

# **Glen Oaks Village Owners, Inc.**

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## **FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2020 and 2019**

Glen Oaks Village Owners, Inc.  
Table of Contents  
For the Years Ended December 31, 2020 and 2019

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<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements:</b>	
Balance Sheets	3 - 4
Statements of Income	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flows	7 - 8
Notes to the Financial Statements	9 - 20
<b>Supplementary Information:</b>	
Schedules of Revenues	21
Schedules of Expenses	22

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Glen Oaks Village Owners, Inc.  
Glen Oaks, New York 11004

We have audited the accompanying financial statements of Glen Oaks Village Owners, Inc., which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of income, changes in shareholders' 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 Glen Oaks Village Owners, Inc., as of December 31, 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.

### ***Emphasis of Matter – Prior Period Adjustment***

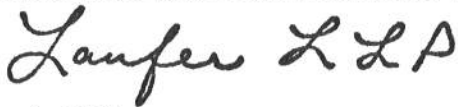
As discussed in Note 2 to the financial statements, Glen Oaks Village Owners, Inc. improperly recorded its closing Prepaid Expenses, Real Estate Tax Abatements and Exemptions Payable and NYC Real Estate Tax balances for the years ended December 31, 2019 and 2018. Additionally, Glen Oaks Village Owners, Inc. restated its closing Accumulated Depreciation and Depreciation expense balances for the year ended December 31, 2019. Consequently, Glen Oaks Village Owners, Inc. restated these closing balances to correct these misstatements. Our opinion on the December 31, 2020 and 2019 financial statements is not modified with respect to this matter.

### ***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted the supplementary information on future 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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and schedules of expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of Glen Oaks Village Owners, Inc.'s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Laufer LLP". The signature is written in a cursive, flowing style.

Laufer LLP  
May 3, 2021

Glen Oaks Village Owners, Inc.  
Balance Sheets  
December 31, 2020 and 2019

		(As restated)
	2020	2019
Assets		
Current Assets		
Cash		
Cash and Cash Equivalents	\$ 1,439,138	\$ 727,784
Cash in Name of Agent - Tenant Security - Restricted	249,076	236,172
Total Cash and Cash Equivalents	1,688,214	963,956
Investments - Reserve Fund	19,954,432	19,138,125
Tenant - Shareholders Receivable - Net	225,136	117,846
Notes Receivable - Short-Term		
(includes \$9,015 and \$5,753, respectively, from related parties)	13,454	10,347
Rent Receivables	108,717	23,698
Sundry Receivables	69,905	67,845
Prepaid Expenses	2,184,728	1,996,851
Fuel and Supply Inventories	988,289	886,324
Other Asset	38,750	-
Total Current Assets	25,271,625	23,204,992
Property and Equipment		
Land	17,761,880	17,761,880
Buildings	87,202,136	87,202,136
Building Improvements	51,927,963	50,815,302
Furniture, Fixtures and Equipment	1,163,462	1,128,890
Transportation Equipment	2,104,999	1,992,166
	160,160,440	158,900,374
Less: Accumulated Depreciation	(122,944,502)	(120,873,802)
Net Property and Equipment	37,215,938	38,026,572
Non-Current Assets		
Notes Receivable - Homestead Program - Long-Term		
(includes a \$35,000 related party receivable)	164,000	164,000
Notes Receivable - Long-Term		
(includes \$387,881 and \$196,902, respectively, from related parties)	682,538	674,023
Total Non-Current Assets	846,538	838,023
Total Assets	\$ 63,334,101	\$ 62,069,587



Glen Oaks Village Owners, Inc.  
Balance Sheets  
December 31, 2020 and 2019

		(As restated)
	2020	2019
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,280,300	\$ 1,264,368
Mortgage Interest Payable	72,559	84,607
Mortgage Payable - Current Portion	2,532,006	2,383,433
Deferred Revenue	265,118	249,554
Real Estate Tax Abatements and Exemptions Payable	307,689	374,120
Security Deposits Payable	282,073	268,713
Total Current Liabilities	<u>4,739,745</u>	<u>4,624,795</u>
Long-Term Liabilities		
Mortgage Payable Long-Term, Net of Unamortized Loan Origination Costs of \$33,729 and \$40,957, Respectively	<u>11,789,041</u>	<u>14,313,819</u>
Total Long-Term Liabilities	<u>11,789,041</u>	<u>14,313,819</u>
Total Liabilities	<u>16,528,786</u>	<u>18,938,614</u>
Shareholders' Equity		
Capital Stock - \$1 Par Value; 400,000 Shares Authorized, 387,479 Issued and Outstanding of which 3,140 and 2,498 Shares Were Held as Treasury Stock at December 31, 2020 and 2019, Respectively	387,479	387,479
Capital in Excess of Par Value	112,720,825	110,314,155
Treasury Stock - At Cost	(3,013,905)	(1,887,825)
Accumulated Deficit	<u>(63,289,084)</u>	<u>(65,682,836)</u>
Total Shareholders' Equity	<u>46,805,315</u>	<u>43,130,973</u>
Total Liabilities and Shareholders' Equity	<u>\$ 63,334,101</u>	<u>\$ 62,069,587</u>

