

1170 APARTMENT CORP.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2020 & 2019

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KOVAL & CASAGRANDE PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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MARTIN I. KOVAL, C.P.A.
ANTHONY CASAGRANDE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
1170 Apartment Corp.

We have audited the accompanying financial statements of 1170 Apartment Corp., which comprise the balance sheets as of December 31, 2020 and December 31, 2019, and the related statements of revenues and expenses, comprehensive income, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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ANTHONY CASAGRANDE, C.P.A.

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1170 Apartment Corp. as of December 31, 2020 and December 31, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules A-1 through A-4 and B-1 through B-6 on Pages 14 through 18 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial records. 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Omission of Required Supplementary Information About Future Major Repairs and Replacements

Management has omitted the 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, which 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 affected by the missing information.



Melville, New York
April 12, 2021

1170 APARTMENT CORP
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 679,605 | \$ 1,421,408 |
| Marketable Securities | 553,915 | 617,027 |
| Deposit on Refinance | 62,680 | 25,680 |
| Tenant-Shareholder Accounts Receivable | 30,731 | 71,760 |
| Real Estate Tax Escrow | 411,849 | 323,789 |
| Insurance Escrow | 194,074 | 180,023 |
| Insurance Proceeds Escrow - PNC | 787,218 | 1,544,978 |
| Prepaid Expenses | 548,246 | 490,132 |
| TOTAL CURRENT ASSETS | <u>\$ 3,268,318</u> | <u>\$ 4,674,796</u> |
| PROPERTY AND EQUIPMENT | | |
| Buildings, Improvements & Equipment (Net of Accumulated Depreciation of \$37,254,373 in 2020 and \$36,905,326 in 2019) | \$ 5,860,406 | \$ 4,705,441 |
| Land | 4,500,000 | 4,500,000 |
| NET PROPERTY AND EQUIPMENT | <u>\$ 10,360,406</u> | <u>\$ 9,205,441</u> |
| OTHER ASSETS | | |
| Mortgage Refinancing Costs (Net of Accumulated Amortization of \$83,328 in 2020 and \$77,548 in 2019) | \$ 90,103 | \$ 95,883 |
| Deposit on Solar Panels | - | 715,324 |
| TOTAL OTHER ASSETS | <u>\$ 90,103</u> | <u>\$ 811,207</u> |
| TOTAL ASSETS | <u>\$ 13,718,826</u> | <u>\$ 14,691,444</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Current Portion of Mortgage Payable | \$ 361,852 | \$ 341,883 |
| Accounts Payable & Accrued Expenses | 221,630 | 271,657 |
| Due on Apartment Sale | - | 49,861 |
| Deferred Income | 251,615 | - |
| Insurance Advance - Net | 10,120 | 753,481 |
| Prepaid Maintenance Income | 343,462 | 398,131 |
| TOTAL CURRENT LIABILITIES | <u>\$ 1,188,678</u> | <u>\$ 1,815,013</u> |
| LONG-TERM LIABILITIES | | |
| 1st Mortgage Payable - Net of Current | \$ 8,519,020 | \$ 8,880,872 |
| TOTAL LONG-TERM LIABILITIES | <u>\$ 8,519,020</u> | <u>\$ 8,880,872</u> |
| TOTAL LIABILITIES | <u>\$ 9,707,698</u> | <u>\$ 10,695,885</u> |
| SHAREHOLDERS' EQUITY | | |
| Common Stock (no par value, 994,930 shares authorized and issued. 994,090 shares outstanding in 2020 and 994,070 shares outstanding in 2019) | \$ 994,930 | \$ 994,930 |
| Additional Paid-in Capital | 25,478,395 | 25,478,395 |
| Accumulated Deficit | (22,366,021) | (22,372,126) |
| Accumulated Other Comprehensive Income (Loss): | | |
| Net Unrealized Gains (Losses) on Securities Available for Sale | (49,832) | (14,444) |
| Cost of 840 shares of common stock for 2020 and 860 shares of common stock for 2019 held by the Company in treasury. | (46,344) | (91,196) |
| TOTAL SHAREHOLDERS' EQUITY | <u>\$ 4,011,128</u> | <u>\$ 3,995,559</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 13,718,826</u> | <u>\$ 14,691,444</u> |

