



PRESTIGE MANAGEMENT INC.

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"We Make a Difference"

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August 10, 2015

Mr. Gary Sloman
NYC Department of Housing Preservation and Development
100 Gold Street
New York, NY 10038

Re: Franklin Plaza Apartments, Inc.

Dear Mr. Sloman:

The Board of Directors of Franklin Plaza Avenue Apartments, Inc. wishes to apply for a 9% carrying charge increase over 3 years at 3% per year. Based on this action, we have enclosed the following information:

1. HPD carrying charge increase application
2. Proposed operating budget for 2 years
3. Comparative financial statement – June 30, 2014

The corporation would like to adhere to the two-year budget that was prepared to illustrate the need for an increase. Your prompt attention to this request is appreciated in order to allow for implementation. Thank you in advance for your cooperation with regard to this matter.

Sincerely,

Vernon B. Fray
Agent/ Controller

CC: Board of Directors
T. Wilson, Prestige Management Inc.
H. Henry, Prestige Management Inc.
J. Chen, Prestige Management Inc.

PRESTIGE-HOUSING MANAGEMENT WITH CHARACTER, REPUTATION AND HIGH ACHIEVEMENT

Prestige Management Inc. – Management Agent

DEPARTMENT OF HOUSING PRESERVATION
AND DEVELOPMENT OF THE CITY OF NEW YORK

-----X
IN THE MATTER OF THE APPLICATION OF
FRANKLIN PLAZA APARTMENTS, INC.

For an increase in the maximum average monthly
room rentals (including utilities) of 3% for the first year
3% for the second year and 3% in the third year),
pursuant to the provisions of Article II of the Private Housing Finance Law.

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TO THE DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT:

Applicant, FRANKLIN PLAZA APARTMENTS, INC. respectfully shows and alleges that:

1. FRANKLIN PLAZA APARTMENTS, INC. is a limited profit housing corporation which was organized under Article II of the Private Housing Finance Law on June 19, 1961.
2. FRANKLIN PLAZA APARTMENTS, INC. owns and operates a limited profit housing development known as Franklin Plaza Apartments, Inc., in the Borough of Manhattan, City and State of New York, consisting of 1,635 apartments which in turn contain 7,349.5 rental rooms.
3. FRANKLIN PLAZA APARTMENTS, INC. was Incorporated in 1961 and received Certificate of Occupancy in 1962.
4. Pursuant to Resolution adopted by the Board of Estimate of the City of New York, FRANKLIN PLAZA APARTMENTS, INC. pays shelter rent tax.
5. The current maximum average monthly room rental has been effective since August 1, 2013.

6. The present annual income from non-dwelling spaces is approximately \$2,945,159 which includes surcharge income, interest income, income from parking fees, utility fees, laundry, storage and rental from community rooms.
7. FRANKLIN PLAZA APARTMENTS, INC. has 330,500 authorized shares of common stock and actual capital of \$4,527,850 consisting of 330,500 shares of common stock, par value of \$13.70 per share.
8. The total assessed valuation of the land and improvements of FRANKLIN PLAZA APARTMENTS, INC. is \$62,802,900.
9. The carrying charges as presently fixed are insufficient to cover the payments, which must be made by the Applicant to meet all of its expenses as described in Section 31 of the Private Housing Finance Law. It is the judgment of the Directors and Officers of FRANKLIN PLAZA APARTMENTS, INC. that a proposed carrying charges increase is in the best interest of FRANKLIN PLAZA APARTMENTS, INC. and its cooperators and is essential to enable the Applicant to satisfy its responsibilities to provide its cooperators with safe and sanitary housing accommodations and to prevent the deterioration of the Applicant's financial position. The insufficiency of the presently authorized minimum carrying charges to cover the payments authorized under Section 31 of the Private Housing Finance Law is due to changes and conditions or causes beyond the control of FRANKLIN PLAZA APARTMENTS, INC. Specifically, after the current construction work is completed, Franklin Plaza will be entering into a repair loan with HDC to complete the needed repairs. The Phase II Loan is expected to be approximately \$28,000,000 and in an effort to mitigate the financial impact of a very large maintenance increase on the residents at that time, the HDC underwriting incorporates smaller increases at this juncture

and these increases would be earmarked as reserves for the purpose of the Phase II repairs.

10. FRANKLIN PLAZA APARTMENTS, INC. hereby submits the following exhibits and schedules in support of the within application:

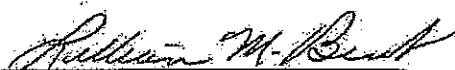
- Exhibit 1 - Application for carrying charge increase
- Schedule A - Projected Income and expenses including proposed carrying charge increase
- Schedule B - Other income
- Schedule C - Operating expenses
- Schedule D - Utility expenses
- Schedule E - Interest and amortization (debt service)
- Schedule F - Actual allocation to reserves

11. By reason of the foregoing, FRANKLIN PLAZA APARTMENTS, INC, requests that the maximum average monthly room rental in the housing development be increased by three (3) percent per room per month effective October 1, 2015, three (3%) percent per room per month, effective October 1, 2016; three (3%) percent per room per month effective October 1, 2017 and for such other further relief as may be just and proper.

