

**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

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

Years Ended December 31, 2013 and 2012

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

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Independent Auditors' Report

To the Tenant-Stockholders
Hillman Housing Corporation
New York, N.Y.

We have audited the accompanying financial statements of Hillman Housing Corporation (the "Cooperative"), which comprise the balance sheets as of December 31, 2013 and 2012, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Cooperative as of December 31, 2013 and 2012, 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.



Other Matter

As discussed in Note 8 of 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, 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 is not modified with respect to that matter.

Mark Laneth LLP

New York, New York
May 30, 2014



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**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

Balance Sheets

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 3,149,611	\$ 1,598,453
Receivables:		
Tenant-stockholders	429,593	404,444
Commercial tenants	120,263	69,646
Due from East River Housing Corporation (affiliate)	-	89,820
Receivables - other	-	49,000
Total Receivables	<u>549,856</u>	<u>612,910</u>
Prepaid expenses and other assets	619,130	602,527
Real and personal property, net	<u>9,656,430</u>	<u>8,740,634</u>
TOTAL ASSETS	<u><u>\$ 13,975,027</u></u>	<u><u>\$ 11,554,524</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities		
Accounts payable and accrued expenses	\$ 1,142,369	\$ 1,188,368
Due to tenant-stockholders - real property tax abatements	562,828	498,000
Due to East River Housing Corporation (affiliate)	5,858	-
Rents received in advance	34,501	43,819
Security deposits payable - commercial tenants	175,120	175,120
Certificate of indebtedness	10,643	10,643
Mortgage payable	12,000,000	12,000,000
Total Liabilities	<u>13,931,319</u>	<u>13,915,950</u>
Commitment and Contingencies		
Stockholders' Equity (Deficit)		
Common stock - \$100 par value, authorized 25,000 shares, 16,483.95 shares issued and outstanding	1,648,395	1,648,395
Additional paid-in capital	5,858,043	5,858,043
Accumulated deficit	(7,462,730)	(9,867,864)
Total Stockholders' Equity (Deficit)	<u>43,708</u>	<u>(2,361,426)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u><u>\$ 13,975,027</u></u>	<u><u>\$ 11,554,524</u></u>

See Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Statements of Revenues and Expenses
and Accumulated Deficit

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Carrying charges - apartments	\$ 7,296,166	\$ 7,664,600
Special assessment	1,143,696	-
Residential electricity	379,978	-
Apartment resale fees	2,290,195	1,390,025
Commercial rent - store and offices (including electricity)	375,266	410,754
Parking rent, net of related expenses	493,737	538,737
Other income	741,100	700,192
Grant income - boiler room conversion	42,256	-
Total Revenues	<u>12,762,394</u>	<u>10,704,308</u>
Expenses		
Real estate taxes	2,814,551	3,204,120
Utilities and fuel	2,122,400	2,690,506
Labor	1,151,512	1,114,162
Payroll overhead	627,732	595,076
Repairs and maintenance	988,196	1,032,270
Management	461,541	408,520
Security guards	422,056	415,145
Mortgage interest	484,450	490,121
Insurance	289,539	259,526
Legal and audit	255,167	280,204
State and city corporation taxes	63,000	62,800
Senior care services	6,000	16,600
Total Expenses	<u>9,686,144</u>	<u>10,569,050</u>
Revenues in Excess of Expenses Before Depreciation and Amortization	3,076,250	135,258
Depreciation	620,455	510,159
Amortization	<u>50,661</u>	<u>50,661</u>
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	2,405,134	(425,562)
Accumulated Deficit - Beginning of Year	<u>(9,867,864)</u>	<u>(9,442,302)</u>
Accumulated Deficit - End of Year	<u><u>\$ (7,462,730)</u></u>	<u><u>\$ (9,867,864)</u></u>

See Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues in excess of expenses (expenses in excess of revenues)	\$ 2,405,134	\$ (425,562)
Adjustments to reconcile revenues in excess of expenses (expenses in excess of revenues) to net cash provided by (used in) operating activities :		
Depreciation	620,455	510,159
Amortization	50,661	50,661
Changes in assets and liabilities:		
Receivables - tenants and other	(26,766)	(67,324)
Due from East River Housing Corporation	89,820	(46,664)
Prepaid expenses and other assets	(67,264)	61,794
Due to East River Housing Corporation	5,858	-
Accounts payable and accrued expenses	(15,098)	(173,796)
Due to tenant-stockholders - real property tax abatements	64,828	2,801
Rents received in advance	(9,318)	(9,820)
Total adjustments	<u>713,176</u>	<u>327,811</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,118,310</u>	<u>(97,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for capital improvements	(1,567,152)	(1,118,474)
Net Cash Used in Investing Activities	<u>(1,567,152)</u>	<u>(1,118,474)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of treasury stock	-	252,707
Net Cash Provided by Financing Activities	<u>-</u>	<u>252,707</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,551,158	(963,518)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,598,453</u>	<u>2,561,971</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,149,611</u>	<u>\$ 1,598,453</u>
SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS:		
Cash paid during the year for:		
Interest	<u>\$ 484,450</u>	<u>\$ 490,121</u>
Income taxes	<u>\$ 59,367</u>	<u>\$ 70,216</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES :		
Accrued real and personal property improvements	<u>\$ 130,957</u>	<u>\$ 161,858</u>

See Accompanying Notes to Financial Statements.

**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

Notes to Financial Statements

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES

History of the Cooperative

Hillman Housing Corporation (the "Cooperative"), a cooperative housing corporation, was incorporated in the State of New York on November 5, 1945. The Cooperative is located in New York City and consists of 807 residential apartments and commercial space.

Until February 6, 1997, the Cooperative 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 East River Housing Corporation ("East River"), which are situated in a common community and whose operations are managed by a common management company. Certain expenses common to these two housing corporations including, but not limited to payroll, fuel and management expenses, are paid for by East River 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 December 31, 2013 and 2012, common expenses of \$3,471,525 and \$4,915,300, respectively, were allocated to the Cooperative.

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.

**HILLMAN 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 may at times be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2013, the FDIC insurance limit for interest bearing and non-interest bearing transaction accounts was \$250,000. As of December 31, 2012, the FDIC insurance limit for an interest bearing transaction account was \$250,000 and non-interest bearing transaction accounts had unlimited insurance. At December 31, 2013 and 2012, the majority of the Cooperative's cash and cash equivalents were on deposit at New York Community Bank, the Cooperative's mortgage lender (Note 3) of which \$2,747,000 and \$5,763, respectively, were uninsured. Under the terms of the mortgage agreement, the Cooperative believes it is required to maintain all bank accounts with the lender.

Receivables

The Cooperative believes that all receivables owed by tenant-stockholders, commercial tenants and East River for carrying charges, rental lease payments and services provided, respectively, are fully collectible and no allowance for doubtful accounts is required as of December 31, 2013 and 2012.

Real and Personal Property

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

	December 31,	
	2013	2012
Land	\$ 1,444,210	\$ 1,444,210
Buildings	7,681,798	7,681,798
Building improvements	14,493,828	13,223,529
Furniture and equipment	1,319,010	1,130,300
Parking lot improvements	169,621	169,621
	25,108,467	23,649,458
Less: Accumulated depreciation	15,452,037	14,908,824
	\$ 9,656,430	\$ 8,740,634

Depreciation of real and personal property is computed by various methods over the following estimated useful lives: buildings - 40 years, building and parking lot improvements – 15 to 39 years, and furniture and equipment – 5 to 7 years. Depreciation expense for the years ended December 31, 2013 and 2012 were \$620,455 and \$510,159, respectively.

The Cooperative considers façade work to be a building improvement, depreciable over a 27.5 year useful life.

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.

**HILLMAN HOUSING CORPORATION
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Notes to Financial Statements

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

Fixed asset additions for the years ended December 31, 2013 and December 2012 were as follows:

	December 31,	
	2013	2012
Façade improvements	\$ 1,017,303	\$ -
Submeters	250,233	134,026
Generators	216,889	-
Boiler room upgrade	2,762	1,106,054
Other	49,064	40,256
	\$ 1,536,251	\$ 1,280,336

Deferred costs

Deferred financing and J-51 consulting costs, which are included in prepaid expenses and other assets, net, 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 each of the years ended December 31, 2013 and 2012 was \$50,661.

Amortization of deferred financing and J-51 consulting costs for each of the next five years is estimated to be \$50,661 per annum.

Income Taxes

The Cooperative's income tax policies provide that those portions of maintenance 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, whereas, such items are recognized as revenue for financial reporting. 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.

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.

Subsequent Events

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 30, 2014, the date the financial statements were available to be issued.

**HILLMAN HOUSING CORPORATION
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Notes to Financial Statements

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

Comparative Presentation

Certain amounts in the December 31, 2012 financial statements have been reclassified to conform to the current year presentation.