See Accompanying Notes to Financial Statements

1170 APARTMENT CORP
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| REVENUES | | |
| Maintenance Income | \$ 7,117,754 | \$ 6,686,211 |
| Garages | 329,723 | 340,843 |
| Gain (Loss) on Sale of Securities | (13,480) | 36,423 |
| Gain (Loss) on Sale of Apartment | 13,804 | 140,928 |
| Investment Interest | 34,095 | 46,295 |
| Late Fees | 20,340 | 21,840 |
| Service Income - Laundry | 128,327 | 126,000 |
| Miscellaneous Charges and Fees | 160,598 | 75,467 |
| Sublet & Application Fees | 83,175 | 83,925 |
| Storage Room Income | 38,440 | 40,297 |
| TOTAL REVENUES | <u>\$ 7,912,776</u> | <u>\$ 7,598,228</u> |
| EXPENSES | | |
| Administrative Expenses | \$ 784,867 | \$ 721,288 |
| Operating Expenses | 1,180,288 | 1,246,881 |
| Maintenance Expenses | 2,511,536 | 2,317,641 |
| Taxes & Insurance Expenses | 2,560,160 | 2,422,219 |
| Interest Expenses | 514,329 | 533,285 |
| TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | <u>\$ 7,551,180</u> | <u>\$ 7,241,314</u> |
| EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | <u>\$ 361,596</u> | <u>\$ 356,914</u> |
| Depreciation | \$ 349,711 | \$ 379,664 |
| Amortization of Mortgage Refinancing Costs | 5,780 | 5,780 |
| TOTAL DEPRECIATION AND AMORTIZATION | <u>\$ 355,491</u> | <u>\$ 385,444</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ 6,105</u> | <u>\$ (28,530)</u> |

See Accompanying Notes to Financial Statements

**1170 APARTMENT CORP.
 STATEMENTS OF COMPREHENSIVE INCOME
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------------|--------------------------------|
| Excess (Deficiency) of Revenues over Expenses | \$ <u>6,105</u> | \$ <u>(28,531)</u> |
| Other Comprehensive Income: | | |
| Unrealized gains on securities: | | |
| Unrealized gains arising during period | \$ (35,388) | \$ 77,132 |
| Less: reclassification adjustment for losses included in net loss | <u>13,480</u> | <u>(36,423)</u> |
| Other Comprehensive Income (Loss) | \$ <u>(21,908)</u> | \$ <u>40,709</u> |
| Comprehensive Income (Loss) | \$ <u><u>(15,803)</u></u> | \$ <u><u>12,178</u></u> |

See Accompanying Notes to Financial Statements

1170 APARTMENT CORP
STATEMENTS OF ACCUMULATED DEFICIT
YEAR ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Accumulated Deficit - Beginning of Period | \$ (22,372,126) | \$ (22,343,596) |
| Deficiency of Revenues over Expenses | <u>6,105</u> | <u>(28,530)</u> |
| Accumulated Deficit - End of Period | <u>\$ (22,366,021)</u> | <u>\$ (22,372,126)</u> |