Wherefore, FRANKLIN PLAZA APARTMENTS, INC. respectfully requests that an Order be issued by the Department of Housing Preservation and Development of the City of New York increasing the maximum average monthly room rental as requested herein. The petitioners respectfully request that any proposed increase in rentals shall not be in excess of the minimum amount necessary to enable FRANKLIN PLAZA APARTMENTS, INC. to make the payments authorized in Section 31 of the Private Housing Finance Law.

Dated: New York, New York
August 6 2015

FRANKLIN PLAZA APARTMENTS, INC.

By: 
Lilian M. Bent, President

FRANKLIN PLAZA APARTMENTS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Jablons Kass & Company
Certified Public Accountants P.C.

Ross S. Kass, CPA
Patrice M. Bracken, CPA
Manny Hu, CPA
Mitchel Kass, CPA (1937 - 1992)

Correspondents:
Raymond L. Jablons, CPA
Peter Ciccone Co., CPAs
Steven Greenberg Co., CPAs, P.C.
Jeffery I. Winer, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Franklin Plaza Apartments, Inc.

We have audited the accompanying financial statements of Franklin Plaza Apartments, Inc., which comprise the balance sheets as of June 30, 2014 and June 30, 2013 and the related statements of changes in stockholders' equity, operations, cash flows for the years then ended and the related schedules and notes to 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 of 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 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 presented fairly, in all material respects, the financial position of Franklin Plaza Apartments, Inc. as of June 30, 2014, and June 30, 2013 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 6 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jablons, Kass & Company CPAs P.C.

JABLONS, KASS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

September 11, 2014
Melville, New York 11747

FRANKLIN PLAZA APARTMENTS, INC.
BALANCE SHEET
JUNE 30, 2014 AND 2013

EXHIBIT A
Page 1

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets		
1110 Cash in Office - Petty Cash Fund	\$ 600	\$ 600
1120 Cash in Banks		
1123 Operating Account	2,548,637	3,146,318
1123 Operating / Reserve Account	856,151	860,182
1124 Equity Account	777,792	583,377
1125 Surcharge Account	2,585	2,585
1126 Applicants' Deposits Account	58,592	58,166
1130 Tenants' Accounts Receivable		
1131 Residential - Rentals (Net) (Schedule 5)	1,353,689	809,063
1132 Residential - Surcharges	124,607	145,357
1133 Commercial (Net) (Schedule 5)	57,496	34,389
1140 Other Accounts Receivable	4,575	143,042
1150 HDC Escrow Funds	5,648,404	0
Total Current Assets	<u>11,433,128</u>	<u>5,783,079</u>
Deferred Charges and Prepayments		
1210 Fuel Inventory	33,125	66,690
1220 Supplies Inventory	87,799	217,359
1240 Unexpired Insurance (Schedule 1)	1,204,311	949,547
1295 Other Prepaid Expenses	84,057	37,151
Total Deferred Charges and Prepayments	<u>1,409,292</u>	<u>1,270,747</u>
Funds		
1330 Cash in Savings		
1331 Unrestricted	40,291	40,190
1339 Applicants' Deposits	267,062	266,812
1350 Security Deposit Fund	336,658	323,583
1391 Restricted Reserves Funds	107,841	939,748
Total Funds	<u>751,852</u>	<u>1,570,333</u>
Subtotal (Carried Forward)	<u>\$ 13,594,272</u>	<u>\$ 8,624,159</u>

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
BALANCE SHEET
JUNE 30, 2014 AND 2013

EXHIBIT A
Page 2

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Subtotal (Brought Forward)	\$ 13,594,272	\$ 8,624,159
Fixed Assets (Schedule 3)		
1510 Land	3,232,379	3,232,379
1520 Buildings	53,918,398	48,810,249
4120 Accumulated Depreciation	(32,475,853)	(31,757,369)
Net	21,442,545	17,052,880
1530 Building Equipment - Fixed	4,668,407	4,536,615
4130 Accumulated Depreciation	(3,700,980)	(3,564,664)
Net	967,427	971,951
1540 Building Equipment - Portable	626,087	626,087
4140 Accumulated Depreciation	(612,815)	(604,626)
Net	13,272	21,461
1550 Office Furniture & Equipment	169,927	169,927
4150 Accumulated Depreciation	(164,607)	(164,607)
Net	5,320	5,320
1570 Maintenance Equipment	25,463	25,463
4170 Accumulated Depreciation	(25,463)	(25,463)
Net	0	0
Net Fixed Assets	25,660,943	21,283,991
Other Assets		
1910 Loan Obtainment Costs	2,197,277	349,255
1920 Less Accumulated Amortization of LOC	(55,322)	(44,097)
Net	2,141,955	305,158
1920 Deferred Engineering Costs	494,780	493,810
1932 Construction Loan Interest Costs	211,623	0
1935 Construction Loan Soft Costs	465,815	0
1940 Equity Increase Notes Receivable	8,391,426	8,638,326
Total Other Assets	11,705,599	9,437,294
TOTAL ASSETS	\$ 50,960,814	\$ 39,345,444