NOTE 2: TENANT-STOCKHOLDERS RECEIVABLES

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 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 December 31, 2013 and 2012, the outstanding loans to tenant-stockholders under the Substitute SCRIE Program, which are included in receivables from tenant-stockholders, were approximately \$40,000 and \$36,000, respectively.

NOTE 3: MORTGAGE PAYABLE

On September 15, 2011, the Cooperative obtained a first mortgage loan ("First Mortgage") from New York Community Bank ("NYCB") in the amount of \$12,000,000. The proceeds of the loan were used to satisfy the then existing mortgage and loans payable; pay for closing costs associated with the refinancing; and to provide funds for capital projects.

The First 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 thru maturity, at the election of the Cooperative, interest will be at either a) Prime plus 2.75%, as reset annually each October 1, 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 First Mortgage at the time of the election.

The First Mortgage matures on October 1, 2026, at which time a balloon payment is due for the entire outstanding amount, plus any accrued interest thereon.

**HILLMAN HOUSING CORPORATION
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Notes to Financial Statements

NOTE 3: MORTGAGE PAYABLE (Continued)

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 First Mortgage loan, the Cooperative may prepay the First Mortgage in full, subject to prepayment compensation, as defined in the First Mortgage agreement.

The First 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: COMMON STOCK AND 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 a reduction of accumulated deficit.

During the year ended December 31, 2012, the Cooperative sold 20.25 shares of treasury stock to tenant-stockholders which were allocated to one apartment.

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-1940s. An increase in carrying charges is based on an annual budget determined by the Board of Directors.

Effective July 1, 2013, following the completion of an electric sub-metering project, tenant-stockholder monthly carrying charges were reduced by \$15.79 per room and \$15.00 per air conditioner. In addition, the Cooperative began directly billing tenant-stockholders for electricity based on the tenant's actual electricity usage from May 1, 2013.

The Cooperative leases space to commercial tenants. As of December 31, 2013, the Cooperative's total leasable commercial space of approximately 110,000 square feet was occupied by 6 tenants, including one tenant that leases garage space which accounts for approximately 87% of the gross leasable area.

Future minimum rentals under non-cancelable commercial operating and parking leases as of December 31, 2013, excluding charges for electricity and real estate taxes, are as follows:

2014	\$ 708,744
2015	663,931
2016	594,537
2017	597,337
2018	577,987
Thereafter	3,556,422
	<u>\$ 6,698,958</u>

**HILLMAN HOUSING CORPORATION
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Notes to Financial Statements

NOTE 6: SPECIAL ASSESSMENT

On December 19, 2012, the Board authorized a special assessment of \$400 per room to be paid by tenant-stockholders over a period of six months beginning April 2013 through September 2013. The special assessment revenue, which was deposited in the general operating account, was to be primarily used for repairs, necessary facade work and the purchase of three generators. Special assessment revenue recognized as income during the year ended December 31, 2013 was \$1,143,696.

NOTE 7: 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 December 31, 2013 there were 21 first-time sales of apartments and 14 second-time sales of apartments, resulting in apartment resale fees of \$2,290,195.

For the year ended December 31, 2012, there were 12 first-time sales of apartments and 18 second-time sales of apartments, resulting in apartment resale fees of \$1,390,025.

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: PENSION

The Cooperative does not directly participate in any multi-employer pension plans. All pension costs are paid by East River, generally based on the number of weeks worked by employees covered under the union contracts. East River's union employees are covered by multi-employer pension plans pursuant to two collective bargaining agreements which expire in April 2015 and April 2018. At July 1, 2013, the actuary for one of the multi-employer pension plans certified that the plan was assigned a red zone status, as defined under the Pension Protection Act of 2006. Among other factors, plans in the red zone are generally less than 65% funded.

East River allocates pension costs to the Cooperative based on the amount of payroll allocated to the Cooperative. Payroll costs which are specifically associated with a housing corporation are allocated directly to that housing corporation. All other shared payroll costs are allocated to each housing corporation based on each housing corporation's pro-rata share of the number of dwelling units. The Cooperative's allocable share of charges to operations for contributions to these multi-employer retirement pension plans amounted to approximately \$83,000 and \$80,000 for the years ended December 31, 2013 and 2012, respectively.