Glen Oaks Village Owners, Inc.  
Statements of Income  
For the Years Ended December 31, 2020 and 2019

	2020	(As restated) 2019
Revenues	<u>\$ 26,356,405</u>	<u>\$ 26,143,948</u>
Net Investment Income		
Net Unrealized Gain on Investments	2,303,196	2,629,374
Net Realized Gain on Investments	193,078	-
Investment Income	<u>670,974</u>	<u>751,147</u>
Total Net Investment Income	<u>3,167,248</u>	<u>3,380,521</u>
Total Income	29,523,653	29,524,469
Expenses	<u>(24,975,498)</u>	<u>(24,873,838)</u>
Income Before Depreciation	4,548,155	4,650,631
Depreciation	<u>(2,070,698)</u>	<u>(2,079,182)</u>
Operating Income	2,477,457	2,571,449
Provision for Taxes	<u>(83,705)</u>	<u>(116,237)</u>
Net Income	<u><u>\$ 2,393,752</u></u>	<u><u>\$ 2,455,212</u></u>

Glen Oaks Village Owners, Inc.  
Statements of Changes in Shareholders' Equity  
For the Years Ended December 31, 2020 and 2019

	Total	Capital Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income
December 31, 2018 (As Previously Reported)	\$ 40,104,803	\$ 387,479	\$ 108,927,478	\$ (1,436,275)	\$ (68,815,359)	\$ 1,041,480
Prior Period Adjustment						
Real Estate Taxes	(364,169)	-	-	-	(364,169)	-
December 31, 2018 (As Restated)	39,740,634	387,479	108,927,478	(1,436,275)	(69,179,528)	1,041,480
Transactions with Owners						
Purchased Units	(583,123)	-	-	(583,123)	-	-
Sale of Treasury	1,518,250	-	1,386,677	131,573	-	-
Total Transactions with Owners	935,127	-	1,386,677	(451,550)	-	-
Adoption of ASU 2016-01	-	-	-	-	1,041,480	(1,041,480)
Net Income	2,587,114	-	-	-	2,587,114	-
December 31, 2019 after 2018 Prior Period Adjustment	43,262,875	387,479	110,314,155	(1,887,825)	(65,550,934)	-
Prior Period Adjustments						
Depreciation	(69,164)	-	-	-	(69,164)	-
Real Estate Taxes	(62,738)	-	-	-	(62,738)	-
December 31, 2019 (As Restated)	43,130,973	387,479	110,314,155	(1,887,825)	(65,682,836)	-
Transactions with Owners						
Purchased Units	(1,442,491)	-	-	(1,442,491)	-	-
Sale of Treasury	2,723,081	-	2,406,670	316,411	-	-
Total Transactions with Owners	1,280,590	-	2,406,670	(1,126,080)	-	-
Net Income	2,393,752	-	-	-	2,393,752	-
December 31, 2020	\$ 46,805,315	\$ 387,479	\$ 112,720,825	\$ (3,013,905)	\$ (63,289,084)	\$ -

