

**Hudson Troy Towers Apartment Corporation**  
**Financial Statements**  
**December 31, 2015**



# Hudson Troy Towers Apartment Corporation

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December 31, 2015

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## **Independent Auditors' Report**

**To the Board of Directors and Shareholders of**

**Hudson Troy Towers Apartment Corporation**

We have audited the accompanying financial statements of Hudson Troy Towers Apartment Corporation (the "Corporation") which comprise the balance sheet as of December 31, 2015 and the related statements of revenues and expenses, changes in shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

### ***The Board of Directors' Responsibility for the Financial Statements***

The Board of Directors (the "Board") 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 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 auditors' 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 auditors consider 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 the Board, 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 Hudson Troy Towers Apartment Corporation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the Board about the methods of preparing the information and comparing the information for consistency with their responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Opinion on Other Supplementary Information***

Our audit as of and for the year ended December 31, 2015 was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 18 through 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Board and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portions marked "unaudited" on which we express no opinion, 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. We have also previously audited in accordance with auditing standards generally accepted in the United States of America the financial statements of the Corporation as of and for the year ended December 31, 2014. In our opinion, the supplementary information on pages 18 through 20 for the year ended December 31, 2014 is fairly stated in all material respects in relation to the financial statements from which it has been derived.



East Brunswick, New Jersey

July 13, 2016

**Hudson Troy Towers Apartment Corporation**  
**Balance Sheet**  
**December 31, 2015**

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	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,221,214	\$ 156,547	\$ 2,064,667
Mortgage escrow - restricted money market fund	249,855	249,855	-
Tenant-shareholder maintenance fees and commercial rental income receivables	554,398	554,398	-
Other receivable	13,531	13,531	-
Prepaid expenses	156,915	156,915	-
Tenant security - restricted cash	61,939	61,939	-
Property and equipment, net	6,367,880	6,367,880	-
Interfund balances	-	(307,833)	307,833
	<u>-</u>	<u>(307,833)</u>	<u>307,833</u>
<b>Total Assets</b>	<u>\$ 9,625,732</u>	<u>\$ 7,253,232</u>	<u>\$ 2,372,500</u>

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

# Hudson Troy Towers Apartment Corporation

## Balance Sheet

December 31, 2015

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 352,216	\$ 242,603	\$ 109,613
Accrued mortgage interest payable	11,748	11,748	-
Tenant-shareholder maintenance fees received in advance	43,307	43,307	-
Deferred laundry income	20,571	-	20,571
Tenant security deposits	81,379	81,379	-
Mortgage note payable, net of unamortized mortgage acquisition costs \$28,949	<u>3,720,040</u>	<u>3,720,040</u>	<u>-</u>
<b>Total Liabilities</b>	<u>4,229,261</u>	<u>4,099,077</u>	<u>130,184</u>
<b>Commitments/Contingency</b>			
<b>Shareholders' Equity</b>			
Common stock, \$1 par value, 145,200 shares authorized and 137,227 issued	137,227	137,227	-
Paid-in capital	3,530,689	3,530,689	-
Operating deficit	(453,446)	(453,446)	-
Replacement fund balance	2,242,316	-	2,242,316
Treasury stock, 536 shares, at cost	<u>(60,315)</u>	<u>(60,315)</u>	<u>-</u>
<b>Total Shareholders' Equity</b>	<u>5,396,471</u>	<u>3,154,155</u>	<u>2,242,316</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><u>\$ 9,625,732</u></u>	<u><u>\$ 7,253,232</u></u>	<u><u>\$ 2,372,500</u></u>

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

**Hudson Troy Towers Apartment Corporation**  
**Statement of Revenues and Expenses**  
**For the Year Ended December 31, 2015**

