

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

**Financial Statements
and Supplemental Information**
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

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, 2015 and 2014

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Independent Auditors' Report

To the 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, 2015 and 2014, 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, 2015 and 2014, 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 8 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 basic financial statements. Such missing 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. Our opinion on the basic financial statements is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Marks Paneth LLP".

New York, New York
November 24, 2015

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

**Balance Sheets
June 30, 2015 and 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,016,169	\$ 3,071,798
Receivables:		
Stockholders	144,910	204,473
Commercial tenants, net of \$37,000 allowance for doubtful accounts in 2015	123,182	90,492
Other	219,732	46,765
Hillman Housing Corporation	707	-
Total receivables	<u>488,531</u>	<u>341,730</u>
Prepaid expenses and other assets, net	1,070,198	927,622
Security deposits - vendors	82,454	82,454
Security deposits - commercial tenants	169,403	167,603
Real and personal property, net	<u>20,118,858</u>	<u>20,445,510</u>
TOTAL ASSETS	<u>\$ 24,945,613</u>	<u>\$ 25,036,717</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities		
Accounts payable and accrued expenses	\$ 1,838,218	\$ 1,566,012
Security deposits	267,414	273,297
Due to Hillman Housing Corporation	-	22,040
Due to stockholders - real property tax abatements	713,168	456,753
Rents received in advance	109,299	78,274
Security deposits payable - commercial tenants	169,403	167,603
Mortgage payable	<u>23,500,000</u>	<u>23,500,000</u>
Total Liabilities	<u>26,597,502</u>	<u>26,063,979</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	(12,017,039)	(12,242,604)
Less: Treasury stock, at cost - 46.875 shares	<u>(850,192)</u>	<u>-</u>
Total Stockholders' Equity (Deficit)	<u>(1,651,889)</u>	<u>(1,027,262)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 24,945,613</u>	<u>\$ 25,036,717</u>

**EAST RIVER HOUSING CORPORATION
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**Statements of Revenues and Expenses
and Accumulated Deficit
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues		
Carrying charges - apartments - net of tax abatements (including electricity and sublet fees)	\$ 14,365,408	\$ 14,440,124
Apartment resale fees	6,816,230	4,523,680
Commercial rent - store and offices (including electricity)	1,700,472	1,705,689
Parking rent, net of parking expenses	699,615	703,160
Laundry room	126,000	131,293
Other income	523,960	516,566
Total Revenues	<u>24,231,685</u>	<u>22,020,512</u>
Expenses		
Real estate taxes	5,942,560	5,479,994
Utilities and fuel	4,805,685	4,958,485
Labor	2,702,879	2,604,062
Payroll overhead	1,494,840	1,439,371
Repairs and maintenance	2,795,221	2,692,402
Management	1,016,416	1,060,496
Security guards	687,206	663,476
Mortgage interest	940,000	940,000
Insurance	1,108,533	1,080,755
Legal and accounting (net of insurance proceeds of \$332,126 for reimbursement of legal fees)	800,247	723,710
State and city corporation taxes	127,200	128,000
Senior care	39,200	39,200
Website	8,564	7,294
Bad debt expense	37,000	-
Conduit	13,162	12,887
Total Expenses	<u>22,518,713</u>	<u>21,830,132</u>
Revenues in Excess of Expenses Before Depreciation and Amortization	1,712,972	190,380
Depreciation	1,425,152	1,403,238
Amortization	62,255	62,290
Revenues in excess of expenses (expenses in excess of revenues)	225,565	(1,275,148)
Accumulated Deficit - Beginning of Year	<u>(12,242,604)</u>	<u>(10,967,456)</u>
Accumulated Deficit - End of Year	<u>\$ (12,017,039)</u>	<u>\$ (12,242,604)</u>

See Notes to Financial Statements.