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



Glen Oaks Village Owners, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

		(As restated)
	2020	2019
Cash Flows From Operating Activities		
Net Income	\$ 2,393,752	\$ 2,455,212
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Depreciation	2,070,698	2,079,182
Interest Expense - Amortization of Loan Origination Costs	7,228	7,228
Net Unrealized Gains on Investments	(2,303,196)	(2,629,374)
Net Realized Gains on Investments	(193,078)	-
Interest Earned on Investments - Net	(670,033)	(748,907)
(Increase) Decrease in Operating Assets:		
Tenant - Shareholders Receivable - Net	(107,290)	78,100
Rent Receivables	(85,019)	7,894
Prepaid Expenses	(187,877)	(70,550)
Fuel and Supply Inventories	(101,965)	19,004
Sundry Receivables	(2,060)	(1,768)
Other Asset	(38,750)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	15,934	(404,969)
Mortgage Interest Payable	(12,048)	(11,366)
Deferred Revenue	15,564	(59,618)
Real Estate Tax Abatements and Exemptions Payable	(66,431)	9,951
Security Deposits Payable	13,360	(1,251)
Net Cash Provided By Operating Activities	<u>748,789</u>	<u>728,768</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(1,260,066)	(1,715,886)
Investments - Reserve Fund Withdrawals	2,350,000	-
Investments - Reserve Fund Additions	-	(230,000)
Receipts from Notes Receivable - Homestead Program	-	7,500
Receipts from Notes Receivable	189,078	108,000
Issuance of Mortgage Note Receivable	(200,700)	-
Net Cash Provided By (Used In) Investing Activities	<u>1,078,312</u>	<u>(1,830,386)</u>
Cash Flows From Financing Activities		
Repayment of Mortgage Payable	(2,383,433)	(2,248,679)
Proceeds from Sale of Treasury Stock	2,723,081	1,518,250
Purchase of Treasury Stock	(1,442,491)	(451,550)
Net Cash Used In Financing Activities	<u>(1,102,843)</u>	<u>(1,181,979)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	724,258	(2,283,597)

Glen Oaks Village Owners, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	2020	(As restated) 2019
Cash and Cash Equivalents - Beginning of Year	\$ 963,956	\$ 3,247,553
Cash and Cash Equivalents - End of Year	\$ 1,688,214	\$ 963,956
Supplemental Disclosures of Cash Flow Information		
Cash Paid For Interest	\$ 934,460	\$ 1,069,214
Cash Paid For Income Taxes	\$ 68,724	\$ 105,089
Supplemental Disclosures of Investment Account Activity		
Purchase of Investments	\$ 115,327	\$ -
Proceeds from Sale of Investments	\$ 2,792,319	\$ -
Cost of Investments Sold	\$ 2,599,241	\$ -
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Treasury Stock Acquired - Foreclosure	\$ -	\$ 128,862
Satisfaction of Note Receivable - Foreclosure	-	(128,862)
	\$ -	\$ -

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**1. Nature of Organization**

SB Investors, Ltd., a Florida limited partnership, as Sponsor, and Glen Oaks Village Owners, Inc., a New York corporation, (the "Company") entered into a Contract of Sale (the "Contract"), dated February 25, 1980, to sell, transfer and convey fee and leasehold title to the land and buildings known as Glen Oaks Village, located in the Glen Oaks area of Queens County in the City and State of New York (the "Property").

Pursuant to the terms, covenants and conditions of the Contract and the Offering Plan (the "Plan") to convert the Property to Cooperative Ownership, dated October 24, 1980, as amended, the Company acquired (i) fee title to 134 separate buildings, (ii) all of Sponsor's right, title and interest in the leasehold estate covering the buildings and the entire parcel of land on which the buildings are located, and (iii) fee title to the land.

The Property was conveyed to the Company on April 14, 1981. The facility contains 2,904 apartment units in two non-contiguous areas on approximately 110 acres of land. The Company is responsible for the operations and maintenance of the common facilities of the 2,904 apartment units, buildings and property.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, cash and cash equivalents consist of short-term, highly liquid investments available for current use with initial maturities of three months or less.

**Cash in Name of Agent – Tenant Security - Restricted** represents cash collected from certain shareholders held in the shareholder's names at a financial institution.

**Investments** – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments in equity securities are reported as other income for the years ended December 31, 2020 and 2019; whereas, realized and unrealized gains and losses on investments in debt securities, if any, would be reported as other comprehensive income (loss).

**Maintenance Assessments** – Tenant-shareholders are subject to monthly assessments to provide funds for the Company's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Company's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to replacement fund assessments are satisfied when these funds are expended for their designated purpose. Tenant-shareholder receivables at the balance sheet date are stated net of an allowance for uncollectible accounts. The allowance is determined by management review of receivables. An allowance of \$30,000 has been determined necessary for uncollectible accounts at both December 31, 2020 and 2019. The Company's policy is to retain legal counsel and place liens on the stock of tenant-shareholders whose assessments are 30 days or more delinquent. Any excess assessments at year end are retained by the Company for use in the succeeding year.



Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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The Company treats uncollectible assessments as credit losses. Methods, inputs and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Company's control. The balances of tenant-shareholders receivable as of December 31, 2020 and 2019 are \$225,136 and \$117,846, respectively.

**Contract Liabilities (Payments received in advance - prepaid maintenance assessments)** – The Company recognizes revenue from members as the related performance obligations are satisfied. A contract liability (prepaid maintenance assessment) is recorded when the Company has the right to receive payment in advance of the satisfaction of performance obligations related to maintenance assessments. The balances of contract liabilities (prepaid maintenance assessments) as of December 31, 2020 and 2019 were \$227,168 and \$191,804, respectively.