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>Revenues</b>			
Real estate taxes	\$ 1,664,925	\$ 1,664,925	\$ -
Tenant - shareholder maintenance fees	1,579,015	1,579,015	-
Energy costs	912,286	912,286	-
Capital contribution fees	767,500	-	767,500
Commercial rental income	500,894	492,322	8,572
Parking income	417,248	417,248	-
Other income	121,488	121,488	-
Cable income	119,153	119,153	-
Late fee and legal collections income	51,909	51,909	-
Gym room income	29,580	29,580	-
Guest parking income	14,959	14,959	-
Storage room income	10,804	10,804	-
Pool income	8,276	8,276	-
Investment income	269	30	239
	<u>6,198,306</u>	<u>5,421,995</u>	<u>776,311</u>
<b>Expenses</b>			
Administrative	2,396,646	2,396,646	-
Building and maintenance operations	619,716	619,716	-
Utilities	969,226	969,226	-
Payroll	901,423	901,423	-
Garage	18,968	-	18,968
Engineering	5,766	-	5,766
Façade and other repairs	3,626	-	3,626
	<u>4,915,371</u>	<u>4,887,011</u>	<u>28,360</u>
<b>Excess of Revenues over Expenses before Depreciation</b>	1,282,935	534,984	747,951
<b>Depreciation</b>	<u>359,980</u>	<u>359,980</u>	<u>-</u>
<b>Excess of Revenues over Expenses</b>	<u>\$ 922,955</u>	<u>\$ 175,004</u>	<u>\$ 747,951</u>

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

**Hudson Troy Towers Apartment Corporation**  
**Statement of Changes in Shareholders' Equity**  
**For the Year Ended December 31, 2015**

	Operating Fund						Replacement Fund
	Total	Total Operating Fund	Common Stock	Treasury Stock	Paid-In Capital	Operating Surplus (Deficit)	
Shareholders' Equity - Beginning of Year	\$ 4,473,516	\$ 1,793,264	\$ 137,227	\$ (60,315)	\$ 3,530,689	\$ (1,814,337)	\$ 2,680,252
Interfund Transfer	-	1,185,887	-	-	-	1,185,887	(1,185,887)
Excess of Revenues over Expenses	922,955	175,004	-	-	-	175,004	747,951
Shareholders' Equity - End of Year	<u>\$ 5,396,471</u>	<u>\$ 3,154,155</u>	<u>\$ 137,227</u>	<u>\$ (60,315)</u>	<u>\$ 3,530,689</u>	<u>\$ (453,446)</u>	<u>\$ 2,242,316</u>

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

**Hudson Troy Towers Apartment Corporation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>Cash Flows from Operating Activities</b>			
Excess of revenues over expenses	\$ 922,955	\$ 175,004	\$ 747,951
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities			
Depreciation	359,980	359,980	-
Amortization	4,289	4,289	-
Changes in assets and liabilities			
Tenant - shareholder maintenance fees and commercial rental income receivables	(198,256)	(198,256)	-
Other receivable	4,134	4,134	-
Prepaid expenses	(54,074)	(54,074)	-
Tenant security - restricted cash	(11)	(11)	-
Accounts payable and accrued expenses	38,629	20,501	18,128
Accrued mortgage note interest payable	(1,009)	(1,009)	-
Tenant - shareholder maintenance fees received in advance	(3,651)	(3,651)	-
Other liabilities	(2,661)	(2,661)	-
Deferred laundry income	(8,572)	-	(8,572)
Tenant security deposits	(14,231)	(14,231)	-
<b>Net Cash Provided by Operating Activities</b>	<u>1,047,522</u>	<u>290,015</u>	<u>757,507</u>
<b>Cash Flows from Investing Activities</b>			
Net activity of money market fund	37,495	37,495	-
Additions to property and equipment	(1,185,887)	(1,185,887)	-
<b>Net Cash Used in Investing Activities</b>	<u>(1,148,392)</u>	<u>(1,148,392)</u>	<u>-</u>

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

**Hudson Troy Towers Apartment Corporation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>Cash Flows from Financing Activities</b>			
Interfund transfer	-	1,185,887	(1,185,887)
Changes in interfund balances	-	245,145	(245,145)
Principal payment made on mortgage note payable	<u>(470,114)</u>	<u>(470,114)</u>	<u>-</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>(470,114)</u>	<u>960,918</u>	<u>(1,431,032)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(570,984)	102,541	(673,525)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,792,198</u>	<u>54,006</u>	<u>2,738,192</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 2,221,214</u></u>	<u><u>\$ 156,547</u></u>	<u><u>\$ 2,064,667</u></u>
<b>Supplemental Disclosure</b>			
Cash Paid During the Year for			
Income taxes	<u>\$ 127,391</u>		
Interest	<u>\$ 147,756</u>		

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

# Hudson Troy Towers Apartment Corporation

## Notes to the Financial Statements

December 31, 2015

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### Note 1 Nature of Organization

Hudson Troy Towers Apartment Corporation (the "Corporation"), located in Union City, New Jersey, is a cooperative housing corporation incorporated under Title 14 of the New Jersey Statutes. The purposes of the Corporation are to own title to the building and property known as Hudson Troy Towers, to enter into proprietary leases for the apartments and to provide for the maintenance of common elements. The Corporation consists of 315 apartments, 5,600 square feet of commercial space and a multi-level parking structure containing 341 spaces. Recreational facilities include a swimming pool and a gym.

