

**EAST RIVER HOUSING CORPORATION  
(A COOPERATIVE HOUSING CORPORATION)**

**Financial Statements  
and Supplemental Information  
Years Ended June 30, 2014 and 2013  
(Together with Independent Auditors' Report)**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**EAST RIVER HOUSING CORPORATION  
(A COOPERATIVE HOUSING CORPORATION)**

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**June 30, 2014 and 2013**

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## Independent Auditors' Report

To the Tenant-Stockholders of  
East River Housing Corporation  
New York, N.Y.

We have audited the accompanying financial statements of East River Housing Corporation (the "Cooperative"), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues and expenses and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 the Cooperative as of June 30, 2014 and 2013, 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.



### Emphasis of Matter

As discussed in Note 7 to the financial statements, management has omitted information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements as a whole. Such missing information, although not a part of the financial statements as a whole, is required to be disclosed by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements as a whole in an appropriate operational, economic, or historical context. Our opinion is not modified with respect to that matter.

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

New York, New York  
December 1, 2014

**EAST RIVER HOUSING CORPORATION  
(A COOPERATIVE HOUSING CORPORATION)**

**Balance Sheets**

**June 30, 2014 and 2013**

**ASSETS**

	<u>2014</u>	<u>2013*</u>
Cash and cash equivalents	\$ 3,071,798	\$ 3,095,090
Receivables:		
Tenant-stockholders	204,473	185,071
Commercial tenants, net	90,492	126,856
Other	46,765	1,685
Total receivables	<u>341,730</u>	<u>313,612</u>
Prepaid expenses and other assets, net	927,622	1,371,869
Security deposits - vendors	82,454	82,454
Security deposits - commercial tenants	167,603	167,603
Real and personal property, net	<u>20,445,510</u>	<u>21,150,396</u>
<b>TOTAL ASSETS</b>	<u>\$ 25,036,717</u>	<u>\$ 26,181,024</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)**

Liabilities		
Accounts payable and accrued expenses	\$ 1,566,012	\$ 1,472,930
Tenant deposits	273,297	276,095
Retainage payable - Local Law 11 work and boiler room conversion	-	93,026
Due to Hillman Housing Corporation	22,040	16,065
Due to tenant-stockholders - real property tax abatements	456,753	324,145
Rents received in advance	78,274	83,274
Security deposits payable - commercial tenants	167,603	167,603
Mortgage payable	<u>23,500,000</u>	<u>23,500,000</u>
Total Liabilities	<u>26,063,979</u>	<u>25,933,138</u>
Commitments and Contingencies		
Stockholders' Equity		
Common stock - \$100 par value, authorized 50,000 shares, 45,659.375 shares issued and outstanding	4,565,938	4,565,938
Additional paid-in capital	6,649,404	6,649,404
Accumulated deficit	<u>(12,242,604)</u>	<u>(10,967,456)</u>
Total Stockholders' Equity (Deficit)	<u>(1,027,262)</u>	<u>247,886</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 25,036,717</u>	<u>\$ 26,181,024</u>

\*Reclassified to conform to current year presentation.

**EAST RIVER HOUSING CORPORATION  
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**Statements of Revenues and Expenses  
and Accumulated Deficit**

**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Carrying charges - apartments net of tax abatements, (including electricity and sublet fees)	\$ 14,440,124	\$ 14,756,133
Apartment resale fees	4,523,680	5,426,278
Commercial rent - store and offices (including electricity)	1,705,689	1,613,724
Parking rent, net of parking expenses	703,160	661,729
Laundry room	131,293	126,000
Other income	516,566	452,844
Grant income - boiler room conversion	-	107,558
<b>Total Revenues</b>	<u>22,020,512</u>	<u>23,144,266</u>
Expenses		
Real estate taxes	5,479,994	6,009,505
Utilities and fuel	4,958,485	4,900,475
Labor	2,604,062	2,629,565
Payroll overhead	1,439,371	1,419,255
Repairs and maintenance	2,692,402	2,837,329
Management	1,060,496	1,067,613
Security guards	663,476	662,726
Mortgage and loan interest	940,000	1,006,736
Insurance	1,080,755	788,070
Legal and accounting	723,710	594,791
State and city corporation taxes	128,000	125,400
Senior care	39,200	42,444
Website	7,294	1,205
Conduit	12,887	12,612
<b>Total Expenses</b>	<u>21,830,132</u>	<u>22,097,726</u>
Revenues in Excess of Expenses Before Depreciation and Amortization	190,380	1,046,540
Depreciation	1,403,238	1,293,415
Amortization	62,290	62,290
Expenses in Excess of Revenues	(1,275,148)	(309,165)
Accumulated Deficit - Beginning of Year	<u>(10,967,456)</u>	<u>(10,658,291)</u>
<b>Accumulated Deficit - End of Year</b>	<u>\$ (12,242,604)</u>	<u>\$ (10,967,456)</u>