EAST RIVER HOUSING CORPORATION
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Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues in excess of expenses (expenses in excess of revenues)	\$ 225,565	\$ (1,275,148)
Adjustments to reconcile revenues in excess of expenses (expenses in excess of revenues) to net cash provided by operating activities :		
Depreciation	1,425,152	1,403,238
Amortization	62,255	62,290
Bad debt expense	37,000	-
Changes in assets and liabilities :		
Receivables	(183,094)	(28,118)
Prepaid expenses and other assets, net	(204,831)	381,957
Accounts payable and accrued expenses	272,206	93,082
Security deposits	(5,883)	(2,798)
Due to Hillman Housing Corporation	(22,747)	5,975
Due to stockholders - real property tax abatements	256,415	132,608
Rents received in advance	31,025	(5,000)
Total adjustments	1,667,498	2,043,234
Net Cash Provided by Operating Activities	1,893,063	768,086
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for real and personal property	(1,098,500)	(791,378)
Net Cash Used in Investing Activities	(1,098,500)	(791,378)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(850,192)	-
Net Cash Used in Financing Activities	(850,192)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(55,629)	(23,292)
CASH AND CASH EQUIVALENTS - beginning of year	3,071,798	3,095,090
CASH AND CASH EQUIVALENTS - end of year	\$ 3,016,169	\$ 3,071,798
SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS:		
Cash Paid During the Year for:		
Interest	\$ 940,000	940,000
State and city corporation taxes	\$ 138,034	\$ 128,600
NON-CASH INVESTING AND FINANCING ACTIVITIES :		
Fully depreciated real and personal property written off	\$ 459,641	\$ 192,099

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 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, 2015 and 2014, common expenses of \$3,530,627 and \$3,426,422, 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. Hillman is allocated 26.02% of the Boiler Plant costs. The Agreement expires on September 15, 2031, unless further extended or terminated earlier, as provided for in the Agreement.

Revenue Recognition

Revenue from stockholders (residential units) 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 stockholders' accounts.

Apartment resale fees are recognized as revenue when the closing of the apartment sale transaction occurs.

**EAST RIVER HOUSING CORPORATION
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Notes to Financial Statements

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (continued)

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.

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, 2015 and 2014, the majority of the Cooperative's cash and cash equivalents were on deposit at one New York bank, of which \$2,377,616 and \$3,087,756 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.

At June 30, 2015 and 2014, the allowance for doubtful accounts for commercial receivables amounted to \$37,000 and \$0, respectively.

The Cooperative believes that all receivables owed by stockholders are fully collectible and no allowance for doubtful accounts is required as of June 30, 2015 and 2014.

Real and Personal Property

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,723,024	\$ 1,723,024
Buildings	18,283,505	18,283,505
Building improvements	29,911,537	29,195,228
Furniture and equipment	2,791,261	2,850,410
Parking lot improvements	<u>429,983</u>	<u>448,285</u>
	53,139,310	52,500,452
Less : accumulated depreciation	<u>33,020,452</u>	<u>32,054,942</u>
	<u>\$ 20,118,858</u>	<u>\$ 20,445,510</u>

**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, 2015 and 2014 was \$1,425,152 and \$1,403,238, 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 years ended June 30, 2015 and 2014 was \$62,255 and \$62,290, respectively.

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 2012.

There was no contributions to additional paid-in capital for the years ended June 30, 2015 and 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: STOCKHOLDER LOANS

As part of the reconstitution in 1997 (Note 1), the Cooperative instituted a Substitute SCRIE Program to provide benefits to all 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 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 stockholder, which is repayable only upon the sale or transfer of the shares of stock and accompanying proprietary lease owned by the stockholder.

The loans do not bear interest. A participating 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, 2015 and 2014, the outstanding loans to stockholders under the Substitute SCRIE Program, which are included in receivables from stockholders, were approximately \$127,000 and \$188,000, respectively.

NOTE 3: DUE TO STOCKHOLDERS – REAL PROPERTY TAX ABATEMENTS

The Cooperative receives the benefit of certain real property tax abatements (STAR, SCRIE and Veteran) (the "Abatements") earned by certain stockholders who are entitled to these benefits. The Cooperative applies these Abatements to reduce the benefitting stockholders' monthly carrying charges over a ten month period from March to December. As of June 30, 2015 and 2014, Abatements that will be applied to future monthly carrying charges amounted to \$713,168 and \$456,753, respectively.