### Note 2 Summary of Significant Accounting Policies

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Directors (the "Board") 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.

#### Fund Accounting

The Corporation's legal documents provide limited guidelines to govern the Corporation's financial activities. In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Corporation by such documents, and as designated by the Board, the accounts of the Corporation are maintained in accordance with the principles of fund accounting.

The assets, liabilities, income and expenses and fund balances of the Corporation are reported in the following fund groups:

#### Operating Fund

This fund represents the portion of expendable funds available for general operations of the Corporation.

#### Replacement Fund

The purpose of the replacement fund is to accumulate funds for future major repairs and replacements of the Corporation's common elements as determined by the Board.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank deposit accounts and money market funds. Cash and cash equivalents may, at times, exceed the federally insured limits.

**Note 2 Summary of Significant Accounting Policies (Continued)**

**Maintenance Fees and Other Charges/Tenant-Shareholder Maintenance Fees Receivable**

Tenant-Shareholders are subject to monthly maintenance fees (which includes tenant shareholder maintenance fees, real estate taxes, energy cost, capital contribution fees, parking income and cable income) based on an annual budget as determined by the Board to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess maintenance fees at year end are retained by the Corporation for use in the succeeding year. Tenant-Shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. According to the By-laws, the Corporation shall, at all times, have a first lien upon the shares of each shareholder to secure the payment by such shareholder. The Board's intention is to reacquire shares of stock relating to severely delinquent units and sell them to recover the delinquent fees, if other collection actions are unsuccessful.

**Property and Equipment**

Property and equipment is recorded at cost and is depreciated on a straight-line and accelerated basis as follows:

Building	15 years
Building improvements	15 - 27.5 years
Furniture, fixtures and equipment	5 - 10 years

**Mortgage Acquisition Costs**

Mortgage acquisition costs incurred at the time the mortgage note was obtained are being amortized on a straight line basis, (which approximates the yield method) over the life of the loan, which is 12 years.

**Treasury Stock**

Treasury stock, valued at the cost, represents shares on apartments reacquired by the Corporation. The 536 treasury shares represent one apartment unit that is occupied by the superintendent.

**Commercial Revenue Recognition/Deferred Laundry Income**

Rental income received from tenants with leases having sign on bonuses and scheduled increases are recognized on a straight line basis over the term of the lease.

**Investment Income Earned**

The Board's policy is to retain investment income earned on all replacement fund interest bearing investment accounts in the replacement fund.

**Subsequent Events**

The Board has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued (See Note 12).

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 3      Prepaid Expenses**

Prepaid expenses consist of the following at December 31, 2015:

Federal and state income taxes	\$ 124,355
Insurance	27,017
Miscellaneous	<u>5,543</u>
Total Prepaid Expenses	<u>\$ 156,915</u>

**Note 4      Property and Equipment**

Property and equipment, net consist of the following:

Land	\$ 1,058,382
Building	6,658,687
Building improvements	11,450,472
Equipment	<u>574,028</u>
Total Property and Equipment	19,741,569
Less: accumulated depreciation	<u>(13,373,689)</u>
Property and Equipment, Net	<u>\$ 6,367,880</u>

**Note 5      Federal and State Income Taxes**

Cooperative housing corporations are subject to federal corporate income taxes under 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-shareholders) is deductible only to the extent of patronage income. The Cooperation's non-patronage income, i.e. commercial rental income, net of allocable non-patronage expenses, is subject to federal and State of New Jersey income taxes. For the year ended December 31, 2015, federal and state income taxes of approximately \$104,000 have been provided based on the excess of non-patronage income over non-patronage expenses.

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 5 Federal and State Income Taxes (Continued)**

Federal and state taxes relating to patronage income have not been provided for the year ended December 31, 2015 as the Corporation has a patronage tax basis loss in the current year. At December 31, 2015, the Corporation had approximately \$6,731,000 in federal patronage net operating loss carryforwards and approximately \$2,623,000 in New Jersey patronage net operating loss carryforwards. The federal net operating loss carryforwards at December 31, 2015 will expire between the years 2016 and 2031 and the state net operating loss carryforwards at December 31, 2015 will expire between the years 2016 and 2030. A full valuation allowance has been provided for the deferred tax asset arising from the net operating loss carryforwards. The Corporation evaluates its tax provisions and accruals and believes that they are appropriate based on current facts and circumstances. The prior three years federal and state tax returns as filed remain open for examination by the respective taxing authorities.