See Notes to Financial Statements.

**EAST RIVER HOUSING CORPORATION  
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**Statements of Cash Flows**

**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Expenses in excess of revenues	\$ (1,275,148)	\$ (309,165)
Adjustments to reconcile expenses in excess of revenues to net cash provided by operating activities :		
Depreciation	1,403,238	1,293,415
Amortization	62,290	62,290
Changes in assets and liabilities :		
Receivables	(28,118)	627,144
Prepaid expenses and other assets, net	381,957	103,466
Due to Hillman Housing Corporation	5,975	(64,356)
Security deposits	-	122,258
Accounts payable and accrued expenses	93,082	(618,523)
Tenant deposits	(2,798)	78,768
Due to tenant-stockholders - real property tax abatements	132,608	199,633
Rents received in advance	(5,000)	30,625
Total adjustments	2,043,234	1,834,720
<b>Net Cash Provided by Operating Activities</b>	<b>768,086</b>	<b>1,525,555</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for capital improvements	(791,378)	(3,581,891)
Insurance premium financing	-	(576,916)
<b>Net Cash Used in Investing Activities</b>	<b>(791,378)</b>	<b>(4,158,807)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of mortgage principal	-	(1,500,000)
Sale of treasury stock	-	377,254
Purchase of treasury stock	-	(343,379)
<b>Net Cash Used in Provided by Financing Activities</b>	<b>-</b>	<b>(1,466,125)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(23,292)	(4,099,377)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>3,095,090</b>	<b>7,194,467</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b>\$ 3,071,798</b>	<b>\$ 3,095,090</b>
<b>SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS:</b>		
Cash Paid During the Year for:		
Interest	\$ 940,000	1,006,736
State and city corporation taxes	\$ 128,600	\$ 114,849
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES :</b>		
Fully depreciated fixed assets written off	\$ 192,099	\$ -
Accrued real and personal property	\$ -	\$ 93,026

See Notes to Financial Statements.

**EAST RIVER HOUSING CORPORATION  
(A COOPERATIVE HOUSING CORPORATION)**

**Notes to Financial Statements**

**NOTE 1: OPERATIONS AND ACCOUNTING POLICIES**

History of the Cooperative

East River Housing Corporation ("the Cooperative"), a cooperative housing corporation, was incorporated in the State of New York on November 28, 1950. The Cooperative is located in New York City and owns residential apartments and commercial space.

Through February 6, 1997, the Cooperative was organized and operated as a government regulated residential real estate corporation. Effective February 7, 1997, the Cooperative was reconstituted as a private cooperative governed by and subject to New York State Business Corporation Law.

On December 22, 1998, the Board of Directors ("the Board") of the Cooperative passed resolutions to transfer all of the issued and outstanding shares of the Cooperative's stock, which had been held in the name of the directors as nominees, to the tenant-stockholders of the Cooperative.

Management and Allocated Expenses

The Cooperative is one of two housing corporations, the other being Hillman Housing Corporation ("Hillman"), which are situated in a common community and whose operations are managed by common management. Certain expenses common to these two housing corporations including, but not limited to payroll, fuel and management expenses, are paid for by the Cooperative and then allocated and charged to Hillman, generally based on each housing corporations pro-rata share of the number of dwelling units. During the years ended June 30, 2014 and 2013, common expenses of \$3,426,422 and \$3,737,103, respectively, were allocated to Hillman.