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
BALANCE SHEET
JUNE 30, 2014 AND 2013

EXHIBIT A
Page 3

	<u>LIABILITIES</u>	
	<u>2014</u>	<u>2013</u>
Current Liabilities		
2119 Sundry Accounts Payable (Schedule 4)	\$ 1,124,883	\$ 1,917,699
2120 Accrued Salaries Payable	199,391	68,393
2140 Accrued Taxes and Surcharges Payable		
2144 Rental Surcharges Payable to the City of New York	9,084	9,084
2144 Deferred Surcharge Income	115,523	136,273
2145 Accrued Real Estate Tax Payable	1,301,071	1,398,358
2149 Sundry Taxes Payable	2,268	2,268
2150 Other Accrued Liabilities		
2151 Accrued Utilities Payable		
2151 Accrued Electricity Expense	257,145	205,405
2151 Other Accrued Expenses	571,457	33,050
2159 Sundry Accrued Liabilities	17,716	12,569
2160 Employees' Deductions and Benefits	4,337	23,840
2161 Accrued Construction Costs	1,614,077	0
2195 Current Portion of Mortgage Payable	180,598	179,463
Total Current Liabilities	<u>5,397,550</u>	<u>3,986,402</u>
Deferred Credits and Deposits		
2310 Advance Rent From Tenants	271,868	257,058
2330 Rent Security Deposits Held	317,356	298,529
2340 Conditional Deposits - Stock Subscriptions	295,464	277,600
Total Deferred Credits and Deposits	<u>884,688</u>	<u>833,187</u>
Subtotal (Carried Forward)	<u>\$ 6,282,238</u>	<u>\$ 4,819,589</u>

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
BALANCE SHEET
JUNE 30, 2014 AND 2013

EXHIBIT A
Page 4

LIABILITIES

	2014	2013
Subtotal (Brought Forward)	\$ 6,282,238	\$ 4,819,589
Fixed Liabilities		
2410 HDC Construction Loans	7,128,735	0
2411 Mortgage Payable - Article 8A Loans		
Original Principal Balance	15,719,607	15,719,607
Amortization of Mortgage	(682,535)	(488,753)
Net Balance	15,037,072	15,230,854
2420 Mortgage Payable - Original Terms		
Original Principal Balance	61,737,292	61,737,292
2421 Amortization of Mortgage		
Payments	(2,333,202)	(2,320,540)
Net Balance	59,404,090	59,416,752
2499 Less Current Portions	(180,598)	(179,463)
Total Fixed Liabilities	81,389,299	74,468,143
Total Liabilities	87,671,537	79,287,732

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT)

Capital Stock		
3210 Common Stock Authorized -		
330,500 Shares, \$13.70 Par Value	4,527,850	4,527,850
329,969 Shares Outstanding		
3220 Common Stock Unissued - 531 Shares	(7,281)	(7,281)
3231 Paid in Capital - Mortgage Reduction	4,790,437	4,583,993
3232 Paid in Capital - Equity Increase	9,041,151	9,041,151
Retained Earnings		
3310 Retained Earnings (Deficit)	(55,062,880)	(58,088,001)
Total Stockholders' Equity (Deficit)	(36,710,723)	(39,942,288)
Total Liabilities and Stockholder's Equity	\$ 50,960,814	\$ 39,345,444

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

EXHIBIT B

	<u>2014</u>	<u>2013</u>
Capital Stock:		
3210 Balance Beginning of Year	\$ 4,527,850	\$ 4,527,850
3220 Common Stock Unissued	<u>(7,281)</u>	<u>(7,281)</u>
Net Capital Stock - End of Year	<u>4,520,569</u>	<u>4,520,569</u>
 Paid in Capital Mortgage Reduction:		
3231 Balance Beginning of Year	4,583,993	4,369,176
Principal Payments	205,782	184,920
Principal Amortization Adjustment HPD	<u>662</u>	<u>29,897</u>
Total Paid in Capital Mortgage Reduction - End of Year	<u>4,790,437</u>	<u>4,583,993</u>
 Paid in Capital Equity Increase		
3232 Balance Beginning of Year	9,041,151	9,041,151
200% Equity Increase	<u> </u>	<u> </u>
Total Paid in Equity Increase - End of Year	<u>9,041,151</u>	<u>9,041,151</u>
 Retained Earnings (Accumulated Deficit):		
3310 Balance Beginning of Year	(58,088,001)	(60,778,372)
Net Income or (Loss) for the Year	<u>3,025,121</u>	<u>2,690,371</u>
Total Retained Earnings (Accumulated Deficit) - End of Year	<u>(55,062,880)</u>	<u>(58,088,001)</u>
 Total Equity	<u>\$ (36,710,723)</u>	<u>\$ (39,942,288)</u>