NOTE 4: MORTGAGE PAYABLE AND LINE OF CREDIT

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 4: MORTGAGE PAYABLE AND LINE OF CREDIT (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 the 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.

At June 30, 2015 and 2014, 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 stockholder and the incurrence of additional debt securing the Cooperative's property.

On July 29, 2015, the existing mortgage referred to above was paid in full using the \$23,500,000 of proceeds the Cooperative obtained in a refinancing with NYCB. The new mortgage note requires monthly payments of interest only, at a rate of 3.50% per annum and matures on August 1, 2023, at which time, the entire principal balance is due. The Cooperative has an option to extend the term to July 31, 2028. The interest rate during the extension period, will be equal to the sum of the FHLBNY Index plus 300 basis points, rounded up to the nearest one-eighth of one percentage point (0.125%). In no event will the fixed interest rate be fixed lower than 3.50%. The Cooperative has the option once in each year to make a single prepayment of up to \$2,000,000, without penalty. The note can be prepaid in full subject to a prepayment premium.

The refinance transaction and deferred financing costs as of June 30, 2015 will be accounted in accordance with GAAP.

Also on July 29, 2015, the Cooperative obtained a \$5,000,000 line of credit ("LOC"). The interest rate on the line of credit shall be adjusted daily to a rate which is equal to the sum of the highest prime rate as published in The New York Times each day, plus 100 basis points, with a minimum interest rate of 4.25% and a maximum interest rate of 16%, per annum. The line of credit expires on August 1, 2023.

The Cooperative must meet certain debt covenants as defined in the LOC.

NOTE 5: 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, 2015, the Cooperative purchased 46.875 shares of treasury stock. These shares were allocated to two apartments. As of June 30, 2014, the Cooperative held no shares of treasury stock.

**EAST RIVER HOUSING CORPORATION
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Notes to Financial Statements

NOTE 6: 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, 2015, the Cooperative's total leasable commercial space of approximately 43,600 square feet, was occupied by 22 tenants, including two tenants that occupied approximately 50% of the total leasable area.

Future minimum rentals under noncancellable commercial operating leases as of June 30, 2015, excluding charges for electricity and real estate taxes, are as follows:

For The Years Ending June 30,	
2016	\$ 1,183,105
2017	771,038
2018	673,546
2019	478,679
2020	234,790
Thereafter	<u>1,048,600</u>
	<u>\$ 4,389,758</u>

Commercial rental income, including electricity and real estate taxes, amounted to \$1,700,472 and \$1,705,689 for the years ended June 30, 2015 and 2014, respectively.

NOTE 7: APARTMENT RESALE FEES

The Cooperative assesses its 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, 2015, there were 48 first-time sales of apartments and 31 second-time sales of apartments, resulting in apartment resale fees of \$6,816,230.

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.

**EAST RIVER HOUSING CORPORATION
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Notes to Financial Statements

NOTE 8: 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.

NOTE 9: 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 60.7% funded at July 1, 2013. 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, 2013, 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.

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.

**EAST RIVER HOUSING CORPORATION
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Notes to Financial Statements

NOTE 9: PENSIONS (continued)

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, 2014. Because certain provisions of the PPA do not apply to the NRECA Plan, FIP/RP Status and surcharges imposed are not applicable.

The Cooperative's contributions to the three Plans above, for the years ended June 30, 2015 and 2014, were \$343,000 and \$320,000, 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, 2014	Red	Yes	None	April 20, 2018
IUOE Local 30 Pension Fund	51-6045848	December 31, 2014	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.

* As of the report date, the Cooperative is negotiating a new contract with the IUOE Local 30 Pension Fund.