See Accompanying Notes to Financial Statements

1170 APARTMENT CORP.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|-----------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Excess (Deficiency) of Revenues over Expenses | \$ 6,105 | (28,531) |
| Adjustments to Reconcile Deficiency of Revenues Over Expenses to Net Cash Provided by Operating Activities: | | |
| Depreciation | 349,711 | 379,664 |
| Amortization | 5,780 | 5,780 |
| (Gain)/ Loss on Sales of Investments | 13,480 | (36,423) |
| (Increase) Decrease in: | | |
| Tenants-Shareholder Accounts Receivable | 41,029 | (11,386) |
| Real Estate Tax Escrow | (88,060) | 123,932 |
| Insurance Escrow | (14,051) | (13,891) |
| Prepaid Expenses | (58,114) | (139,446) |
| Insurance Proceeds Escrow-PNC | 757,760 | (1,544,978) |
| Increase (Decrease) in: | | |
| Accounts Payable & Accrued Expenses | (50,032) | 3,747 |
| Prepaid Maintenance Income | (54,669) | 84,073 |
| Due on Apartment Sale | (49,861) | 0 |
| Deferred Income | 251,615 | 0 |
| Net Cash Provided by Operating Activities | \$ 1,110,693 | (1,177,459) |
| Cash Flows From Investing Activities | | |
| Purchase of Building Improvements | \$ (1,504,676) | (350,823) |
| Purchase of Furniture, Fixtures, & Equipment | 0 | (44,072) |
| Purchase of Available For Sale Securities | (404,238) | (539,224) |
| Proceeds From Sales of Available for Sale Securities | 418,486 | 645,549 |
| Net Cash Used by Investing Activities | \$ (1,490,428) | (288,570) |
| Cash Flows From Financing Activities | | |
| Payment of Mortgage Payable | \$ (341,883) | (323,016) |
| Decrease of Deposit on Solar Panels | 715,324 | (280,162) |
| Additional Paid in Capital | 0 | 6,800 |
| Change in Treasury Stock | 44,852 | 290,823 |
| Decrease in Insurance Advance | (743,361) | 753,480 |
| Increase in Good Faith Deposit | (37,000) | (25,680) |
| Net Cash Used by Financing Activities | \$ (362,068) | 422,245 |
| Net Increase (Decrease) in Cash and cash equivalents | \$ (741,803) | (1,043,784) |
| Cash and cash equivalents at Beginning of Year | 1,421,408 | 2,465,190 |
| Cash and cash equivalents at End of Year | \$ 679,605 | 1,421,406 |
| Supplemental Disclosure | | |
| Income Taxes Paid | \$ 2,000 | 2,026 |
| Interest Paid | \$ 514,743 | 533,676 |

See Accompanying Notes to Financial Statements

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

1. ORGANIZATION

1170 Apartment Corp., a cooperative housing corporation, was incorporated in the state of New Jersey in January, 1980. The corporation owns the land (approximately 35 Acres) and 26 Buildings located in Fort Lee, New Jersey consisting of 1170 Residential Apartments and a management office. The primary purpose of the Corporation is to manage the operations and maintain the common elements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Property, Equipment and Depreciation – The buildings, improvements and equipment are recorded on the books at cost. The buildings were depreciated on a straight - line basis, over a 35-year life. Current acquisitions are depreciated using the straight-line method over their estimated useful lives.
- B. Revenue - Carrying charges. Carrying charges are based on an annual budget determined by the board of directors. Tenant - shareholders are billed monthly based on their respective stock holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.
- C. Mortgage Refinancing costs - Mortgage closing costs are being amortized straight line over the life of the mortgage (thirty years).
- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- E. Investments - The Corporation's investments are in various equity securities and mutual funds and are classified as available-for-sale securities. These investments are reported at fair market values based on quoted market prices. Accumulated unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income, as a separate component of shareholders equity. Current year unrealized holding gains (losses) are included in the statements of comprehensive income. Realized gains and losses are computed using the specific identification method and are included in revenues. (See Note #7 for further details)
- F. Cash and Cash Equivalents - For the purposes of these financial statements, the Company considers all highly liquid short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Certificates of Deposit with a maturity of three months or less are included in cash. Certificates of Deposit with a maturity of over three months are listed separately. The total amount of the Certificates of Deposit that are included in cash is \$0 in 2020 and \$0 in 2019.

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

G. Maintenance Assessments

Tenant-shareholders are subject to monthly assessments to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Tenant-shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose assessments are ninety days or more delinquent. The Corporation considers all tenant-shareholder receivables at December 31, 2020 and 2019, to be fully collectible. Any excess assessments at year end are retained by the Corporation for use in the succeeding year.