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

EXHIBIT C

Page 1

	2014	2013*
Rent Income		
5100 Apartments	\$ 19,879,242	\$ 19,236,972
5109 Less Rents Applied to Mortgage Reduction	(206,444)	(184,919)
Net Apartment Rents	19,672,798	19,052,053
5121 Stores	2,089,293	2,031,275
5123 Parking Spaces	151,206	170,999
5125 Community Rooms	35,100	30,855
5129 Surcharges	225,793	95,684
Total Rent Income	22,174,190	21,380,866
Interest Income		
5490 Interest on Other Investments	3,772	3,143
Other Income		
5910 Laundry Room	62,600	63,100
5940 Air Conditioners	233,775	263,007
5960 Sales of Appliances and Fixed Assets	3,036	2,556
5970 Telephone and Cable Commission Income	8,370	6,200
5990 Apartment Reshaping	325,273	327,197
5990 Late Charge Fees	109,499	44,100
5990 Miscellaneous Other Income	85,879	58,551
5991 Move-in Fees	8,700	8,220
5994 Citizens Energy Oil Gift	79,275	138,595
Total Other Income	916,407	911,526
Total Income	23,094,369	22,295,535
Administrative Expenses		
6320 Management Fee	637,324	469,081
6210 Office Salaries	0	112,079
6211 Office Expense	103,865	93,645
6213 Telephone and Telegraph	14,036	11,096
6214 Computer and Bank Processing Fees	7,143	23,616
6250 Legal Fees	122,172	437,349
6260 Accounting and Auditing Fees	28,351	27,370
6270 Other Professional Fees	60,128	44,471
Total Administrative Expenses	973,019	1,218,707

*Restated to conform to current year's presentation
The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

EXHIBIT C
Page 2

	2014	2013*
Operating Expenses		
6301 Superintendents' Salaries	\$ 132,042	\$ 121,679
6310 Janitorial Payroll	1,046,985	890,879
6322 Exterminating Contract	42,411	33,774
6330 Protection Payroll	1,136,976	1,071,137
6341 Water & Sewer (Retroactive Transition Billing Program)	1,510,733	1,482,931
6343 Electricity	2,287,096	2,135,482
6344 Gas	105,600	84,471
6345 Fuel	4,119,641	3,946,358
6346 Boiler Room Payroll	343,236	301,528
6347 Uniforms and Cleaning	84,186	56,914
6390 Miscellaneous Operating Expenses	19,453	0
Total Operating Expenses	<u>10,828,359</u>	<u>10,125,153</u>
Repairs and Maintenance		
6410 Maintenance Payroll	799,409	768,745
6421 Repairs and Maintenance - Materials and Supplies	524,714	555,591
6422 Repairs and Maintenance - Contract	310,696	237,465
6424 Plumbing and Gas Systems	101,136	196,679
6425 Electric Systems	34,296	39,879
6426 Heating Systems	52,278	139,164
6430 Elevator Maintenance and Repairs	254,588	229,911
6440 Grounds Payroll	317,758	277,546
Total Repairs and Maintenance	<u>2,394,875</u>	<u>2,444,980</u>
Taxes, Insurance and Employee Benefits		
6610 Real Estate Taxes	1,526,537	1,599,899
6620 Payroll Taxes	335,526	313,473
6660 Insurance	1,108,229	1,085,573
6680 Employee Benefits	1,405,405	1,380,940
6690 Federal Corporation Tax	211,846	206,249
6691 Permits and Fees	17,908	70,206
Total Taxes, Insurance and Employee Benefits	<u>4,605,451</u>	<u>4,656,340</u>

*Restated to conform to current year's presentation
The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

EXHIBIT C
Page 3

	<u>2014</u>	<u>2013</u>
Financial Expenses		
6710 Interest on Mortgage Payable	\$ 46,937	\$ 72,206
6730 Other Interest Expense	884	28,601
6740 Collection Loss	<u>356,734</u>	<u>202,319</u>
Total Financial Expenses	<u>404,555</u>	<u>303,126</u>
Depreciation		
6910 Buildings	718,169	717,834
6920 Building Equipment - Fixed	129,822	129,806
6930 Building Equipment - Portable	<u>14,998</u>	<u>9,218</u>
Total Depreciation	<u>862,989</u>	<u>856,858</u>
Total Expenses	<u>20,069,248</u>	<u>19,605,164</u>
Net Income for the Year	<u>\$ 3,025,121</u>	<u>\$ 2,690,371</u>
Retained Earnings (Deficit) - Beginning of Year	<u>(58,088,001)</u>	<u>(60,778,372)</u>
Retained Earnings (Deficit) - End of Year	<u>\$ (55,062,880)</u>	<u>\$ (58,088,001)</u>

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company, Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

