership on July 19, 1990. Shares in the Corporation are allocated to 65 residential apartments in the building.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The Corporation records its income when earned and its expenses when incurred under the accrual method of accounting.

**B. Real Estate**

Real Estate is stated at its historical cost.

**C. Allowance for Doubtful Accounts**

No allowance for doubtful accounts has been established as it is management's opinion that all receivables are realizable and will be collected.

**D. Depreciation**

Depreciation is computed using the straight-line method over estimated useful lives, based on a 40-year life for the building and 7 to 40 years for building improvements.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 – RESERVE FUND/ FUTURE MAJOR REPAIRS AND REPLACEMENTS**

In calendar year 2008, a reserve fund of monies were established and are to be used exclusively for making capital repairs, replacements and improvements necessary for the health and safety of the residents of the building. As of December 31, 2019 the amounts reserved was \$131,432. The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and estimates the costs of the major repairs and replacements that may be required in the future. When funds are required to meet future needs for major repairs and replacements, in excess of the monies in the reserve fund, the Corporation plans to either borrow, increase maintenance assessments or delay repairs and replacements until funds are available for such major projects.

**602 AVENUE T OWNERS CORP.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 4 – MORTGAGE PAYABLE**

In June 2019, the corporation refinanced its mortgage in the amount of \$1,650,000 payable over a period of 10 years at the interest rate of 4.042%. Amortization of the mortgage is based on a 30 year payout. A balloon principal payment will be due at the end of the 10 year period. As of December 31, 2019 the mortgage balance was \$1,610,298.

Closing costs incurred in connection with the refinancing mentioned above were \$210,543. These costs are being amortized over a 10 year period.

**NOTE 5– DUE TO SPONSOR**

The sponsor is entitled to take credits against maintenance charges for all tax abatements which become available to the corporation with respect to SCRIE benefits. As of December 31, 2019, there are no SCRIE benefits due to the sponsor.

**NOTE 6 – MAINTENANCE FEE INCOME**

For the calendar year 2019, the Board approved a decrease in its maintenance to \$7.73 per share/per month to \$7.66 per share/per month.

The total amounts billed for maintenance fee income for 2019 and 2018 was \$504,457 and \$508,902, respectively.

**NOTE 7 – RELATED PARTIES**

As of December 31, 2019, the sponsor owned 14 units, 22% (1,211 shares) of the outstanding shares of stock. The sponsor was current on all its maintenance obligations as of December 31, 2019 and 2018. In calendar year 2019 and 2018, the sponsor was billed \$111,335 and \$102,310 respectively.

**NOTE 8– NET OPERATING LOSS**

The Cooperative Corporation has net operating losses available of approximately \$895,000 to be carried forward to future years for tax purposes. The operating losses expire in the calendar year 2034. The operating losses are subject to annual limitations and may expire before full utilization by the Cooperative

**602 AVENUE T OWNERS CORP.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 9 – INVESTMENT IN NATIONAL COOPERATIVE BANK**

**Class B2 Stock is acquired through patronage refunds. The stock is currently non-transferable and non-redeemable. The Bank Act does not allow a dividend to be paid on this stock, therefore no value has been assigned to them and no income was recognized in the financial statements upon their receipt.**

**The Cooperative still owns the Class B Stock, even though it no longer has a mortgage with NCB Bank.**

**Class B Stock can be used in the future, if the Cooperative decides to refinance with NCB Bank again.**

**602 AVENUE T OWNERS CORP.**  
**SUPPORTING SCHEDULES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Schedule 1- Prepaid expenses**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Insurance	\$ 9,043	\$ 10,117
Repairs and maintenance	<u>1,061</u>	<u>1,061</u>
Total prepaid expenses	<u>\$ 10,104</u>	<u>\$ 11,178</u>

**Schedule 2: Accounts payable and accrued expenses**

Heating and gas	\$ 7,994	\$ 9,423
Mortgage interest – bank	5,605	5,703
Accounting	3,000	3,000
Water and sewer	3,811	3,625
Payroll	1,663	1,870
Corporate taxes	933	1,362
Telephone	51	48
Utilities	1,309	1,105
Repairs and maintenance	<u>5,467</u>	<u>4,323</u>
Total accounts payable and accrued expenses	<u>\$ 29,833</u>	<u>\$ 30,459</u>

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