The Cooperative operates a heat and hot water facility ("Boiler Plant"), which supplies steam service to Hillman and Amalgamated Dwellings, Inc. ("ADI"), another cooperative. Pursuant to a November 29, 2012, agreement (the "Agreement"), ADI is responsible for 7.75% of certain costs relative to the supply of steam services provided by the Cooperative. The Agreement expires on September 15, 2031, unless further extended or terminated earlier, as provided for in the Agreement.

Revenue Recognition

Revenue from tenant-stockholders and commercial tenants is recognized when earned in accordance with the terms of the related lease, or when services have been rendered, as applicable. Carrying and rental charges received in advance of due dates are deferred until earned.

Revenue from carrying charges is reported net of real property tax abatements received from the New York City Department of Finance which has been credited to tenant-stockholders' accounts.

Cash and Cash Equivalents

The Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.



**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (continued)**

Concentration of Credit Risk

Financial instruments that potentially subject the Cooperative to concentrations of credit risk consist principally of cash and cash equivalents on hand in financial institutions. Cash and cash equivalents - which are deposited with several financial institutions - may at times be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At June 30, 2014 and 2013, the majority of the Cooperative's cash and cash equivalents were on deposit at one New York bank, of which \$3,087,756 and \$3,575,288 respectively, were uninsured.

Receivables

Accounts receivable are recorded at net realizable value representing the carrying amount less an allowance for uncollectible amounts.

The Cooperative uses the allowance method to account for uncollectible accounts receivable balances. Under the allowance method, an estimate of uncollectible receivable balances is made based on historical experience and review of individual account receivable balances.

The Cooperative believes all commercial receivables are collectable and no allowance for doubtful accounts is required as of June 30, 2014. At June 30, 2013, the allowance for uncollectible amounts relating to commercial tenant receivables was \$4,000.

The Cooperative believes that all receivables owed by tenant-stockholders are fully collectible and no allowance for doubtful accounts is required as of June 30, 2014 and 2013.

Real and Personal Property

Real and personal property are recorded at cost and consist of:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,723,024	\$ 1,723,024
Buildings	18,283,505	18,283,505
Building improvements	29,195,228	29,135,869
Furniture and equipment	2,850,410	2,431,540
Parking lot improvements	<u>448,285</u>	<u>420,261</u>
	52,500,452	51,994,199
Less : accumulated depreciation	<u>32,054,942</u>	<u>30,843,803</u>
	<u>\$ 20,445,510</u>	<u>\$ 21,150,396</u>

Comparative Presentation

Certain amounts in the June 30, 2013 financial statements have been reclassified to conform to current year presentation.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (continued)**

Real and Personal Property (continued)

Depreciation of real and personal property is computed by various methods over the following estimated useful lives: building - 39 years, building and parking lot improvements – 15 to 39 years and, furniture and equipment – 5 to 7 years. Depreciation expense for the years ended June 30, 2014 and 2013 was \$1,403,238 and \$1,293,415, respectively.

It is the Cooperative's policy, in the year that it occurs, to write off assets that become fully depreciated whether or not the assets have been disposed of during the year.

Deferred costs

Deferred financing and J-51 consulting costs, which are included in prepaid expenses and other assets on the balance sheet, are amortized using the straight-line method over the term of the related debt and period of J-51 abatements, respectively. Amortization expense for both years ended June 30, 2014 and 2013 was \$62,290.

Amortization of deferred financing and J-51 consulting costs for each of the next five years is estimated to be \$62,290 per annum.

Income Taxes

The Cooperative's income tax policies provide that those portions of carrying charges that are applicable to capital improvements, as determined by the Board, and mortgage amortization, will be accounted for as contributions to the additional paid-in capital of the Cooperative for income tax reporting purposes. Such amounts are recognized as revenue for financial reporting purposes. This accounting practice results in a permanent difference between financial and tax reporting revenue.

The Cooperative has adopted the provisions of Accounting Standards Codification Topic 740 "Income Taxes- Accounting for Uncertainties", which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Cooperative is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2011.

For the year ended June 30, 2013, contributions to additional paid-in capital for income tax purposes were \$1,500,000, consisting of a voluntary prepayment of mortgage principal. There was no contributions to additional paid-in capital for the year ended June 30, 2014.