On February 14, 2019, there was a fire that completely destroyed the building at 3011 Edwin Avenue and damaged the adjacent building at 3001 Edwin Avenue. Due to this event, 1170 lost maintenance income from 3011 Edwin Avenue since the date of the fire and two and one-half months of maintenance income from 3001 Edwin Avenue. The insurance policy allows 1170 Apartment Corp. to collect lost maintenance for up to 18 months. As of December 31, 2020, the Corporation was reimbursed \$342,228 for loss of maintenance. This income is included in maintenance income.

3. PAID IN CAPITAL

The Corporation will receive \$7.87 per share of stock sold (original sponsor sales) as additional paid in capital. As of December 31, 2020, \$7,949 will be due to the corporation when the remaining shares of stock are sold. As of December 31, 2019, \$7,949 was due to the corporation.

4. MORTGAGE NOTE PAYABLE

A. On July 25, 2006 the mortgage was refinanced with ARCS Commercial Mortgage Co., L.P. for \$12,000,000. As of December 31, 2020, the mortgage payable to ARCS Commercial Mortgage Co., L.P. was \$8,880,872 (as of December 31, 2019 the mortgage payable was \$9,222,755). Beginning September 1, 2006 constant monthly payments of interest only in the amount of \$56,900 are required at the annual rate of 5.69% for two years. Beginning September 1, 2008, constant monthly payments of principal and interest in the amount of \$71,489.09 are required until the maturity date of August 1, 2036. Should the Corporation decide to prepay the unpaid principal balance of the mortgage at any time prior to August 1, 2021, a prepayment premium will be charged. The Corporation must escrow for real estate taxes and insurance. The mortgage note is collateralized by the land and buildings owned by the Corporation.

B. Principle maturities of the mortgage note for each of the next five years as follows:

| | |
|-------------------------------|---------|
| Year Ending December 31, 2021 | 361,852 |
| Year Ending December 31, 2022 | 382,986 |
| Year Ending December 31, 2023 | 405,356 |
| Year Ending December 31, 2024 | 429,032 |
| Year Ending December 31, 2025 | 454,090 |

C. Interest expense for the year ending December 31, 2020 was \$514,329 and for the year ended December 31, 2019 was \$533,285.

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

4. MORTGAGE NOTE PAYABLE CONTINUED

D. As of December 31, 2020, 1170 Apartment Corp. has made a good faith deposit of \$62,680 towards the refinancing of their mortgage.

5. SPONSOR SHARES

The sponsor owns .10% of the outstanding shares and is, therefore, responsible for that portion of the carrying charges.

6. CONCENTRATION OF CREDIT RISK - UNINSURED CASH BALANCES

The Corporation maintains its cash balances at several financial institutions located throughout the United States. Accounts at each institution are insured by the Federal Deposit Corporation up to \$250,000. Uninsured balances are approximately \$505,000 and \$1,006,000 as of December 31, 2020 and 2019, respectively.

7. MARKETABLE SECURITIES

Securities available-for-sale consist of the following:

| | <u>DECEMBER 31, 2020</u> | | | |
|-------------------|--------------------------|-------------------------------------|--------------------------------------|----------------------|
| | <u>COST</u> | GROSS UNREALIZED <u>GAINS</u> | GROSS UNREALIZED <u>LOSSES</u> | FAIR <u>VALUE</u> |
| Equity Securities | \$ 408,133 | \$ 19,195 | \$ 77,340 | \$ 349,988 |
| Mutual Funds | <u>195,618</u> | <u>9,089</u> | <u>776</u> | <u>203,931</u> |
| | <u>\$ 603,751</u> | <u>\$ 28,284</u> | <u>\$ 78,116</u> | <u>\$ 553,919</u> |

| | <u>DECEMBER 31, 2019</u> | | | |
|-------------------|--------------------------|-------------------------------------|--------------------------------------|----------------------|
| | <u>COST</u> | GROSS UNREALIZED <u>GAINS</u> | GROSS UNREALIZED <u>LOSSES</u> | FAIR <u>VALUE</u> |
| Equity Securities | \$ 564,713 | \$ 51,634 | \$ 69,795 | \$ 546,552 |
| Mutual Funds | <u>66,758</u> | <u>4,180</u> | <u>463</u> | <u>70,475</u> |
| | <u>\$ 631,471</u> | <u>\$ 55,814</u> | <u>\$ 70,258</u> | <u>\$ 617,027</u> |

During 2020, the Corporation sold securities available-for-sale for total proceeds of \$397,996 resulting in \$53,800 in gross realized gains and \$67,279 in gross realized losses. During 2019, the Corporation sold securities available-for-sale for total proceeds of \$645,549 resulting in \$64,375 gross realized gains and \$27,954 in gross realized losses.