**Notes Receivable** – Notes receivable are stated at unpaid principal balances and are recognized on the dates that they are originated. Interest is recognized over the term of a note and is calculated using the effective-interest method. Management considers a note impaired when based on current information or factors (such as payment history), it is probable that the principal and interest payments will not be collected according to the loan agreement. Management does not consider any loan to be impaired at December 31, 2020 and 2019. The Company believes that the carrying amounts of notes receivable at December 31, 2020 and 2019 approximate fair values.

**Inventory** – Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

**Property and Equipment** – Property and equipment are capitalized at cost. Major expenditures for property and equipment and those that substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided at rates based on the following useful lives:

<u>Class</u>	<u>Life in Years</u>
Buildings	35
Building Improvements	15 – 35
Equipment	5
Furniture and Fixtures	5 – 15
Transportation Equipment	5

Depreciation is recorded using the straight-line method.

**Income Taxes** – The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code (the "Code").

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, in excess of expenses properly attributable thereto, may be subject to federal tax.

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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Deferred taxes represent the tax effects of differences between the financial reporting and tax bases of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Income tax expense consists of the tax payable for the period and the change during the period in deferred tax assets and liabilities, net of any valuation allowance.

The Company's federal and state income tax returns are subject to examination by taxing authorities for three years after the returns are filed. The Company's federal and state income tax returns for the years 2019, 2018 and 2017 remain open to examination.

**Use 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 and disclosures of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Prior Period Adjustment** – The Company improperly recorded the amounts in the accounts for "Prepaid Expenses," "Real Estate Tax Abatements and Exemptions Payable" and "NYC Real Estate Taxes" at December 31, 2019 and 2018. Additionally, the Company restated the prior year "Accumulated Depreciation" and "Depreciation" expense due to improper depreciation lives on certain fixed assets. The Company restated its financial statements for the year ended December 31, 2019 for the correction of these misstatements as follows:

	Originally Reported	As Restated	Change
Prepaid Expenses – December 31, 2019	\$ 2,052,013	\$ 1,996,851	\$ (55,162)
Real Estate Tax Abatements and Exemptions Payable – December 31, 2019	2,375	374,120	371,745
NYC Real Estate Taxes – December 31, 2019	6,927,259	6,989,997	62,738
Real Estate Tax Abatements and Exemptions Payable – December 31, 2018	-	364,169	364,169
NYC Real Estate Taxes – December 31, 2018	6,531,469	6,895,638	364,169
Accumulated Depreciation – December 31, 2019	120,804,638	120,873,802	69,164
Depreciation – December 31, 2019	2,010,018	2,079,182	69,164

**Reclassification of Prior Year Presentation** – Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

### 3. Purchase of Apartments

In February 1994, the Company was assigned all of the rights of the unsold shares held by GOV Corp. GOV Corp. had previously acquired 64,063 shares allocated to various sponsor owned apartments as a result of a foreclosure of an American Savings Bank's security interest in the shares and proprietary leases. GOV Corp.'s shares represented approximately 16.5% of the total shares of the Company and were allocated to 435 units of which 414 were occupied/rent regulated units and 21 were unoccupied units. In



Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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addition, in February 1994, GOV Corp. assigned to the Company any and all of its rights with respect to these unsold shares, including any claims to any surplus upon the transfer or sale of the shares.

As of December 31, 2020, a total of 139 units were occupied/rent regulated units and 9 were vacant.

As of December 31, 2019, a total of 143 units were occupied/rent regulated units and 9 were vacant.

The Company took title to the shares of Coronet Realty Company, effective February 1993. Coronet Realty Company had defaulted by failing to pay maintenance and other charges in the sum of \$61,312. The secured party with respect to these shares was Ensign Savings Bank under the Receivership of the Resolution Trust Corporation. The original stock and leases respecting such shares were returned to the Company by the Resolution Trust Corporation in 1993. The former Coronet shares represent approximately 4.8% of the total shares in the Company. These shares totaled 134 units of which 119 were occupied/rent regulated units and 15 were unoccupied units.

As of December 31, 2020, a total of 51 units were still occupied/rent regulated units and 2 were vacant.

As of December 31, 2019, a total of 52 units were still occupied/rent regulated units and 2 were vacant.

#### **4. Concentration of Credit Risk**

**Regional Concentration** – The Company's business activity is to operate as a cooperative housing corporation as described in Note 1, Nature of Organization. As such, the Company's primary source of revenue is from its tenant-shareholders. Under the provisions of the FASB, ASC 825, the Company is exposed to a regional concentration of credit risk if a significant portion of its tenant-shareholders do not pay their monthly maintenance charges. If a tenant-shareholder defaults in its obligation to the Company, the Company has substantial rights. Among these rights, the Company may terminate the lease of the lessee; take possession of the apartment and at its option, sell or sublet so as to recover any deficiency for unpaid rent or other charges.