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, 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.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 2: TENANT - STOCKHOLDER LOANS**

As part of the reconstitution in 1997 (Note 1), the Cooperative instituted a Substitute SCRIE Program to provide benefits to all tenant-stockholders who became eligible for the Senior Citizen Rent Increase Exemption ("SCRIE") program benefits within the first two years after the effective date of the reconstitution. The Substitute SCRIE Program benefits consist of deferral of the payment of carrying charges payable by a participating tenant-stockholder which are attributable to the increase in real estate taxes over a base year amount. The deferral of payments are treated as a loan to the tenant-stockholder, which is repayable only upon the sale or transfer of the shares of stock and accompanying proprietary lease owned by the tenant-stockholder.

The loans do not bear interest. A participating tenant-stockholder is required to enter into an agreement with the Cooperative evidencing this loan and its terms and to execute a UCC-1 financing statement. Each participant in the Substitute SCRIE Program is charged an annual \$25 processing fee by the Cooperative. At June 30, 2014 and 2013, the outstanding loans to tenant-stockholders under the Substitute SCRIE Program, which are included in receivables from tenant-stockholders, were approximately \$188,000 and \$176,000, respectively.

**NOTE 3: MORTGAGE PAYABLE**

On September 15, 2011, the Cooperative obtained a mortgage loan ("Mortgage") from New York Community Bank ("NYCB") in the amount of \$25,000,000. The proceeds of the loan were used to satisfy the existing mortgage and loans payable; pay for closing costs associated with the refinancing; and to provide funds for capital projects.

The Mortgage requires monthly payments of interest only at the following rates:

<u>Period</u>	<u>Rate</u>
September 15, 2011 - September 30, 2016	4.00%
October 1, 2016 - September 30, 2021	4.50%

Beginning October 1, 2021, through maturity, at the election of the Cooperative, interest will be at either a) Prime plus 2.75% or b) the sum of the Federal Home Loan Bank of New York Index, as defined, plus 3.00% ("Fixed Rate"). In no event will Fixed Rate interest be less than 4.5%. If the Cooperative elects the Fixed Rate interest option, it is required to pay the lender a fee equal to 1% of the outstanding principal balance of the Mortgage at the time of the election.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 3: MORTGAGE PAYABLE (continued)**

The Mortgage is a non-amortizing, interest only loan maturing on October 1, 2026, at which time a balloon payment is due for the entire outstanding principal amount, plus any accrued interest thereon.

The Cooperative has right to make a single prepayment of up to \$2,000,000 at any one time in each fiscal year ended September 30, without a prepayment penalty premium. For the first ten years of the Mortgage loan, the Cooperative may prepay the Mortgage in full, subject to prepayment compensation, as defined in the Mortgage agreement.

In April 2013, the Cooperative made a \$1,500,000 prepayment on the Mortgage. At June 30, 2014 and 2013, the outstanding principal balance of the Mortgage was \$23,500,000.

The Mortgage is secured by all real and personal property as well as substantially all assets of the Cooperative and contains certain restrictions including those related to the transfer of more than three apartments to a single tenant-stockholder and the incurrence of additional debt securing the Cooperative's property.

**NOTE 4: TREASURY STOCK**

The Cooperative uses the par-value method to account for treasury stock. Any gain on the sale of treasury stock is accounted for as an increase to additional paid-in capital. A loss is accounted for in the same manner, but only to the extent of any previously accumulated gains. The Cooperative accounts for any excess loss as an increase to accumulated deficit.

During the year ended June 30, 2013, the Cooperative purchased - and subsequently sold- 25 shares of treasury stock to tenant-stockholders. These shares were allocated to one apartment. As of June 30, 2013 and June 30, 2014 the Cooperative held no shares of treasury stock.

**NOTE 5: CARRYING CHARGES AND RENTS – APARTMENTS AND COMMERCIAL SPACE**

Carrying charges for apartments are based on a per room rate that was originally determined based on the attributes of the room (i.e. size, view, etc.), when the housing corporation was completed in the mid-1950s. Any increase in carrying charges is based on an annual budget determined by the Board of Directors.