EXHIBIT D

	2014	2013
Cash Flows from Operating Activities		
Net Income from Operations	\$ 3,025,121	\$ 2,690,371
Adjustments to Reconcile Net Income to Net Cash Applied to Operating Activities		
Depreciation	874,214	856,858
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(546,983)	(329,191)
(Increase) Decrease in Other Receivables	138,467	(35,588)
(Increase) Decrease in Deferred Charges and Prepayments	(138,545)	(77,234)
(Increase) Decrease in Other Assets	246,900	34,539
(Decrease) Increase in Vouchers Payable	(792,815)	(292,000)
(Decrease) Increase in Accrued Expenses and Taxes	2,202,829	(413,001)
Increase in Deferred Credits and Deposits	51,501	155,528
Net Cash Flows Provided by Operating Activities	5,060,689	2,590,282
Cash Flows Provided by Investing Activities		
(Additions) to Property	(5,239,941)	0
(Additions) to Property/Soft Costs	(2,526,430)	(78,134)
Building Improvements Settlement	0	121,001
Net Cash Flows Provided by Investing Activities	(7,766,371)	42,867
Cash Flows From Financing Activities		
Proceeds from HDC Construction Loans	7,128,735	0
Cooperators Capital Contribution for Mortgage Payable Amortization	206,444	184,919
Amortization of Mortgage Payable	(206,444)	(184,919)
Net Cash Flows Derived From Financing Activities	7,128,735	0
Net Increase (Decrease) in Cash	4,423,053	2,633,149
Cash at Beginning of Year	6,221,560	3,588,411
Cash at End of Year	\$ 10,644,613	\$ 6,221,560
Reconciliation:		
Cash on Hand	\$ 600	\$ 600
Cash and Cash Equivalents (Schedule 6)	10,644,013	6,220,960
Cash at End of Period (Above)	\$ 10,644,613	\$ 6,221,560
Supplemental Disclosure of Cash Flow Information:		
Mortgage Interest Paid	\$ 46,937	\$ 56,367
Other Interest Paid	\$ 884	\$ 28,601
Income Taxes Paid	\$ 258,752	\$ 235,400

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
INSURANCE SCHEDULE
JUNE 30, 2014

SCHEDULE 1

Policy Number	Company	Coverage Type - Description	Amount of Coverage	Effective Date of Policy	Term	Total Premium	Premium Written Off In Prior Year	Current Year	Unexpired Insurance
6131M09948	Greater NY Mutual Insurance Group	Building - All Risk							
		Commercial Fire	\$ 238,887,400	06/22/14	1 Year	\$ 757,468	\$	\$ 16,802	\$ 740,668
		Rent Loss	14,959,657	06/22/13	1 Year	725,365	16,321	709,044	0
		Boiler and Machinery							
		Terrorism Included							
87051864xx2014	Metropolitan Prop & Casualty Ins.	Flood	3,500,000	03/25/14	1 Year	35,549		8,887	26,662
87051864xx2013	Metropolitan Prop & Casualty Ins. 14 policies	Flood	3,500,000	03/25/13	1 Year	31,817	8,458	23,359	0
G1325 847-4	State Insurance Fund	Workmen's Compensation	Statutory	03/29/14	1 Year	193,994	0	44,114	149,880
		Service fee		03/29/14	1 Year	21,393	0	5,348	16,045
G1325 847-4	State Insurance Fund	Workmen's Compensation	Statutory	03/29/13	1 Year	130,208	33,203	97,005	0
		Service fee		03/29/13	1 Year	14,216	3,625	10,591	0
		Adjustment				10,419		10,419	0
ELD100004128400 AR3362388	Tog Insurance Brokerage Co. Colony Insurance	Excess Liability	1,000,000	08/01/13	3 Year	223,289		73,101	150,188
04-77-0308-8358	Allied World Assurance Company	Umbrella Liability	100,000,000	06/22/14	1 Year	75,000	0	1,844	73,356
03-77-0307-3171	Allied World Assurance Company	Umbrella Liability	10,000 Deductible	08/22/13	1 Year	75,000	9,663	65,337	0
1931C44443	Greater NY Mutual Insurance Group	Business Auto	1,000,000	08/23/14	1 Year	15,047	0	330	14,717
1931C44443	Greater NY Mutual Insurance Group	Business Auto	1,000,000	08/23/13	1 Year	14,895	449	14,446	0
104918346	Travelers Casualty and Surety Insurance Co.	Crime Insurance	500,000	06/01/14	1 Year	5,722	0	477	5,245
	Travelers Casualty and Surety Insurance Co.	Crime Insurance	500,000	06/01/13	1 Year	5,147	429	4,718	
104315862	Travelers Casualty and Surety Insurance Co.	Directors & Officers	1,000,000	06/01/14	1 Year	29,880	0	2,488	27,372
	Tog Insurance Co.	Directors & Officers	1,000,000	06/01/13	1 Year	23,476	3,157	20,319	0
DBL 312758	Greater NY Mutual Insurance Group Company of America	Disability	Statutory	Continuous	1 Year				
TOTAL						\$ 2,387,845	\$ 75,305	\$ 1,108,229	\$ 1,204,311

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company, Certified Public Accountants