**Note 6 Mortgage Note Payable**

In December 2010, the Corporation refinanced the mortgage note of \$6,000,000. The mortgage note payable is collateralized by the land, building and building improvements. The Corporation pays monthly principal and interest payments of \$51,489 at a fixed interest rate of 3.64% for 12 years. The mortgage has a prepayment penalty as defined in the mortgage agreement.

The bank requires the Corporation to maintain a mortgage escrow cash account, equal to one month's current maintenance fees. In the event the Corporation uses any of these funds, the Board must provide for the replenishment of these funds in subsequent budget years.

Principal payments for the next 5 years and thereafter are as follows:

Year Ending <u>December 31,</u>	
2016	\$ 490,112
2017	508,283
2018	527,065
2019	546,574
2020	566,805
Thereafter	<u>1,110,150</u>
Total	3,748,989
Less: unamortized financing costs	<u>(28,949)</u>
Mortgage Note Payable, Net of Unamortized Financing Costs	<u>\$ 3,720,040</u>

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 6 Mortgage Note Payable (Continued)**

In 2015, the Corporation adopted the requirements in FASB ASC 835-30 to present mortgage acquisition costs as a reduction of the carrying amount of the debt rather than as an asset.

Interest expense in the accompanying statement of revenues and expenses for the year ended December 31, 2015 aggregated to \$151,036, which includes amortization of the mortgage acquisition costs in the amount of \$4,289.

**Note 7 Replacement Fund**

The Corporation's governing documents provide limited guidelines to govern the Corporation's financial activities regarding the accumulation for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations.

In March 2015, Falcon Engineering, professional engineering consultants, conducted a study, to estimate the remaining useful lives and the replacement costs of the components of common property. The study was retroactively effective January 1, 2015. The study includes those components with an estimated remaining useful life within the Board-determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were based on the then current estimated replacement costs. The type of study performed was a full study. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of the then current replacement costs, considering amounts previously accumulated in the replacement fund and utilizing the threshold funding methodology. Threshold funding, based upon a 30 year cash flow analysis, sets a replacement funding goal of keeping the replacement fund balance above a specified dollar amount at its lowest accumulated amount, as specified by the Board, but below the full funding determined level. The recommended funding per the 2015 study is \$3,206,000 using a threshold level of \$911,000, which is approximately 5% of the estimated replacement cost of the common property and is included in the engineering study referred to above. The Board has provided for replacement funding of \$767,500 in the 2015 budget. In addition, the Board allocated \$8,572, which represents a portion of the initial laundry sign on bonus, and \$239 of investment income to the replacement fund.

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 7 Replacement Fund (Continued)**

Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Additionally, replacement fund cash and cash equivalent balances may, at times, be less than or more than the fund balance, resulting in an interfund balance. If additional funds are needed, the Corporation has the right to increase regular assessments, pass special assessments, increase borrowings, or delay major repairs and replacements until funds are available, if possible. The effect on future assessments is unknown at this time.

**Note 8 Interfund Transfer**

During 2015, \$1,185,887 of capital expenditures were added to property and equipment in the operating fund and is being depreciated over its estimated useful lives. These expenditures were paid utilizing the replacement fund cash balances. This transaction was recorded as an interfund transfer in the statement of changes in shareholders' equity.

The capital improvements made during 2015 are detailed as follows:

HVAC Riser	\$ 1,149,651
Engineering - Riser	<u>36,236</u>
Total	<u>\$ 1,185,887</u>

**Note 9 Commercial Rental Income**

The Corporation receives commercial rental income from 14 tenants. The non-cancellable leases expire on various dates from December 31, 2016 through December 2019. Minimum base rents not considering lease renewals as of December 31, 2015, are as follows:

2016	\$ 236,650
2017	172,243
2018	45,297
2019	<u>40,947</u>
Total	<u>\$ 495,137</u>

**Note 10 Contingency**

During 2011, the Corporation filed a lawsuit against a shareholder to enforce its rules and regulations relating to the Corporation's "No Dogs Allowed" policy. A decision was rendered in favor of the Corporation and it was awarded approximately \$96,000 to cover the legal fees and court fees incurred. The shareholder filed for bankruptcy and the amount awarded to the Corporation was discharged as part of the shareholder's bankruptcy. Therefore, no amounts have been recorded in the accompanying financial statements.