The Cooperative leases space to commercial tenants pursuant to leases. As of June 30, 2014, the Cooperative's total leasable commercial space of approximately 43,000 square feet was occupied by 21 tenants, including two tenants that occupied approximately 52% of the total leasable area.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 5: CARRYING CHARGES AND RENTS – APARTMENTS AND COMMERCIAL SPACE  
(continued)**

Future minimum rentals under noncancellable commercial operating leases as of June 30, 2014, excluding charges for electricity and real estate taxes, are as follows:

<b>For The Years Ending June 30,</b>	
2015	\$ 1,165,706
2016	1,039,197
2017	685,131
2018	605,580
2019	480,814
Thereafter	<u>1,287,780</u>
	<u>\$ 5,264,208</u>

Commercial rental income, including electricity and real estate taxes, amounted to \$1,705,689 and \$1,613,724 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 6: APARTMENT RESALE FEES**

The Cooperative assesses its tenant-stockholder fees on the resale of apartments. Effective October 1, 2008, the rate is 20% on the first-time sale of an apartment and 5% on all second and subsequent sales of the same apartment.

For the year ended June 30, 2014, there were 32 first-time sales of apartments and 28 second-time sales of apartments, resulting in apartment resale fees of \$4,523,680.

For the year ended June 30, 2013, there were 55 first-time sales of apartments and 26 second-time sales of apartments resulting in apartment resale fees of \$5,426,278.

**NOTE 7: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Cooperative's governing documents do not require the accumulation of funds to finance future major repairs and replacements. In addition, the Cooperative has not conducted a study to determine the remaining useful lives of the components of real and personal common property and current estimates of the costs of future major repairs and replacements. When replacement funds are needed to meet future needs for major repairs and replacements, the Cooperative has the right to utilize reserve funds, borrow, increase maintenance assessments, pass special assessments or delay major repairs and replacements until funds are available. The effects on future assessments have not been determined at this time.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 8: PENSIONS**

A majority of the Cooperative's direct labor is supplied by union employees. The Cooperative participates in the Building Service 32BJ Pension Fund ("32 BJ Plan") and The International Union of Operating Engineers ("IUOE") Local 30 Pension Fund ("Local 30 Plan") (collectively, the "Plans"), both of which are multi-employer non-contributory defined benefit pension plans. The Plans provide retirement benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements. The Plans are administered by Boards of Trustees ("Trustees") and are subject to the provisions of the Employees Retirement Income Security Act of 1974.

The Cooperative's participation in the Plans above are outlined in the table below. The "Pension Protection Act ("PPA") Zone Status" presented in the Cooperative's financial statements are for the respective Plan years indicated in the table. The PPA Zone Status is based on information obtained from the Plans and is certified by the Plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded.

Based on the Plan's annual report on Form 5500, the 32 BJ Plan was 58.3% funded at July 1, 2012. The "FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

According to the actuarial status certification of the 32 BJ Plan required under Internal Revenue Code Section 432, the actuary certified that as of the 32 BJ Plan year beginning July 1, 2011, the Plan is in critical status under the PPA. The significance of entering critical status is that the Plan's Trustees are required by law to adopt a "rehabilitation plan," consistent with the requirements of the PPA. Adoption of a rehabilitation plan is designed to improve the Plan's financial health and to allow it to emerge from critical status. The Trustees adopted a rehabilitation plan consistent with this requirement. In addition, a 10% surcharge remains in effect for each Plan year in which the Plan remains in critical status. Surcharges do not generate benefit accruals.

The Cooperative also participates in the National Rural Electric Cooperative Association Retirement Security Plan ("NRECA"), a defined benefit pension plan that is treated as a multi-employer plan for accounting purposes. This Plan is available to certain non-union employees who have met certain service requirements and became employed by the Cooperative before January 1, 2011. This Plan requires annual contributions by participating employees as well as the Cooperative.

For the NRECA Plan, a "Zone Status" determination is not required under the PPA. The actuary reports that the NRECA Plan was more than 80 percent funded on January 1, 2013. Because certain provisions of the PPA do not apply to the NRECA Plan, FIP/RP Status and surcharges imposed are not applicable.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 8: PENSIONS (continued)**

The Cooperative's contributions to the three Plans above, for the years ended June 30, 2014 and 2013, were \$320,000 and \$302,140, respectively.