SCHEDULE 2

FRANKLIN PLAZA APARTMENTS, INC.
DEPRECIATION SCHEDULE
JUNE 30, 2014

	<u>Cost At Beginning of Period</u>	<u>Additions to Cost During Period</u>	<u>Cost At End of Period</u>	<u>Depreciation Taken to Beginning of Period</u>	<u>Depreciation Taken This Period</u>	<u>Depreciation Taken to End of Period</u>	<u>Remaining Cost to be Recovered</u>	<u>Annual Rate of Depreciation</u>
Building	\$ 27,494,471	\$ 0	\$ 27,494,471	\$ 26,436,951	\$ 0	\$ 26,436,951	\$ 1,057,520	.02 - .03
New Roof	907,213	0	907,213	848,448	32,990	881,438	25,775	4%
Air Conditioners	410,000	0	410,000	410,000	0	410,000	0	
Building Improvements	<u>19,998,565</u>	<u>5,095,007</u>	<u>25,093,572</u>	<u>4,095,349</u>	<u>685,179</u>	<u>4,780,528</u>	<u>20,313,044</u>	.04 - .05
Total Buildings	48,810,249	5,095,007	53,905,256	31,790,748	718,169	32,508,917	21,396,339	
Building Equipment - Fixed	4,536,615	144,934	4,681,549	3,534,771	129,822	3,664,593	1,016,956	.03 - .20
Building Equipment - Portable	626,087	0	626,087	601,140	14,438	615,578	10,509	.05 - .10
Furniture and Equipment	169,927	0	169,927	164,607	560	165,167	4,760	.05 - .10
Maintenance Equipment	<u>25,463</u>	<u>0</u>	<u>25,463</u>	<u>25,463</u>	<u>0</u>	<u>25,463</u>	<u>0</u>	10%
TOTALS	<u>\$ 54,168,341</u>	<u>\$ 5,239,941</u>	<u>\$ 59,408,282</u>	<u>\$ 36,116,729</u>	<u>\$ 862,989</u>	<u>\$ 36,979,718</u>	<u>\$ 22,428,564</u>	

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

SCHEDULE 3

FRANKLIN PLAZA APARTMENTS, INC.
DEPRECIATION SCHEDULE
JUNE 30, 2013

	Cost At Beginning of Period	Additions to Cost During Period	Cost At End of Period	Depreciation Taken to Beginning of Period	Depreciation Taken This Period	Depreciation Taken to End of Period	Remaining Cost to be Recovered	Annual Rate of Depreciation
Building	\$ 27,494,471	\$ 0	\$ 27,494,471	\$ 26,436,951	\$ 0	\$ 26,436,951	\$ 1,057,520	.02 - .03
New Roof	907,213	0	907,213	815,458	32,990	848,448	58,765	4%
Air Conditioners	410,000	0	410,000	410,000	0	410,000	0	
Building Improvements	20,076,814	-78,249	19,998,565	3,410,505	684,844	4,095,349	15,903,216	.04 - .05
Total Buildings	48,888,498	-78,249	48,810,249	31,072,914	717,834	31,790,748	17,019,501	
Building Equipment - Fixed	4,521,089	15,526	4,536,615	3,404,965	129,806	3,534,771	1,001,844	.03 - .20
Building Equipment - Portable	611,831	14,256	626,087	592,202	8,938	601,140	24,947	.05 - .10
Furniture and Equipment	164,327	5,600	169,927	164,327	280	164,607	5,320	.05 - .10
Maintenance Equipment	25,463	0	25,463	25,463	0	25,463	0	10%
TOTALS	\$ 54,211,208	\$ -42,867	\$ 54,168,341	\$ 36,259,871	\$ 856,858	\$ 36,116,729	\$ 18,051,612	

The accompanying notes are an integral part of this statement.

FRANKLIN PLAZA APARTMENTS, INC.
SCHEDULE OF SUNDRY ACCOUNTS PAYABLE
JUNE 30, 2014 AND 2013

SCHEDULE 4

	2014	2013
Accounts Payable - Trade		
Approved Oil Co.	\$ 59,390	\$ 0
All County Sewer & Drain Inc.		2,066
Aramark Uniform, Inc.	2,703	2,110
Broadway Exterminating Company	2,407	2,250
Building Service 32B-J Health	117,310	
Central Construction Management	365,211	34,241
Deluxe Paint & Chemical Company	1,966	
Finder Novick Kerrigan LLP	3,119	35,678
Futura Building		8,742
First Rehabilitation Life	2,558	2,398
Ghotra General Construction Inc.		322,918
Graphics Services	1,185	1,154
Gutman & Mintz	1,540	
Janitorial Supplies Plus	20,542	1,172
Jordan Intercom & Mailbox Service Co., Inc.	2,169	
Kammson Industries, Inc.	9,616	1,013
Northeast Plumbing Specialties	3,846	
New York Plumbing	2,940	4,072
New York State Insurance Fund	16,170	
NY Land Surveyor, PC	2,000	
NYC Dept Of HPD	5,389	
NYC Housing Development Corp.	24,102	
Oberman Companies		832,964
Principal Electric Corp	3,456	
Property Preservation Advisors	15,113	
PVE Sheffler, LLC	1,445	1,280
Rand Engineering, PC	46,463	18,084
Schmuger Hardware Supply		3,551
SEIU Local 32BJ		115,609
Servi-tek Elevator Corp.		158,550
Sontag & Hyman	5,143	
State Insurance Fund		80,451
Steven N. Winter	12,619	7,858
The ALC Group, LLC	3,430	
Webster Lock & Hardware, Co., Inc.	1,187	
Will-Do Plumbing, Inc.	9,527	2,757
Wynne Plumbing & Heating Corp.	1,261	
Others Not Itemized (Under \$1,000 in both years)	10,483	7,969
Total Accounts Payable - Trade	754,290	1,646,887
Accounts Payable - Other		
Citizens Energy Credits Payable	154,116	
Tenants Equity and Other Exchanges on Apartment Transfers in Progress	216,477	270,812
Total Sundry Accounts Payable	\$ 1,124,883	\$ 1,917,699