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 11 Union Agreement**

The Corporation has a collective bargaining agreement with International Brotherhood of Teamsters, Local 11, which details rates of pay, hours of work and conditions of employment for those covered employees. Approximately 75% of employees are covered by the union agreement. These employees are covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan.

Contributions to the plan are determined in accordance with the provisions of the negotiated labor contract. The contract is in effect through December 2016.

Pursuant to the Employee Retirement Income Security Act, as amended, an employer, upon withdrawing from a multiemployer plan, is required to pay its share of the plan's unfunded vested benefits. The Corporation has no intention of withdrawing from the plan, at this time.

The plan information for International Brotherhood of Teamsters, Local 11 multiemployer defined benefit plan is as follows:

Union Plan Employer ID #:	22-6172223
Year End Date of Plan:	March 31, 2015
Certified Pension Zone Status:	Red
2015 Pension Contributions Made:	\$28,480

A Funding Improvement Plan or Rehabilitation Plan (as defined by ERISA) is pending.

Certified pension zone status (as defined by the Pension Protection Act) represents the level at which the plan is funded. Plans in the red zone are less than 65% funded; plans in the yellow zone are less than 80% funded; and plans in the green zone are greater than 80% funded.

**Note 12 Commitment/ Subsequent Events**

In February 2015 the Corporation commenced renovations on the HVAC risers. The total contract amount is approximately \$3,800,000 plus engineering costs not to exceed 6% of the contract amount. As of December 31, 2015, the Corporation incurred approximately \$1,149,000 of replacement and \$36,000 of engineering cost. The balance of the work will be incurred during 2016 and will be recorded when incurred.

Subsequent to year end, the Board signed a contract for the renovation of the garage and deck. The contract amount is approximately \$6,400,000, exclusive of engineering costs. Engineering costs are not to exceed 6% of the garage contract. No amounts relating to the garage contract have been recorded in the accompanying financial statements.

**Hudson Troy Towers Apartment Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015**

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**Note 12    Commitment/ Subsequent Events (Continued)**

If funds are needed, the Corporation has the right to increase tenant-shareholder maintenance fees, pass special assessments, increase borrowings or delay major repairs and replacements until funds are available, if possible.

Further, the Corporation's attorneys are handling a slip and fall personal injury matter. While the outcomes and potential losses are unknown at this time, as the matter is still in discovery, losses are expected to be covered by insurance.

## SUPPLEMENTARY INFORMATION

**Hudson Troy Towers Apartment Corporation**  
**Schedule of Information on Future Major Repairs and Replacements**  
**December 31, 2015**

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Falcon Engineering, professional engineering consultants, conducted a study in March 2015, retroactively effective January 1, 2015, to estimate the remaining useful lives and the replacement costs of the components of common property. The study includes those components with an estimated remaining useful life within the Board-determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were based on the then current estimated replacement costs.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	As of 2015 Schedule (Unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Then Current Replacement Costs
Site work	8-25	\$ 146,856
Interior finishes	1-21	709,495
Recreation	1-16	72,700
Building, including electrical, HVAC, plumbing façade, garage, elevator, roof	1-24	<u>17,306,428</u>
Total		<u>\$ 18,235,479</u>
Replacement fund balance as of December 31, 2015		<u>\$ 2,242,316</u>

## Hudson Troy Towers Apartment Corporation

### Schedule of Total Revenues, Operating Expenses and Allocations to the Replacement Fund Including Mortgage Principal Payments and Excluding Depreciation as Compared to Budget

