

GLEN OAKS VILLAGE OWNERS, INC.

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FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2011

AND

DECEMBER 31, 2010



March 26, 2012

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Glen Oaks Village Owners, Inc.  
Glen Oaks, NY 11004

Dear Board Member:

We have audited the accompanying balance sheet of Glen Oaks Village Owners, Inc. as of December 31, 2011 and 2010, and the related statements of income, expenses and deficit and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

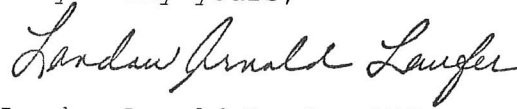
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glen Oaks Village Owners, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 26, 2012

Glen Oaks Village Owners, Inc. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Very truly yours,

A handwritten signature in cursive script that reads "Landau Arnold Laufer".

Landau Arnold Laufer LLP

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEET

As At  
December 31,

2011                      2010

ASSETS

Current Assets

Cash & Cash Equivalents	\$ 648,058	\$ 1,413,088
Investments - Reserve Fund	12,003,547	11,503,573
Cash in Name of Agent - Tenant Security	237,848	230,815
Stockholders' Accounts Receivable - Net	248,574	255,159
Rent Receivable	54,903	28,300
Prepaid Expenses	1,640,577	1,576,746
Fuel & Supply Inventories	877,289	845,374
Sundry Receivables	157,788	66,946
<u>Total Current Assets</u>	<u>15,868,584</u>	<u>15,920,001</u>

Property & Equipment (Note 9)

Land	17,250,000	17,250,000
Buildings	87,202,136	87,202,136
Building Improvements	37,961,378	36,938,512
Furniture, Fixtures & Equipment	1,634,243	1,612,034
Transportation Equipment	1,096,982	1,069,147
Communication Equipment	8,244	8,244
	<u>145,152,983</u>	<u>144,080,073</u>
Less: Accumulated Depreciation	98,059,868	93,846,966
<u>Total Property &amp; Equipment (Net)</u>	<u>47,093,115</u>	<u>50,233,107</u>

Other Assets

Deferred Mortgage Cost - Net	98,780	106,008
Notes Receivable - Homestead Program - Long-Term (Note 5)	164,000	187,000
Notes Receivable - Long-Term	2,095,400	1,613,608
<u>Total Other Assets</u>	<u>2,358,180</u>	<u>1,906,616</u>

	<u>\$ 65,319,879</u>	<u>\$ 68,059,724</u>
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See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEET

As At  
December 31,

2011                      2010

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable & Accrued Expenses	\$ 2,328,205	\$ 2,149,115
Mortgage Interest Payable	159,122	166,193
Mortgage Payable - Current Portion	1,479,209	1,398,967
Security Deposits Payable	237,848	230,815
<u>Total Current Liabilities</u>	<u>4,204,384</u>	<u>3,945,090</u>

Long-Term Liabilities

Mortgage Payable	<u>30,000,671</u>	<u>31,479,880</u>
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<u>Total Liabilities</u>	<u>34,205,055</u>	<u>35,424,970</u>
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Stockholders' Equity

Capital Stock - \$1 Par Value Per Share		
Authorized - 400,000 Shares		
Issued & Outstanding		
At 12/31/11 - 387,600 Shares		
At 12/31/10 - 387,591 Shares	387,479	387,479
Capital in Excess of Par Value	92,463,838	90,447,562
Treasury Stock (Note 8)	(1,341,433)	(1,024,409)
Deficit	(60,395,060)	(57,175,878)
<u>Total Stockholders' Equity</u>	<u>31,114,824</u>	<u>32,634,754</u>

	<u>\$ 65,319,879</u>	<u>\$ 68,059,724</u>
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See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENT OF INCOME, EXPENSES AND DEFICIT