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company, Certified Public Accountants

FRANKLIN PLAZA APARTMENTS, INC.
SCHEDULE OF AGED ACCOUNTS RECEIVABLE
JUNE 30, 2014

SCHEDULE 5

The accounts receivable at June 30, 2014 are aged, as follows:

Delinquent	Residential		Commercial		Total	
June 2014	\$ 511,294	24.49%	\$ 46,498	8.72%	\$ 557,792	21.28%
May 2014	119,728	5.73%	36,206	6.80%	155,934	5.95%
April 2014	90,865	4.35%	27,340	5.13%	118,205	4.51%
90 Days and Over	391,398	18.75%	31,272	5.87%	422,670	16.13%
Past Tenants	<u>974,627</u>	<u>46.68%</u>	<u>391,512</u>	<u>73.48%</u>	<u>1,366,139</u>	<u>52.13%</u>
Subtotal	2,087,912	<u>100.00%</u>	532,828	<u>100.00%</u>	2,620,740	<u>100.00%</u>
Less: Allowance for Collection Losses: Receivables in Excess of Security or Equity Deposits	<u>(734,223)</u>		<u>(475,332)</u>		<u>(1,209,555)</u>	
Total	<u>\$ 1,353,689</u>		<u>\$ 57,496</u>		<u>\$ 1,411,185</u>	

The accompanying notes are an integral part of this statement.

Jablons, Kass & Company Certified Public Accountants

FRANKLIN PLAZA APARTMENT, INC.
SCHEDULE OF CASH AND CASH EQUIVALENTS
JUNE 30, 2014 AND 2013

SCHEDULE 6

Account	Bank	Account	Balance	
			2014	2013
<u>Checking Accounts</u>				
1122	HSBC Bank	Operating Account	\$ 2,548,637	\$ 3,146,318
1123	Chase Manhattan Bank	Operating/Reserve Account	856,151	860,182
1124	Chase Manhattan Bank	Equity Account	777,792	583,376
1125	Chase Manhattan Bank	Surcharge Account	2,585	2,585
1126	Chase Manhattan Bank	Applicants' Deposits	58,592	58,166
Total Checking Accounts			<u>4,243,757</u>	<u>4,650,627</u>
<u>Savings and Money Market Accounts</u>				
1331A	Chase Manhattan Bank	Security Deposit Fund	26,123	26,097
1331B	Ponce DeLeon Fed Bank	Unrestricted Savings	40,291	40,190
1339A	Chase Manhattan Bank	Applicants' Deposits	102,384	102,231
1339B	Ponce DeLeon Fed Bank	Applicants' Deposits	64,678	64,581
1339C	Ponce DeLeon Fed Bank	Applicants' Deposits	100,000	100,000
1350	Chase Manhattan Bank	Security Deposit Fund	310,535	297,486
1391A	Chase Manhattan Bank	Replacement Reserve	12,352	245,377
1391B	Chase Manhattan Bank	Painting & Decorating	6,902	198,960
1391C	Chase Investment Services	Painting & Decorating	150	150
1391D	Chase Manhattan Bank	Contingency Reserve	88,437	495,261
Total Savings Accounts and Investments			<u>751,852</u>	<u>1,570,333</u>
1150	HDC Escrow Funds	See Note 2	<u>5,648,404</u>	<u>0</u>
Total Cash and Cash Equivalents			<u>\$ 10,644,013</u>	<u>\$ 6,220,960</u>
<u>Reconciliation of Cash and Cash Equivalents</u>				
1120	Cash In Checking Accounts		\$ 4,243,757	\$ 4,650,627
1331	Cash in Savings Accounts - Unrestricted		-40,291	40,190
1339	Cash in Savings Accounts - Applicants' Deposits		267,062	266,812
1350	Cash in Savings Accounts - Security Deposit Fund		336,658	323,583
1391	Cash in Savings Accounts - Restricted Reserve Funds		107,841	939,748
1150	HDC Escrow Funds		<u>5,648,404</u>	<u>0</u>
Total Cash and Cash Equivalents			<u>\$ 10,644,013</u>	<u>\$ 6,220,960</u>

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

HISTORY

The Cooperative is a limited profit housing company, duly organized and existing under the provisions of Article II of the Private Housing Finance Law, having been organized in 1961. The Cooperative owns and operates a limited profit housing project consisting of fourteen buildings at 2085 2ND Avenue in the Borough of Manhattan, City of New York, containing 1,632 residential apartments along with 25 commercial/professional units. The Cooperative was completed and initial occupancy thereof commenced in 1961. Ownership of the Cooperative was conveyed to the Cooperative from the New York City Housing Authority in or about 1965.