**Banking Concentration** – At December 31, 2020 and 2019, the Company had \$1,411,286 and \$558,863, respectively, in excess of the Federal Deposit Insurance Corporation ("FDIC") in its banking institutions. A potential risk of loss exists for amounts held in excess of FDIC insurable limits. The Company believes it mitigates its risks by investing in or through major financial institutions.

#### **5. Investments in Marketable Securities (Investments - Reserve Fund)**

The Investments - Reserve Fund consists of investments in various mutual funds and money market accounts. Dividends and other distributions are reinvested.

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

Investments classifications are as follows, as of December 31:

	<u>2020</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Accumulated Unrealized Gains, Net</u>
Equities	\$ 2,467,483	\$ 1,362,888	\$ 1,104,595
Mutual Funds – Equities	7,861,562	5,237,130	2,624,432
Mutual Funds – Money Market	1,722,260	1,722,260	-
Mutual Funds – Fixed Income	465,186	422,235	42,951
Mutual Funds – Mixed Allocation	7,437,940	5,235,869	2,202,071
Total	<u>\$ 19,954,432</u>	<u>\$ 13,980,382</u>	<u>\$ 5,974,050</u>

	<u>2019</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Accumulated Unrealized Gains, Net</u>
Equities	\$ 1,878,263	\$ 1,497,158	\$ 381,106
Mutual Funds – Equities	7,212,985	5,448,544	1,764,440
Mutual Funds – Money Market	1,371,792	1,371,792	-
Mutual Funds – Fixed Income	1,799,041	1,714,456	84,585
Mutual Funds – Mixed Allocation	6,876,045	5,435,321	1,440,724
Total	<u>\$ 19,138,125</u>	<u>\$ 15,467,271</u>	<u>\$ 3,670,854</u>

Investment income consists of the following for the years ending December 31:

	<u>2020</u>	<u>2019</u>
Interest, Dividends, and Capital Gains	<u>\$ 670,974</u>	<u>\$ 751,147</u>

## 6. Investments

### Fair Value:

FASB ASC 820, Fair Value Measurement, establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are summarized as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

**Level 2** – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Although the degree of judgment exercised in determining fair value is greatest for investments categorized in Level 3, the inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with those investments.

The following tables summarize the valuation of the Company's investments using the U.S. GAAP fair value hierarchy as described above as of December 31:

	<u>2020</u>			
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,467,483	\$ -	\$ -	\$ 2,467,483
Mutual Funds – Equities	7,861,562	-	-	7,861,562
Mutual Funds – Money Market	1,722,260	-	-	1,722,260
Mutual Funds – Fixed Income	465,186	-	-	465,186
Mutual Funds – Mixed Allocation	7,437,940	-	-	7,437,940
Total	<u>\$ 19,954,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,954,432</u>

	<u>2019</u>			
	Level 1	Level 2	Level 3	Total
Equities	\$ 1,878,263	\$ -	\$ -	\$ 1,878,263
Mutual Funds – Equities	7,212,985	-	-	7,212,985
Mutual Funds – Money Market	1,371,792	-	-	1,371,792
Mutual Funds – Fixed Income	1,799,041	-	-	1,799,041
Mutual Funds – Mixed Allocation	6,876,045	-	-	6,876,045
Total	<u>\$ 19,138,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,138,125</u>



Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**National Cooperative Bank Stock:**

The Company held Class B1 Stock of its mortgage holder, the National Cooperative Bank, N.A. ("NCB"). Class B1 Stock was purchased to satisfy the minimum 1% stock purchase at the time of the mortgage loan. As of December 31, 2000, all of the Company's B1 Stock has been repurchased by new NCB borrowers. These funds were returned to the Company.

The Company holds Class B2 Stock of its mortgagee, NCB. This stock is acquired through patronage refunds. The stock is currently non-transferrable and non-redeemable. The Bank Act does not allow a dividend to be paid on this stock.

If a borrower accumulates over 12.5% of its loan amount in Class B Stock, the member owners may receive Class C Stock. Class C Stock can be held only by eligible borrowers of NCB. Class C Stock is non-redeemable by NCB but is transferrable among eligible borrowers of NCB. Class C Stock may be purchased directly from NCB or is received as part of NCB's patronage refund distribution. NCB may pay a cash dividend on its Class C Stock.