	For The Years Ended December 31,	
	<u>2011</u>	<u>2010</u>
Total Income (Schedule A)	\$ 22,887,443	\$ 23,152,980
Total Expenses (Schedule B)	<u>21,759,165</u>	<u>21,145,235</u>
<u>Operating Profit Before Depreciation &amp; Amortization</u>	1,128,278	2,007,745
Depreciation	(4,212,901)	(4,114,051)
Amortization	<u>(7,228)</u>	<u>(7,228)</u>
<u>Loss Before Provision for Taxes</u>	(3,091,851)	(2,113,534)
Provision for Taxes	<u>(61,852)</u>	<u>(50,268)</u>
<u>Net Loss</u>	(3,153,703)	(2,163,802)
Deficit at Beginning of Year	(57,174,559)	(55,010,757)
Unrealized (Loss) on Investments	<u>(66,798)</u>	<u>(1,319)</u>
<u>DEFICIT AT END OF YEAR</u>	<u>\$ (60,395,060)</u>	<u>\$ (57,175,878)</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	<u>2011</u>	<u>2010</u>
<u>Net Cash Flow From Operating Activities</u>		
Net Loss	\$ (3,153,703)	\$ (2,163,802)
Adjustments To Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Depreciation & Amortization	4,220,129	4,121,279
Changes in Assets & Liabilities:		
Stockholders' Accounts Receivable	5,450	19,712
Cash in Name of Agent - Tenant Sec.	(7,033)	(5,929)
Rent Receivable	(26,603)	(2,103)
Prepaid Expenses	(63,831)	12,605
Fuel & Supply Inventories	(31,915)	(238,600)
Sundry Receivables	(90,842)	66,232
Accounts Payable	179,090	(307,673)
Mortgage Interest Payable	(7,071)	(6,664)
Security Deposits Payable	7,033	5,929
<u>Net Cash Flows Provided By Operating Activities</u>	<u>1,030,704</u>	<u>1,500,986</u>
<u>Net Cash Flow From Investing Activities</u>		
Purchases of Property, Plant & Equipment	(1,072,910)	(1,416,983)
Sale (Purchase) of Investments - (Reserve Account)	(564,317)	(315,854)
<u>Net Cash Flows (Used In) Investing Activities</u>	<u>(1,637,227)</u>	<u>(1,732,837)</u>
<u>Net Cash Flow From Financing Activities</u>		
Repayment of Long-Term Debt	(1,398,967)	(1,318,331)
Proceeds from Sale of Treasury Stock - Net Notes Receivable - Long-Term	1,699,252	2,365,139
	(458,792)	(962,168)
<u>Net Cash Flows (Used In) Provided By     Financing Activities</u>	<u>(158,507)</u>	<u>84,640</u>
Net (Decrease) in Cash & Cash Equivalents	(765,030)	(147,211)
Cash & Cash Equivalents- Beginning of Year	1,413,088	1,560,299
<u>CASH &amp; CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 648,058</u>	<u>\$ 1,413,088</u>
<u>Supplemental Disclosures of Cash Flows Information:</u>		
Cash Paid for Interest	\$ 1,918,925	\$ 1,999,562
Cash Paid for Income Taxes	61,851	50,268

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF INCOME

	For The Years Ended	
	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>Income</u>		
Maintenance - Shareholders	\$ 18,614,171	\$ 18,466,255
Apartment Rental Income	2,561,758	2,476,212
Asbestos Abatement Income	0	369,857
Capital Improvement Fund Contributions	63,000	101,250
Garage Rental Income	580,393	575,934
Maintenance Service Repair Income	96,968	131,630
Parking Permits	42,050	44,600
Laundry Income	70,275	69,556
Resale & Sublet Fees	345,151	417,392
Management of Rental Apartments	41,910	34,900
Cable Income	13,570	51,953
Late Charges & House Rule Violations	51,789	57,557
Investment Income	249,265	234,383
Interest from GOVO Issued Mortgages	91,255	62,043
Alteration Fee Income	20,026	30,551
Miscellaneous Income	45,862	28,907
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<u>TOTAL INCOME</u>	<u>\$ 22,887,443</u>	<u>\$ 23,152,980</u>

See notes to financial statements.



GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF EXPENSESFor The Years Ended  
December 31,2011                      2010ExpensesAdministrative & Management

Office Salaries	\$ 820,483	\$ 834,208
Community Contributions & Events	21,411	10,257
Telephone	40,506	38,610
Legal Fees & Other Professional Fees	66,735	52,439
Auditing Fees	40,900	39,700
Computer Maintenance	31,892	20,380
Postage	37,766	40,376
Office Expenses	168,447	172,304
Miscellaneous Administrative & Management Expenses	39,901	37,244
<u>Total Admin. &amp; Mngmt. Expenses</u>	<u>1,268,041</u>	<u>1,245,518</u>

Maintenance Services

Salaries	3,149,340	3,107,556
Repairs & Maintenance	1,157,955	1,162,676
Landscaping & Groundkeeping	224,069	202,111
Vehicle Fleet Expenses	191,751	160,066
Janitorial & Maintenance Supplies	42,258	37,523
<u>Total Maintenance Services</u>	<u>4,765,373</u>	<u>4,669,932</u>

Operating Expenses

Water & Sewer	1,832,772	1,615,095
Electric & Cooking Gas	685,425	695,148
Heating Costs	2,501,783	2,366,984
Licenses & Permits	34,880	31,333
Exterminating Services	51,783	39,677
Protection Services	452,945	433,338
Sanitation & Cleaning	95,731	79,713
<u>Total Operating Expenses</u>	<u>5,655,319</u>	<u>5,261,288</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF EXPENSES  
(CONTINUED)

	For The Years Ended	
	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>Taxes, Insurance &amp; Employee Benefits</u>		
Real Estate Taxes	\$ 5,912,398	\$ 5,607,506
Payroll Taxes	385,952	368,835
Insurance	719,919	778,072
Employee Benefits - Union Welfare, Pension, Disability & Health Insurance	1,140,309	1,221,185
<u>Total Taxes, Insurance &amp; Employee Benefits</u>	<u>8,158,578</u>	<u>7,975,598</u>
 <u>Financial</u>		
Interest on Mortgage Payable	<u>1,911,854</u>	<u>1,992,899</u>
<u>Total Financial</u>	<u>1,911,854</u>	<u>1,992,899</u>
 <u>TOTAL EXPENSES</u>	 <u>\$ 21,759,165</u>	 <u>\$ 21,145,235</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 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 that certain 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 ("Ground Lease") 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 residential apartment units on approximately 110 acres of land.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Company utilizes the accrual method of accounting.

Maintenance Assessments

Tenant-shareholders are subject to monthly assessments to provide funds for the corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Tenant-shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. Any excess assessments at year end are retained by the corporation for use in the succeeding year.

Income Taxes

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements. Provisions for state income taxes are appropriately reflected.

Depreciation

For financial reporting the Property and Equipment acquired from SB Investors, Ltd., are being carried at cost. Depreciation is recorded on the straight-line method over lives of five (5) years for equipment, thirty-five (35) years for building, fifteen (15) to thirty-five (35) years for building improvements and three (3) years for transportation equipment.

For tax purposes, the acquisition of the property is being reported as an exchange pursuant to Section 351 and all regulations thereunder of the Internal Revenue Code.

Cash & Cash Equivalents

For the purpose of cash flows, cash and cash equivalents consist of short-term, highly liquid debt instruments with maturities of twelve months or less at the date of purchase. Items classified as cash equivalents include money market funds and commercial paper.

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

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - PURCHASE OF APARTMENTS

On or about February 9, 1994, Glen Oaks Village Owners, Inc. ("GOVO") was assigned all of the rights in 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 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 GOVO and were allocated to 435 units of which 414 were occupied/rent regulated units and 21 were unoccupied units. On or about February 9, 1994, GOV Corp. assigned to GOVO 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 at December 31, 2011, a total of 210 were occupied/rent regulated units and 7 were unoccupied units.

Glen Oaks Village Owners, Inc. took title to the shares of Coronet Realty Company, effective February 10, 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 Glen Oaks Village Owners, Inc. by the Resolution Trust Corporation in 1993. The former Coronet shares represent approximately 4.8% of the total shares in Glen Oaks Village Owners, Inc. These shares total 134 units of which 119 were occupied/rent regulated units and 15 were unoccupied units.

As at December 31, 2011, a total of 52 were occupied/rent regulated units and 3 were unoccupied units.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 - CONCENTRATION OF CREDIT RISK

Regional Concentration - Glen Oaks Village Owners, Inc.'s business activity is to operate as a cooperative housing corporation as described in Note 1, "Nature of Organization." As such, the corporation's sole source of revenue is from its tenant-shareholders. Under the provisions of FASB-105 the corporation is exposed to a regional concentration of credit risk if a significant portion of their tenant-shareholders did not pay their monthly maintenance charges. If a tenant-shareholder defaults in their obligation to the corporation, the corporation has substantial rights. Among these rights, the corporation may terminate the lease of the lessee; take possession of the apartment and at its option re-let so as to recover any deficiency for unpaid rent or other charges.