Pension Plan	Employer Identification Number	Fiscal Year-End	PPA Zone Status	FIP/RP Status Pending/Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Building Service 32BJ Pension Fund	13-1879376	June 30, 2013	Red	Yes	Yes	April 20, 2018
IUOE Local 30 Pension Fund	51-6045848	December 31, 2013	Green	N/A	None	April 30, 2015

The risks of participating in multi-employer pension plans are different from single-employer plans in that: assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; if a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and if the Cooperative stops participating in the multi-employer plans, the Cooperative may be required to pay each Plan an amount based on the underfunded status of each plan, referred to as a withdrawal liability. The Cooperative has no plans to withdraw from any of the three plans.

**NOTE 9: OTHER COMMITMENTS AND CONTINGENCIES**

In February 2013, the Cooperative renewed the dual-fuel service contract with Consolidated Edison Company of New York, Inc. ("Con Edison") to purchase a minimum of 2,140,860 therms of gas at \$0.07 a therm for a three-year period beginning in February 2013.

As described in Note 1, the Cooperative has entered into agreements to provide certain services to Hillman Housing Corporation and Amalgamated Dwellings, Inc.

**EAST RIVER HOUSING CORPORATION  
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**Notes to Financial Statements**

**NOTE 10: INCOME TAXES**

The Cooperative has approximately \$15,700,000 in net operating loss carryforwards ("NOLS") available for federal income tax purposes. These NOLS were generated in the years ended June 30, 2000 through June 30, 2014, from patronage and nonpatronage activities. These NOLS expire in tax years ended June 30, 2020 through 2034. Because the future utilization of these NOLS tax is uncertain, no related deferred tax asset has been reflected in the accompanying financial statements.

The Cooperative is subject to federal, New York State and New York City income taxes on its nonpatronage income and its tax returns are subject to review by the respective taxing authorities for tax years after 2010 (Note 1). For the years ended June 30, 2014 and 2013, the Cooperative's state and city corporation taxes were based on the Cooperative's net capital base and amounted to \$128,000 and \$125,400, respectively.

**NOTE 11: LITIGATION**

The Cooperative has commenced legal proceedings against several tenant-stockholders, asserting that the tenant-stockholders have harbored pets in violation of the tenant-stockholders' proprietary leases. In three instances, the defendants, in response to our action, initiated claims against the Cooperative, asserting that the Cooperative engaged in discrimination and/or did not provide reasonable accommodation by allowing the tenant-stockholders to have a pet. It is possible that any of these claims could result in an award of damages against the Cooperative, including compensatory damages, legal fees and/or punitive damages. Given the uncertainties of litigation, it is impossible to state with any degree of certainty what the final outcome of these cases may be. The Cooperative maintains an insurance policy on such claims with an aggregate amount of \$1,000,000, subject to a deductible of \$25,000. Accordingly, no contingent liability has been provided for in the accompanying financial statements. In accordance with the Cooperative's bylaws, no pets are allowed except for service animals, where the shareholder first seeks and obtains the advance written consent of the Cooperative to harbor same, or as otherwise permitted by law.

On or about August 1, 2014, complainant Thomas C. Brasuell filed a HUD Complaint with the United States Department of Housing and Urban Development, alleging that all named respondents, East River Housing Corporation, Seward Park Housing Corporation, Amalgamated Housing Corporation, Hillman Housing Corporation, and Cooperative Village Management, discriminated against him on the basis of his race, arising out his alleged attempts to purchase an apartment at one of their buildings from in or about 1981 through 1993. The complainant further alleges that since 2006, he has been occupying a cooperative apartment as a subtenant in one of Hillman Housing Corporation's buildings; that the last act of discrimination occurred on April 1, 2014, and that said discrimination has been ongoing, although no facts are alleged concerning the complainant's application for a housing accommodation from East River Housing Corporation from and after 2006, or that East River Housing Corporation denied any request for the same. The time for East River Housing Corporation to respond to the HUD Complaint has been extended to December 15, 2014. The Cooperative intends to vigorously defend the HUD Complaint and its allegations of discrimination. At this time, management and its legal counsel are unable to express an opinion on the probable outcome of this matter.