Under the NCB's Capitalization and Patronage Refund Policy, the total amount of patronage is based, in part, on the amount of fees and interest paid by each member in relation to the member's loan. Member's refunds are a combination of cash and stock; stock being a permanent capital investment in NCB. NCB's patronage refund is distributed in the form of cash and Class B2 and/or Class C Stock. The cash portion of the refund is a function of the total stock owned by that member and ranges from 35 to 55 percent of the total amount received by the member.

All Class B Stock may be used by the Company to offset any future purchase requirements.

Patronage stock dividends and cash refunds have been received as follows:

	<u>Stock Patronage</u>	<u>Cash Patronage</u>
2020	\$ 36,695	\$ 45,412
2019	\$ 105,962	\$ 24,463

**7. Notes Receivable – Homestead Program – Long-Term**

The Company sold certain rent-regulated apartments, which it owned, to the occupants of the apartments. The Company received notes from the buyers as a Homestead Program. These notes require no interest or principal payments during their life; the principal is due upon sale or transfer of the apartment. The Company will allow one transfer to a family member during the term of the note. The Company also has notes receivable from the Homestead Improvement Program. The combined balances of these notes total \$164,000 and \$164,000 as of December 31, 2020 and 2019, respectively. The Company has a note receivable from a key member of management (see Note 16).

**8. Notes Receivable**

The Company issues notes receivable to tenant shareholders in connection with the sales of units owned by the Company. These notes are collateralized by mortgages on the units. The original balance of the notes range from \$18,200 to \$245,000 and carry a 30 year term. The notes are interest bearing with rates ranging from 2.9% to 5.0% per annum and the monthly payments range between \$98 and \$1,315. The balances of

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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these notes are \$695,992 and \$684,370 as of December 31, 2020 and 2019, respectively. The Company has notes receivable from current board members (see Note 16).

**9. Mortgage Payable**

On August 1, 1995, the Company refinanced its existing mortgage and loan payable. The new mortgage is with NCB and was taken in two pieces as follows:

Principal amount - \$36,682,393 at an interest rate of 6% per annum, maturing on August 1, 2020.

Principal amount - \$14,050,000 at an interest rate of 6.879% per annum, maturing on August 1, 2020.

These mortgages were then refinanced with NCB on August 1, 2005. Proceeds from the new mortgage were used to satisfy both outstanding mortgage loans. The following are the pertinent items of the new loan:

Principal Amount:	\$39,000,000
Monthly Payment:	\$276,491 consisting of principal and interest
Interest Rate:	5.875% per annum
Effective Interest Rate:	6.036% per annum
Term:	20 years
Maturity Date:	September 1, 2025

The mortgage is secured by all real property of the Company. The Company may prepay the mortgage but is subject to prepayment penalty restrictions as defined in the mortgage agreement.

Scheduled principal payments for the next five calendar years and thereafter are as follows:

For the year ending December 31,	
2021	\$ 2,532,006
2022	2,686,878
2023	2,851,223
2024	3,024,632
2025 - Maturity	3,260,037
Total Mortgage Principal Payments	14,354,776
Less: Unamortized Loan Origination Costs	33,729
Total	<u>\$ 14,321,047</u>

Interest expense was \$929,640 and \$1,065,076 for the years ended December 31, 2020 and 2019, respectively, which includes the amortization of loan origination costs of \$7,228 for each of the years.



#### **10. Treasury Stock**

The Company has acquired apartments from time to time on the open market for administrative use, to sell, or sublet.

Purchases of treasury stock are accounted for using the cost method. Any gain on the sale of treasury stock is accounted for as an increase to capital in excess of par value. Any loss on sale of treasury stock is accounted for as a reduction in capital in excess of par value.

During the years ended December 31, 2020 and 2019, the Company acquired 642 and 236 shares of treasury stock, respectively, which were allocated to 5 and 2 apartments, respectively. As of December 31, 2020 and 2019, the Company held 3,140 and 2,498 shares of treasury stock, respectively.

#### **11. Future Major Repairs and Replacements**

The Company has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The Company, however, directs its maintenance department to provide it with periodic reports of needed repairs and replacements. Repairs and replacements are then funded on an annual basis in a comprehensive on-going building repair program. When funds are needed, the Company may borrow, utilize funds from the reserve account, increase maintenance, levy a special assessment, or delay the repairs or replacement until funds become available or any combination of these.

#### **12. Employee Benefit Plans**

The Company sponsors a 401(k) defined contribution plan (the "Plan") for the benefit of all eligible employees. The Company contributes 3% of employees' compensation to the Plan. For the years ended December 31, 2020 and 2019, the total expense was \$46,291 and \$44,955, respectively.