Banking Concentration - During the years 2011 and 2010, Glen Oaks Village Owners, Inc. has maintained cash balances in excess of \$250,000 in its banking institutions. A potential risk of loss exists for amounts held in excess of FDIC insurable limits. The corporation believes it mitigates its risks by investing in or through major financial institutions.

NOTE 5 - NOTES RECEIVABLE - HOMESTEAD PROGRAM - LONG-TERM

The corporation sold certain rent-regulated apartments, which it owned, to the occupants of these apartments. The corporation received notes receivable from the buyer. These notes require no interest or principal payments during their life. The principal comes due upon sale or transfer of the apartment. The corporation will allow one transfer to a family member during the term of the note. The balances of these notes were \$130,000 and \$153,000 for 2011 and 2010, respectively.

NOTE 6 - RESERVE FUNDS

The reserve funds consist of investments in various mutual funds and money market accounts. Dividends and other distributions are reinvested.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - RESERVE FUNDS (Continued)

Investments are as follows:	<u>2011</u>	
	Market Value	Cost
Mutual Funds-		
The Vanguard Group	\$ 241,040	\$ 215,260
Fidelity Investments	10,709,537	10,801,560
Money Market Accounts-		
The Vanguard Group	520,123	520,123
Fidelity Investments	532,847	532,847
<u>Total Reserve Funds</u>	<u>\$12,003,547</u>	<u>\$12,069,790</u>

Investments are as follows:	<u>2010</u>	
	Market Value	Cost
Mutual Funds-		
The Vanguard Group	\$ 234,332	\$ 210,292
Fidelity Investments	10,533,058	10,558,417
Money Market Accounts-		
The Vanguard Group	519,888	519,888
Fidelity Investments	216,295	216,295
<u>Total Reserve Funds</u>	<u>\$11,503,573</u>	<u>\$11,504,892</u>

NOTE 7 - MORTGAGE PAYABLE

On August 1, 1995 the company refinanced its mortgage and loan payable. The mortgage was 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 refinanced on August 1, 2005. Proceeds of 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:	\$276,491.10
Interest Rate:	5.875%
Term:	20 years
Maturity Date:	September 1, 2025

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 7 - MORTGAGE PAYABLE (Continued)

Scheduled principal payments during the next five years and thereafter are approximately as follows:

2012	\$ 1,479,209
2013	1,575,023
2014	1,671,350
2015	1,773,579
2016	1,877,853
Thereafter	<u>23,102,866</u>
	31,479,880
Less: Current Portion	<u>1,479,209</u>
<u>Total Long-Term</u>	<u>\$30,000,671</u>

Interest expense approximated \$1,911,854 and \$1,992,899 for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - TREASURY STOCK

The corporation on occasion has purchased apartments on the open market for its own administrative use or for resale. Four such units were acquired and are being used as administrative office space for management and sales personnel.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment are capitalized at cost. Major expenditures for property 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
Transportation Equipment	3

Depreciation for the current year is \$4,212,901.

The breakdown of property and equipment is disclosed on the face of the balance sheet.



GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 10 - FUTURE MAJOR REPAIRS & REPLACEMENTS

The corporation 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 corporation, however, directs its maintenance department to provide it with periodic reports of needed repairs and replacements which are reviewed by the maintenance committee and the board of directors. Repairs and replacements are then funded on an annual basis in a comprehensive on-going building repair program. When funds are needed, the corporation may borrow, utilize funds from the reserve account, increase maintenance, levy a special assessment, delay the repairs or replacement until funds become available or any combination of these.

NOTE 11 - MORTGAGE REFINANCING COSTS

Mortgage refinancing costs were incurred August 2005, in the amount of \$144,556 including Bank Fees, Title Costs, Legal Fees, Survey & Search Costs and Mortgage Tax. These costs will be amortized over the life of the mortgage beginning September 2005 for a period of twenty years.

NOTE 12 - PENSION PLAN

The Company has a 401K Plan for the benefit of all eligible employees. The Company contributes 3% of employees' compensation to the Plan. For the year ended December 31, 2011 the total pension expense was \$38,011.