**EAST RIVER HOUSING CORPORATION  
(A COOPERATIVE HOUSING CORPORATION)**

**Notes to Financial Statements**

**NOTE 11: LITIGATION (continued)**

In addition, the Cooperative is subject to various claims and legal proceedings that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Cooperative. Additionally, management believes that with respect to pending claims for personal injuries sustained by claimants on the Cooperative's properties, the Cooperative has adequate insurance coverage to cover these claims.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the balance sheet through December 1, 2014, the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

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**M A R K S P A N E T H**  
ACCOUNTANTS & ADVISORS

Independent Auditors' Report on Supplemental Information

To the Tenant-Stockholders of  
East River Housing Corporation  
New York, N.Y.

We have audited the financial statements of East River Housing Corporation as of and for the years ended June 30, 2014 and 2013, and our report thereon dated December 1, 2014, which expressed an unqualified opinion on those financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The information, on pages 17 and 18, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Cooperative'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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.



New York, New York  
December 1, 2014



An independent member of  
**Morison** International

**EAST RIVER HOUSING CORPORATION**  
**(A COOPERATIVE HOUSING CORPORATION)**  
**SUPPLEMENTAL INFORMATION**  
**As of and for the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Prepaid Expenses and Other Assets, Net</b>		
Unexpired insurance	\$ 27,986	\$ 410,679
Deferred financing costs, net of amortization	672,400	727,863
J-51 consulting fees, net of amortization	34,885	41,712
Fuel inventory	153,377	143,914
Painting	2,833	10,578
Security contract	36,141	37,123
	\$ 927,622	\$ 1,371,869
<b>Other Income</b>		
Interest income	\$ 4,098	\$ 10,103
Late fees	53,661	47,129
Fitness room income, net of fitness expenses	163,924	174,976
Storage and bike room	152,015	162,265
Miscellaneous	142,868	58,371
	\$ 516,566	\$ 452,844
<b>Utilities and Fuel Expenses</b>		
Electricity	\$ 1,955,363	\$ 1,861,987
Water and sewer	1,139,812	1,137,227
Fuel oil	525,928	82,383
Natural gas	1,247,548	1,746,788
Gas	89,834	72,090
	\$ 4,958,485	\$ 4,900,475

See Independent Auditors' Report on Supplemental Information.

**EAST RIVER HOUSING CORPORATION**  
**(A COOPERATIVE HOUSING CORPORATION)**  
**SUPPLEMENTAL INFORMATION**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Labor Expenses</b>		
Porters	\$ 1,255,133	\$ 1,299,499
Handymen	611,001	594,124
Boiler room	629,485	640,569
Playroom cleaning service	3,815	-
Supervisors	104,628	95,373
	<u>\$ 2,604,062</u>	<u>\$ 2,629,565</u>
<b>Payroll Overhead</b>		
Union pension and welfare funds	\$ 882,149	\$ 882,268
Payroll taxes	370,690	355,274
Group life and major medical insurance	123,905	125,081
Retirement expenses	43,831	39,778
Payroll services	18,796	16,854
	<u>\$ 1,439,371</u>	<u>\$ 1,419,255</u>
<b>Repairs and Maintenance Expenses</b>		
Building and apartment repairs	\$ 173,130	\$ 211,163
Janitorial supplies	475,008	365,198
Elevator	277,854	315,599
Gardening	230,054	230,836
Plumbing	286,401	357,417
Heating and air conditioning	110,068	115,095
Decommission of oil tank	-	189,910
Painting and plastering	183,030	183,910
Electrical	241,051	178,663
Exterminating	232,753	208,460
Vehicle	39,018	37,606
Security	136,330	144,456
Compactors	3,166	2,146
Uniforms	19,540	15,954
Claims paid	219,384	247,095
Miscellaneous	65,615	33,821
	<u>\$ 2,692,402</u>	<u>\$ 2,837,329</u>
<b>Management Expenses</b>		
Salaries	\$ 625,622	\$ 571,885
Telephone / Communication	55,070	56,289
Stationery, printing and office supplies	57,106	62,697
Professional fees	275,714	330,862
Miscellaneous	46,984	45,880
	<u>\$ 1,060,496</u>	<u>\$ 1,067,613</u>

See Independent Auditors' Report on Supplemental Information.