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015		2014
	Actual	(Unaudited) Budget	Actual
<b>Revenues</b>			
Real estate taxes	\$ 1,664,925	\$ 1,660,000	\$ 1,636,058
Tenant - shareholder maintenance fees	1,579,015	1,578,180	1,232,267
Energy costs	912,286	903,750	769,571
Capital contribution fees	767,500	767,500	567,500
Commercial rental income	500,894	554,488	621,302
Parking income	417,248	413,340	419,390
Other income	121,488	60,900	108,863
Cable income	119,153	121,200	115,779
Late fee and legal collections income	51,909	35,000	41,336
Gym room income	29,580	35,000	35,340
Guest parking income	14,959	12,000	14,115
Storage room income	10,804	9,600	9,723
Pool income	8,276	11,000	1,117
Investment income	269	175	1,632
Insurance proceeds, net of expenses of approximately \$220,000 for 2014 only	-	-	46,260
<b>Total Revenues</b>	<b>6,198,306</b>	<b>6,162,133</b>	<b>5,620,253</b>
<b>Operating Expenses</b>			
<b>Administrative</b>			
Real estate taxes	1,648,350	1,662,750	1,613,367
Insurance	226,184	305,000	157,309
Management services	166,925	167,000	158,833
Mortgage interest	151,036	147,756	168,236
Federal and state income taxes	90,862	131,000	104,361
Office	34,574	16,500	18,846
Legal	26,463	35,000	83,210
Audit	18,277	12,750	12,750
Licenses and permits	15,419	7,500	16,330
Building link	8,089	8,100	8,089
Miscellaneous	5,886	7,000	11,827
Social and recreation expenses	4,199	7,500	3,387
Bank fees	382	-	145
<b>Total Administrative</b>	<b>2,396,646</b>	<b>2,507,856</b>	<b>2,356,690</b>

## Hudson Troy Towers Apartment Corporation

### Schedule of Total Revenues, Operating Expenses and Allocations to the Replacement Fund Including Mortgage Principal Payments and Excluding Depreciation as Compared to Budget

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015		2014
	Actual	(Unaudited) Budget	Actual
<b>Operating Expenses (Continued)</b>			
<b>Building and Maintenance Operations</b>			
Repairs - general	160,744	135,000	133,912
Cable	126,538	121,200	118,132
Supplies	114,161	90,000	100,139
Elevator	85,754	73,063	32,100
HVAC - repairs	41,459	25,000	25,780
Pool management and repairs	37,042	30,000	42,358
Repairs - emergency	22,381	35,000	-
Landscaping	11,241	8,500	6,492
Water treatment services	8,582	7,500	7,262
Fire prevention	4,844	11,150	14,566
Uniforms	4,220	7,000	7,178
Exterminating	2,750	5,000	4,189
Insurance claims deductible	-	30,000	-
<b>Total Building and Maintenance Operations</b>	<b>619,716</b>	<b>578,413</b>	<b>492,108</b>
<b>Utilities</b>			
Electricity	387,564	315,000	342,845
Water and sewer	322,830	320,000	289,804
Fuel and gas	248,530	260,000	279,180
Telephone	10,302	8,750	8,744
<b>Total Utilities</b>	<b>969,226</b>	<b>903,750</b>	<b>920,573</b>
<b>Payroll</b>			
Salaries and wages	667,104	667,500	651,451
Employee benefits	133,134	122,000	106,732
Payroll taxes	58,401	60,000	61,836
Workers' compensation	42,784	45,000	40,458
<b>Total Payroll</b>	<b>901,423</b>	<b>894,500</b>	<b>860,477</b>
<b>Operating Contingency</b>	<b>-</b>	<b>40,000</b>	<b>-</b>

## Hudson Troy Towers Apartment Corporation

### Schedule of Total Revenues, Operating Expenses and Allocations to the Replacement Fund Including Mortgage Principal Payments and Excluding Depreciation as Compared to Budget

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015		2014
	Actual	(Unaudited) Budget	Actual
<b>Replacement Fund</b>			
Tenant - shareholders' maintenance fees allocated to replacement fund	767,500	767,500	692,500
Commercial income allocated to the replacement fund	8,572	-	8,572
Investment income allocated to replacement fund	239	-	673
<b>Total Allocations to the Replacement Fund</b>	<u>776,311</u>	<u>767,500</u>	<u>701,745</u>
<b>Total Operating Expenses and Allocations to the Replacement Fund</b>	<u>5,663,322</u>	<u>5,692,019</u>	<u>5,331,593</u>
<b>Excess of Revenues Over Operating Expenses and Allocations to the Replacement Fund before Mortgage Principal Payments and Excluding Depreciation</b>	534,984	470,114	288,660
<b>Mortgage Principal Payments</b>	<u>470,114</u>	<u>470,114</u>	<u>452,040</u>
<b>Excess (Deficiency) of Revenues Over Operating Expenses and Allocations to Replacement Fund Including Mortgage Principal Payments and Excluding Depreciation</b>	<u>\$ 64,870</u>	<u>\$ -</u>	<u>\$ (163,380)</u>