**HILLMAN HOUSING CORPORATION
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Notes to Financial Statements

NOTE 9: PENSION (Continued)

In addition, beginning January 1, 2004, East River's nonunion employees are covered by a multi-employer retirement plan. Contributions to the multi-employer retirement plan are shared costs which are allocated to each housing corporation based on each housing corporation's pro-rata share of the number of dwelling units. The Cooperative's allocable share of charges to operations for contributions to this multi-employer retirement plan amounted to \$18,342 and \$17,147 for the years ended December 31, 2013 and 2012, respectively.

Under the Employee Retirement Income Security Act of 1974, as amended, upon withdrawal from a multi-employer plan, an employer is required to continue to pay its proportionate share of the plan's unfunded vested benefits. The information as to East River's portion of accumulated plan benefits and plan assets is not determinable. East River has no intention of withdrawing from these multi-employer pension plans.

East River does not administer or control any of these multi-employer plans.

NOTE 10: INCOME TAXES

The Cooperative has approximately \$13,726,000 in net operating loss carryforwards ("NOLS") available for federal income tax purposes. These NOLS were generated in the years ended December 31, 1997 through December 31, 2013, from patronage and nonpatronage activities. These NOLS expire in tax years ended December 31, 2017 through 2033. 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 2009. Charges to operations applicable to income tax expense amounted to approximately \$63,000 for each of the years ended December 31, 2013 and 2012.

NOTE 11: LITIGATION

The Cooperative is subject to various claims and legal proceedings that arise in the ordinary course of its business activities, including, but not limited to, actions against tenant-stockholders for outstanding carrying charges; tenant-stockholders actions against the Cooperative relating to the Cooperative's policies and other matters. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse affect 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, after the Cooperative's deductible, the Cooperative has adequate insurance coverage to cover these claims.

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
Hillman Housing Corporation
New York, N.Y.

We have audited the financial statements of Hillman Housing Corp. as of and for the years ended December 31, 2013 and 2012, and our report thereon dated May 30, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 audits 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.

Marks Paneth LLP

May 30, 2014



An independent member of
Morison International

**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

Supplemental Information

For the Years Ended December 31, 2013 and 2012

	2013	2012
Prepaid Expenses and Other Assets		
Unexpired insurance	\$ 124,150	\$ 107,586
Deferred financing costs, net	367,328	414,466
J-51 consulting fees, net	17,496	21,019
Fuel inventory	60,524	31,720
Security contract	8,827	10,175
State and city corporation taxes	14,037	17,561
Other	26,768	-
	\$ 619,130	\$ 602,527
Other Income		
Air conditioning fees	\$ 98,420	\$ 229,830
Storage	135,568	80,452
Sublet fees	313,596	238,012
Laundry room	39,000	39,000
Fitness room, net	56,999	51,223
Miscellaneous, net	97,517	61,675
	\$ 741,100	\$ 700,192
Utilities and Fuel Expenses		
Electricity	\$ 846,708	\$ 1,023,260
Water and sewer	571,318	610,768
Fuel oil	26,260	600,527
Natural gas	647,827	428,422
Gas	30,287	27,529
	\$ 2,122,400	\$ 2,690,506

See Independent Auditors' Report on Supplemental Information

**HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)**

Supplemental Information

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Labor Expenses		
Porters	\$ 625,496	\$ 572,508
Handymen	245,680	250,330
Boiler room	240,572	252,894
Supervisors	39,764	38,430
	<u>\$ 1,151,512</u>	<u>\$ 1,114,162</u>
Payroll Overhead		
Employee fringe benefits	\$ 602,134	\$ 570,486
Retirement expenses	18,342	17,147
Payroll services	7,256	7,443
	<u>\$ 627,732</u>	<u>\$ 595,076</u>
Repairs and Maintenance Expenses		
Apartment repairs	\$ 44,623	\$ 60,462
Janitorial supplies	162,757	152,041
Elevator	169,135	191,759
Gardening	76,102	78,256
Plumbing	91,218	103,283
Heating and air conditioning	101,476	109,567
Painting and plastering	60,247	74,775
Electrical	32,965	52,117
Exterminating	82,180	47,197
Security	82,951	81,675
Claims paid	40,844	66,330
Miscellaneous	43,698	14,808
	<u>\$ 988,196</u>	<u>\$ 1,032,270</u>
Management Expenses		
Salaries	\$ 234,129	\$ 208,721
Telephone / communication	38,702	29,111
Stationery, printing and office supplies	23,866	27,047
Professional fees	83,058	106,656
Miscellaneous	81,786	36,985
	<u>\$ 461,541</u>	<u>\$ 408,520</u>

See Independent Auditors' Report on Supplemental Information