The change in the net unrealized holding gain (loss) was (\$35,388) for the year ended December 31, 2020.

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

7A. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Available-for-sale securities also are recorded at fair value in the balance sheets. A value of the company's other financial instruments is as follows:

Fair values of assets and liabilities measured on a recurring basis at December 31, 2020 and 2019 are as follows:

| | <u>Fair Value Measurements at Reporting Date</u> | | | |
|-------------------------------|--|----------------------|--------------------|---------------------|
| | | <u>Using</u> | | |
| | | <u>Quoted Prices</u> | <u>Significant</u> | <u>Significant</u> |
| | | <u>In Active</u> | <u>Other</u> | <u>Unobservable</u> |
| | | <u>Markets for</u> | <u>Observable</u> | <u>Inputs</u> |
| | | <u>Identical</u> | <u>Inputs</u> | <u>Inputs</u> |
| | | <u>Assets/</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| | <u>Fair Value</u> | <u>Liabilities</u> | | |
| | | <u>(Level 1)</u> | | |
| <u>December 31, 2020</u> | | | | |
| Available-for-sale securities | \$ <u>553,919</u> | \$ <u>553,919</u> | - | - |
| Total Assets | \$ <u>553,919</u> | \$ <u>553,919</u> | <u>0</u> | <u>0</u> |

| | <u>Fair Value Measurements at Reporting Date</u> | | | |
|-------------------------------|--|----------------------|--------------------|---------------------|
| | | <u>Using</u> | | |
| | | <u>Quoted Prices</u> | <u>Significant</u> | <u>Significant</u> |
| | | <u>In Active</u> | <u>Other</u> | <u>Unobservable</u> |
| | | <u>Markets for</u> | <u>Observable</u> | <u>Inputs</u> |
| | | <u>Identical</u> | <u>Inputs</u> | <u>Inputs</u> |
| | | <u>Assets/</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| | <u>Fair Value</u> | <u>Liabilities</u> | | |
| | | <u>(Level 1)</u> | | |
| <u>December 31, 2019</u> | | | | |
| Available-for-sale securities | \$ <u>617,027</u> | \$ <u>617,027</u> | - | - |
| Total Assets | \$ <u>617,027</u> | \$ <u>617,027</u> | <u>0</u> | <u>0</u> |

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund these needs. When additional funds (above and beyond existing funds) are required for major repairs and replacements, the Corporation plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect of future assessments has not been determined.

9. INCOME TAXES (SECTION 277 AND SUBCHAPTER T)

After losing several cases regarding applicability of section 277, the internal revenue service has agreed to accept the holding of the tax court in the Thwaites Terrace House Owners Corp. v Commissioner, that subchapter T applies to cooperative housing corporations (and not section 277). Accordingly, no provision for any income taxes has been included in the financial statements. The Corporation files form 1120 for federal tax purposes. The State of New Jersey imposes a minimum Corporation tax.

The Corporation has loss carry forwards totaling \$15,636,421 that may be offset against future taxable income. If not used, the carry forwards will expire as follows:

| <u>YEAR</u> | <u>AMOUNT</u> |
|-------------|---------------------|
| 2020 | 763,317 |
| 2021 | 915,847 |
| 2022 | 1,231,570 |
| 2023 | 919,225 |
| 2024 | 1,142,586 |
| 2025 | 1,108,236 |
| 2026 | 898,041 |
| 2027 | 331,553 |
| 2028 | 878,818 |
| 2029 | 1,073,740 |
| 2030 | 996,935 |
| 2031 | 1,112,437 |
| 2032 | 1,029,754 |
| 2033 | 1,034,924 |
| 2034 | 411,603 |
| 2035 | 605,834 |
| 2036 | 653,103 |
| 2039 | 528,898 |
| | <u>\$15,636,421</u> |