For union employees, the Company contributes to multi-employer pension plans jointly administered by industry and union representatives. The risk of participating in U.S. multi-employer pension plans is different from single-employer pension plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits of employment to other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company stops participating in some of its multi-employer pension plans, it may be required to pay those plans an amount based on the underfunded status of the entire plan.

The Company's participation in these plans for the years ended December 31, 2020 and 2019 is outlined in the following table. All information in the table is as of December 31 of the relevant year unless otherwise noted. The Plan Protection Act ("PPA") zone status column ranks the funded status of multi-employer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the Company received from the plan. Among other factors, a plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80% or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan ("FIP")/Rehabilitation Plan ("RP") status column indicates plans for which a FIP or RP is either pending or in place.

The following table contains information about the Company's multi-employer pension plans for the years ended December 31, 2020 and 2019:

Plan Name	Employer Identification Number – Plan Number	PPA Zone Status (plan year-end)		FIP/RP Status Pending/ Implemented	Company Contributions (as of December 31)		Expiration Date of Collective Bargain Agreement	Company Contributions > 5%	
		June 2020	June 2019		2020	2019		2020	2019
Building Service 32BJ Pension	13-1879376	Red as of July1, 2020	Red as of July1, 2019	Yes	\$331,525	\$330,667	April 20, 2022	No	No

The Company currently has no intention of withdrawing from the multi-employer pension plan.

### 13. Special Assessments

The Company collected special assessments in the amounts of \$698,007 and \$622,907 for School Tax Relief (STAR) credits for the years ended December 31, 2020 and 2019, respectively.

### 14. Income Taxes

Income taxes for the years ending December 31, 2020 and 2019 consist of the following:

	2020	2019
Current	\$ 83,705	\$ 116,237
Deferred	-	-
	<u>\$ 83,705</u>	<u>\$ 116,237</u>

Deferred income tax assets as of the years ending December 31, 2020 and 2019 consist of the following:

	2020	2019
Deferred Tax Asset:		
Net Operating Loss Carryforwards	\$ 18,716,000	\$ 19,177,000
Deferred Tax Liabilities:		
Property and Equipment	(3,716,000)	(3,332,000)
Unrealized Holding Gains	(1,792,000)	(1,101,000)
Net Deferred Tax Asset	13,208,000	14,744,000
Less: Valuation Allowance	(13,208,000)	(14,744,000)
Net	<u>\$ -</u>	<u>\$ -</u>



Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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At December 31, 2020, the Company has estimated federal, state and local net operating loss carryforwards for income tax purposes of approximately \$53,172,000, \$61,569,000 and \$54,588,000, respectively. If not utilized, the federal, state net and local operating loss carryforwards will begin to expire in the tax year ending December 31, 2020 and will be fully expired in tax year ending December 31, 2036. The Company does not anticipate significant taxable income in future periods; therefore, it is more likely than not that the deferred tax assets will be realized. As a result, the Company recorded a valuation allowance against its deferred tax assets.

**15. Litigation**

From time-to-time individuals have filed claims in connection with damages sustained on the Company's property. The claims are handled by the attorney of the Company's insurance provider. These claims are covered by insurance.

**16. Related Party Transactions**

In 2010, the Company issued a note receivable to a current board member in the amount of \$245,000 at an annual interest rate of 5% with a 30-year term. Monthly payments of principal and interest in the amount of \$1,315 began in September 2010. Interest earned on this note was \$10,029 and \$10,281 for the years ended December 31, 2020 and 2019, respectively. The balance due to the Company at December 31, 2020 is \$196,902, of which \$6,047 is due within one year and the balance of \$190,855 is a noncurrent receivable. The note receivable is due in August 2040.

In September 2020, the Company issued a note receivable to a current board member in the amount of \$200,700 at an annual interest rate of 5% with a 30-year term. Monthly payments of principal and interest in the amount of \$1,077 began in October 2020. Interest earned on this note was \$2,526 for the year ended December 31, 2020. The balance due to the Company at December 31, 2020 is \$199,994, of which \$2,968 is due within one year and the balance of \$197,026 is a noncurrent receivable. The note receivable is due in September 2050.

A key member of management has a loan with the Company from the Homestead Program in the amount of \$35,000. The note receivable was issued in May 1995. This note does not require interest or principal payments during its life. The principal becomes due upon the sale or transfer of the apartment.

**17. Subsequent Events**

**Date of Management's Review** – The Company has evaluated events and transactions for recognition or disclosure through May 3, 2021 the date the financial statements were available for issuance.