NOTE 10: OTHER COMMITMENTS AND CONTINGENCIES

The Cooperative has a 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 11: INCOME TAXES

The Cooperative has approximately \$18,400,000 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, 2015, from patronage and nonpatronage activities. These NOLS expire in tax years ended June 30, 2020 through 2035. 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 2011 (Note 1). For the years ended June 30, 2015 and 2014, the Cooperative's state and city corporation taxes were based on the Cooperative's net capital base and amounted to \$127,200 and \$128,000, respectively.

NOTE 12: LITIGATION

The Cooperative has commenced legal proceedings against several stockholders seeking to recover unpaid maintenance charges owed on the respective apartments.

While the outcome of this matter cannot be determined with certainty at this time, the Cooperative does not believe this will have a material adverse effect on the balance sheet or operations of the Cooperative.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the balance sheet through November 24, 2015, the date the financial statements were available to be issued.

On July 8, 2015, the Cooperative entered into an agreement, as modified, in the amount of \$749,450, to repair the roof and the façade of one of the commercial spaces.

On July 29, 2015, the Cooperative refinanced the mortgage note and obtained a line of credit. See Note 4.

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 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, 2015 and 2014, and our report thereon dated November 24, 2015, 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 16 and 17, 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
November 24, 2015



An independent member of
Morison International

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

**SUPPLEMENTAL INFORMATION
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Prepaid Expenses and Other Assets, Net		
Unexpired insurance	\$ 52,044	\$ 27,986
Deferred financing costs, net of amortization	856,562	672,400
J-51 consulting fees, net of amortization	28,058	34,885
Fuel inventory	99,243	153,377
Painting	-	2,833
Security contract	34,291	36,141
	\$ 1,070,198	\$ 927,622
Other Income		
Interest income	\$ 6,856	\$ 4,098
Late fees	44,358	53,661
Fitness room income, net of fitness expenses	178,154	163,924
Storage and bike room	147,049	152,015
Miscellaneous	147,543	142,868
	\$ 523,960	\$ 516,566
Utilities and Fuel Expenses		
Electricity	\$ 2,201,080	\$ 1,955,363
Water and sewer	1,085,101	1,139,812
Fuel oil	345,355	525,928
Natural gas	1,105,100	1,247,548
Gas	69,049	89,834
	\$ 4,805,685	\$ 4,958,485

See Independent Auditors' Report on Supplemental Information.

EAST RIVER HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

SUPPLEMENTAL INFORMATION
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Labor Expenses		
Porters	\$ 1,374,771	\$ 1,255,133
Handymen	570,913	611,001
Boiler room	644,718	629,485
Playroom cleaning service	8,395	3,815
Supervisors	104,082	104,628
	<u>\$ 2,702,879</u>	<u>\$ 2,604,062</u>
Payroll Overhead		
Union pension and welfare funds	\$ 944,246	\$ 882,149
Payroll taxes	369,486	370,690
Group life and major medical insurance	119,514	123,905
Retirement expenses	41,746	43,831
Payroll services	19,848	18,796
	<u>\$ 1,494,840</u>	<u>\$ 1,439,371</u>
Repairs and Maintenance Expenses		
Building and apartment repairs	\$ 240,538	\$ 173,130
Janitorial supplies	386,475	475,008
Elevator	307,226	277,854
Gardening	161,376	230,054
Plumbing	308,166	286,401
Heating and air conditioning	194,974	110,068
Painting and plastering	154,153	183,030
Electrical	367,048	241,051
Exterminating	191,788	232,753
Vehicle	37,045	39,018
Security	100,473	136,330
Compactors	35,129	3,166
Uniforms	15,511	19,540
Claims paid	151,739	219,384
Miscellaneous	143,580	65,615
	<u>\$ 2,795,221</u>	<u>\$ 2,692,402</u>
Management Expenses		
Salaries	\$ 576,980	\$ 625,622
Telephone / Communication	70,460	55,070
Stationery and printing	18,827	12,713
Postage	16,382	15,170
Office Supplies	24,046	22,156
Professional fees	262,667	275,714
Miscellaneous	47,054	54,051
	<u>\$ 1,016,416</u>	<u>\$ 1,060,496</u>

See Independent Auditors' Report on Supplemental Information.