1170 APARTMENT CORP.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020 & 2019

10. COMMITMENTS AND CONTINGENCIES

LEASES

- A. The Corporation leases office equipment. Lease payments are \$239 per month for one lease and \$703 per quarter for the other lease. As of December 31, 2020, there were sixty payments remaining on the \$239 lease and seventeen payments remaining on the \$703 lease.
- B. Minimum future payments for these operating leases are as follows: (See Note #16 regarding lease payments on solar panels)

| | <u>YEAR</u> | <u>AMOUNT</u> |
|-------------------------------------|-------------|------------------|
| | 2021 | 307,381 |
| | 2022 | 307,381 |
| | 2023 | 307,381 |
| | 2024 | 307,381 |
| | 2025 | <u>305,272</u> |
| Total Minimum Future Lease Payments | | <u>1,534,796</u> |

11. LEGAL MATTERS

As of December 31, 2020, the cooperative was not in possession of any apartments as a result of eviction proceedings. As of December 31, 2019, the cooperative was not in possession of any apartments as a result of eviction proceedings. The Corporation may either sell or rent these units to recover past due maintenance.

1170 Apartment Corp was involved in a lawsuit with Cotton Commercial USA. This action involved remediation and cleanup work allegedly performed by Cotton Commercial USA on behalf of 1170 Apartment Corp. related to the February 14, 2019 fire loss at 3011 Edwin Avenue. This lawsuit has been settled. 1170 Apartment Corp. paid Cotton Commercial USA \$1,650,000 on June 26, 2020 as settlement. This payment is netted with the fire insurance proceeds.

1170 Apartment Corp has been named as a third party defendant in a dispute between the general contractor and subcontractor, Hevy Contractors LLC, who are engaged to reconstruct the building damaged by fire on February 14, 2019. Hevy Contractors LLC claims that any monies that may be due and owing to them are partly the responsibility of 1170 Apartment Corp. Both Greenfield Construction Group LLC and 1170 Apartment Corp denies that there is any legal responsibility for 1170 Apartment Corp to be in anyway liable. The amount of claim asserted against the general contractor is approximately \$400,000. It is 1170 Apartment Corp's position that any and all monies, which may have been due to either Greenfield Construction Group LLC or any other subcontractors have already been paid and disbursed through the insurance proceeds, which were paid pursuant to the terms of the policy by the carrier.

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

12. RETIREMENT PLAN

The Corporation maintains a SARSEP (Salary Reduction Simplified Employee Pension) for all employees who have reached the age of 21 years and completed two years of service. The Corporation contributes one percent of eligible employee wages. The Corporation's contribution is made quarterly. The total expense for the year ended December 31, 2020 was \$9,354 and for the year ended December 31, 2019 the amount was \$9,667.

The Company has a 401(k) Profit Sharing Plan for all employees who have completed three months of service. The Company contributes a flat rate as per the union contract. As of October 1, 2018 the rate increased to \$179.13 per employee. As of October 1, 2019 the rate increased to \$194.13 per employee. As of October 1, 2020 the rate increased to \$204.13 per employee. The total expense for the year ended December 31, 2020 was \$30,091 and the year ended December 31, 2019 was \$29,827.

13. DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 12, 2021, the date that the financial statements were available to be issued.

14. TREASURY STOCK

The Corporation owns one unit as of December 31, 2020 and one unit as of December 31, 2019. The Corporation acquired one unit during 2020 and are renovating it to sell. The Corporation sold one unit in July 2020. All income in excess of maintenance charges is included in the Statement of Revenue and Expenses as revenue in miscellaneous charges and fees. The Corporation collected \$5,184 and \$15,209 in excess of maintenance charges from the rented apartments in 2020 and 2019, respectively.

15. MAINTENANCE

On January 1, 2020 maintenance fees were increased by 1%.
On January 1, 2019 maintenance fees were increased by 1%.