Management has evaluated events and the risks associated with the COVID-19 pandemic, the vaccines and the aggregated effects they may have on the Company's ability to continue as a going concern. Having considered the financial position of the Company, and events in the aggregate, management does not have substantial doubt about the Company's ability to continue as a going concern for one year from the date the financial statements were available for issuance due to its positive cash flows, positive equity and revenues. Management cannot provide specific estimates of the financial impact on the Company at this time.

On February 19, 2021, the Company entered into a U.S. Small Business Administration Guaranteed Loan with NCB in the amount of \$1,020,000 with an interest rate of 1.00% per annum under the Coronavirus

Glen Oaks Village Owners, Inc.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

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Aid, Relief, and Economic Security Act and Paycheck Protection Program. The Note will mature five (5) years from the date of the Note. The Company may prepay this Note, in whole or in part, at any time, without premium or penalty. The Company may be entitled to the forgiveness of some or all of the Loan, pursuant to the Paycheck Protection Program. To apply for loan forgiveness, the Company must comply with the related provisions of the Cares Act.

In April 2021, the Company purchased 629 shares from a tenant-shareholder in the amount of \$775,000 for the purchase of five units. At December 31, 2020, the Company recorded a deposit for this transaction in the amount of \$38,750 which is included as an other current asset on the balance sheet.

Glen Oaks Village Owners, Inc.  
Supplementary Schedules of Revenues  
For the Years Ended December 31, 2020 and 2019

		(As restated)
	2020	2019
Revenues		
Maintenance - Shareholders	\$ 21,136,272	\$ 21,123,947
Special Assessments	698,007	622,907
Apartment Rental Income	2,727,381	2,698,511
Capital Improvement Fund Contributions	61,250	74,750
Garages and Parking Permit Fees	629,724	631,056
Maintenance Services Income	73,518	77,739
Laundry Income	153,149	146,374
Sales, Sublet Rental and Management Fees	548,481	493,017
Cable Income	88,630	85,565
Late Fees and House Rule Violations	55,235	67,007
Interest from Company Issued Mortgages	33,831	54,862
Insurance Proceeds	97,329	12,191
NCB Patronage Refund	45,412	24,463
Newsletter Advertising	-	7,030
Community Room Rental	425	5,050
Dog Park Membership Fees	3,775	5,075
Other Revenue	3,986	14,404
Total Revenues	<u>\$ 26,356,405</u>	<u>\$ 26,143,948</u>



Glen Oaks Village Owners, Inc.  
Supplementary Schedules of Expenses  
For the Years Ended December 31, 2020 and 2019

Expenses	2020	(As restated) 2019
Administrative and Management		
Office Salaries	\$ 1,293,511	\$ 1,056,258
Community Events and Contributions	11,018	71,901
Telephone	45,005	42,010
Legal, Audit and Other Professional Fees	110,803	150,951
Information Technology Services	86,254	57,440
Government Permits, Violations and Fines	25,709	22,300
Postage	20,532	40,918
Office	193,884	206,201
Miscellaneous	2,184	3,323
Total Administrative and Management	<u>1,788,900</u>	<u>1,651,302</u>
Operating Expenses		
NYC Water and Sewer	2,206,254	2,064,816
Electric and Cooking Gas	584,088	631,108
Heating Costs	2,030,111	2,059,223
Exterminating Services	98,664	103,576
Protection Services	666,415	663,019
Sanitation Services - Bulk Pick-Up	142,502	124,155
Total Operating Expenses	<u>5,728,034</u>	<u>5,645,897</u>
Maintenance Services		
Salaries	3,456,717	3,881,452
Repairs and Maintenance	1,925,261	1,926,773
Landscaping and Grounds Maintenance	183,408	194,895
Vehicle Fleet Expense	176,258	208,662
Uniforms and Janitorial Supplies	75,121	55,688
Total Maintenance Services	<u>5,816,765</u>	<u>6,267,470</u>
Taxes, Insurance and Employee Benefits		
NYC Real Estate Taxes	7,344,435	6,989,997
Payroll Taxes	446,846	455,292
Insurance	1,203,327	1,136,357
Non-Union Employee Benefits - Pension, Disability, Health Insurance and Training	364,716	320,835
Union Employee Benefits - Health Insurance and Pension	1,352,835	1,341,612
Total Taxes, Insurance and Employee Benefits	<u>10,712,159</u>	<u>10,244,093</u>
Financial		
Interest on Mortgage Payable (includes amortization of loan origination costs)	929,640	1,065,076
Total Financial	<u>929,640</u>	<u>1,065,076</u>
Total Expenses	<u>\$ 24,975,498</u>	<u>\$ 24,873,838</u>