16. OTHER EVENTS

- On February 14, 2019 there was a fire at 3011 Edwin Avenue. The building was completely destroyed. Insurance is expected to cover the cost of constructing a new building. As of December 31, 2020, 1170 Apartment Corp. has received \$11,800,000 from the insurance company to cover expenses which have begun. As of December 31, 2020, 1170 Apartment Corp. has incurred \$11,789,881 in expenses related to construction of the new building. As of December 31, 2020, \$787,218 of the insurance proceeds is in escrow with PNC. 1170 Apartment Corp. has also used \$1,198,107 of their own funds on fire-related expenses. In addition, 1170 transferred \$421,008 out of the PNC escrow account as of December 31, 2020 that is in their cash account and had not been used for fire related expenses until January 2021.

1170 APARTMENT CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 & 2019

16. OTHER EVENTS CONTINUED

- Therefore, 1170 Apartment Corp. has a net advance balance in insurance proceeds in the amount of \$10,120 as of December 31, 2020. The expected completion date for the new building is the end of April 2021. The building connected to 3011, (3001 Edwin Avenue), which incurred some damage from the fire has been completed.

- 1170 Apartment Corp. is having solar panels and new roofs installed on all of the buildings. As of December 31, 2020, they have paid \$437,017 towards the roof renovation. As of December 31, 2020, the new roofs have been installed on sixteen buildings and solar panels have been installed on fourteen buildings. Eight of the solar panels are operational. Upon installation of all solar panels 1170 Apartment Corp. will have lease payments totaling \$25,141.75 per month for 84 months. 1170 Apartment Corp. anticipates receiving credits offsetting a large portion of these payments.

- In June, 2020, 1170 Apartment Corp. signed an agreement with Spectrum New York Metro LLC for their services. The agreement begins August 2020 and is for 50 months. In consideration of the exclusive equipment use and exclusive marketing rights granted by 1170 Apartment Corp. to Spectrum, Spectrum paid 1170 Apartment Corp a one-time payment of \$276,500. The income from this one-time payment is being deferred over the life of the agreement and is included in miscellaneous charges and fees.

17. SUBSEQUENT EVENTS

On January 1, 2021 maintenance fees were increased by 1%.

SUPPLEMENTARY INFORMATION

1170 APARTMENT CORP
SCHEDULES OF PREPAID EXPENSES
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Prepaid Insurance | \$ 548,246 | \$ 490,132 |
| TOTAL PREPAID EXPENSES | \$ 548,246 | \$ 490,132 |

1170 APARTMENT CORP
SCHEDULES OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|
| Building | \$ 27,261,046 | \$ 27,261,046 |
| Improvements | 15,000,504 | 13,495,828 |
| Furniture, Fixtures & Equipment | 853,893 | 853,893 |
| Less: Accumulated Depreciation | <u>(37,255,037)</u> | <u>(36,905,326)</u> |
| NET PROPERTY AND EQUIPMENT | \$ 5,860,406 | \$ 4,705,441 |

SCHEDULE A-3

1170 APARTMENT CORP
SCHEDULES OF BUILDING IMPROVEMENTS
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Brickpointing/Waterproofing | \$ 133,808 | \$ 125,126 |
| Grounds Upgrading | 43,323 | 97,618 |
| Building Upgrade | 1,130,577 | 128,079 |
| Office Upgrading | 1,518 | - |
| Garage Upgrade | 195,450 | - |
| | <hr/> | <hr/> |
| TOTAL CURRENT BUILDING IMPROVEMENT | \$ 1,504,676 | \$ 350,822 |

SCHEDULE A-4

1170 APARTMENT CORP
SCHEDULES OF ADDITIONAL PAID-IN CAPITAL
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Additional Paid-in Capital - Beginning | \$ 25,478,395 | \$ 25,471,595 |
| Additions: | | |
| 4th Amendment Reserve | - | 500 |
| Repair Reserve | - | 6,300 |
| | <hr/> | <hr/> |
| ADDITIONAL PAID-IN CAPITAL - ENDING | \$ 25,478,395 | \$ 25,478,395 |

SCHEDULE B-1

1170 APARTMENT CORP
SCHEDULES OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------|-------------------|
| Service Charges & Fees | \$ 16,589 | \$ 21,136 |
| General Manager Salary | 122,096 | 122,600 |
| Office Payroll | 171,081 | 180,314 |
| Maintenance Supervisor Payroll | 112,827 | 115,299 |
| Licenses & Permits | 43,796 | 31,240 |
| Telephone & Beepers | 59,873 | 57,381 |
| Office & Administrative Expenses | 89,085 | 84,670 |
| Auditing | 29,714 | 26,926 |
| Legal Fees | 131,787 | 63,758 |
| Computer Expense | 6,676 | 17,963 |
| Advertising & Marketing | 1,343 | - |
| | <hr/> | <hr/> |
| TOTAL ADMINISTRATIVE EXPENSES | \$ 784,867 | \$ 721,288 |

SCHEDULE B-2

1170 APARTMENT CORP
SCHEDULES OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|---------------------|---------------------|
| Gas | \$ 506,355 | \$ 612,155 |
| Water & Water Treatment | 319,244 | 297,757 |
| Electric | 88,173 | 75,342 |
| Rubbish Removal | 47,790 | 51,059 |
| Security | 207,744 | 201,264 |
| Auto Expenses | 10,982 | 9,303 |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | \$ 1,180,288 | \$ 1,246,881 |

SCHEDULE B-3

1170 APARTMENT CORP
SCHEDULES OF MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|---------------------|---------------------|
| Plumbing | \$ 64,668 | \$ 54,600 |
| Boiler | 160,275 | 139,853 |
| Maintenance Payroll | 998,299 | 1,000,384 |
| Elevator | 56,286 | 69,400 |
| Painting & Decorating | 106,900 | 107,850 |
| Grounds Maintenance | 103,584 | 70,709 |
| Appliance Repairs (Laundry Equip.) | 41,420 | 52,886 |
| Exterminating | 26,305 | 22,071 |
| Maintenance Supplies & Repairs | 335,144 | 206,638 |
| Electrical Repairs | 36,503 | 64,190 |
| Employee Welfare & Union | 546,728 | 508,072 |
| Roof Repairs | 10,106 | 9,916 |
| Solar Panel Fees | 18,906 | - |
| Snow Removal | 6,413 | 11,073 |
| | <hr/> | <hr/> |
| TOTAL MAINTENANCE EXPENSES | \$ 2,511,536 | \$ 2,317,641 |
| | <hr/> <hr/> | <hr/> <hr/> |

SCHEDULE B-4

1170 APARTMENT CORP
SCHEDULES OF TAXES & INSURANCE EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|---------------------|---------------------|
| Real Estate Taxes | \$ 1,667,238 | \$ 1,628,726 |
| Payroll Taxes | 133,228 | 133,390 |
| NJ Corporation Taxes | 2,000 | 2,026 |
| Hazard Insurance | 757,695 | 658,078 |
| | <hr/> | <hr/> |
| TOTAL TAXES & INSURANCE | \$ 2,560,160 | \$ 2,422,219 |
| | <hr/> <hr/> | <hr/> <hr/> |

1170 APARTMENT CORP
SCHEDULES OF INTEREST EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| 1st Mortgage Interest | \$ 514,329 | \$ 533,285 |
| TOTAL INTEREST EXPENSE | <u>\$ 514,329</u> | <u>\$ 533,285</u> |

1170 APARTMENT CORP
SCHEDULES OF MAINTENANCE PAYROLL
YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|-------------------|---------------------|
| Grounds Director | \$ 65,747 | \$ 64,483 |
| Resident Superintendents | 134,685 | 130,509 |
| Handymen/Landscapers | 241,030 | 278,125 |
| Maintenance Receptionist | 43,490 | 44,544 |
| Porter Wages | <u>513,347</u> | <u>482,723</u> |
| TOTAL MAINTENANCE PAYROLL | <u>\$ 998,299</u> | <u>\$ 1,000,384</u> |