NOTE 1:

ACCOUNTING POLICY

Rental Surcharges

Rental surcharge income for years starting July 1, 2008 and beyond have been added in monthly installments to tenants' maintenance statements and have been deemed earned. Surcharges for periods prior to July 1, 2008 are subject to sharing with the regulatory agency at various percentages for different collection periods and to constant recalculations. Due to nature and age of these prior surcharges, the Cooperative's income will be recognized when the funds are actually collected. The income from surcharges for the current fiscal years ended June 30, 2014 and 2013 are \$225,793 and \$95,684 respectively.

Provision for Collection Losses

An allowance for bad debt is established when receivables are in excess of the shareholder's equity or commercial tenant's security.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for new equipment and improvements to existing facilities are capitalized; the cost of maintenance is charged to expense. The Cooperative provides for depreciation of property and equipment using straight-line and accelerated methods based on estimated useful lives.

Use of Estimates and Assumptions

Management of the Cooperative uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

NOTE 2:

RESERVE/ESCROW FUNDS

The City of New York Department of Housing Preservation and Development (HPD) and the New York City Housing Development Corporation (HDC) require the Cooperative to maintain various reserves in restricted bank accounts. The Cooperative is making monthly payments of \$34,042 into a Replacement Reserve account maintained by HDC along with monthly escrows for real estate taxes, water and sewer charges and insurance expenses.

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2: RESERVE/ESCROW FUNDS (Continued)

At June 30, 2014, The Cooperative had the following funds on deposit with HDC:

Insurance Expense Escrow	\$ 37,178
Replacement Reserve	340,518
Real Estate Tax Escrow	349,143
Water and Sewer Escrow	1,667,286
Construction Escrow	3,387,434
Construction Reimbursements Pending	<u>(133,155)</u>
Total HDC Reserve/Escrow Funds	<u>\$ 5,648,404</u>

NOTE 3: PAYABLE TO THE CITY OF NEW YORK

On September 24, 2004, the Cooperative modified the mortgage with the City of New York Department of Housing Preservation and Development (HPD) as follows:

(a) Interest on the amount of \$30,806,889 (the Non-Deferred Principal Amount), which consists of the sum of: (i) \$27,754,796 constituting the Principal Balance, (ii) \$594,552 constituting the Mortgage Loan Administrative Charge Arrears and (iii) \$2,457,540 constituting the portion of the Mortgage Loan Interest Arrears through September 30, 2004, shall accrue and be added to the Mortgage Loan Interest Arrears; and

(b) The Non-Deferred Principal Amount shall be due and payable with interest thereon computed at the rate of 2.5 percent per annum from October 1, 2004 with equal monthly payments of \$90,000 commencing November 1, 2004 and until October 1, 2054. On October 1, 2054, the entire remaining balance shall be due and payable; effective August 1, 2011, the City reduced the monthly payment to \$1,000; and

(c) \$30,930,403, plus all other accrued interest constituting the balance of the Mortgage Loan Interest Arrears not included in the Non-Deferred Principal Amount shall not bear interest and shall be due and payable on October 1, 2054.

On August 22, 2012, HPD informed the Cooperative of its intent to further modify this mortgage by reducing the balance of the Non-Deferred Principal Amount, effective August 1, 2011, to \$421,198 and to revise the interest rate of one percent per annum. The Non-Deferred portion would be paid at the rate of \$1,000 per month, from August 1, 2011 to maturity October 1, 2054, on a fully self-amortizing basis. The remaining balance would be transferred to the non-interest-bearing principal amount. This arrangement was modified and formalized again on July 31, 2013 (see below) causing a mortgage principal adjustment in the fiscal year ended June 30, 2013 of \$29,897.

On July 31, 2013, for the purpose of a major upgrade and renovation (Note 7), the Cooperative entered into a series of four mortgage obligations through the auspices of the New York City Housing Development Corporation (HDC). The new mortgage notes aggregate \$36,732,000 to wit a First Building Loan \$24,971,275, a First Project Loan \$6,760,725, a NYCEEC Building Loan \$2,000,000 and a Subordinate Building Loan \$3,000,000. Collectively the mortgage notes have a duration of 30 years,

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3: PAYABLE TO THE CITY OF NEW YORK (Continued)

are self-amortizing and take a senior position to the original HPD mortgage. The notes bear five percent (5%) interest through the date of conversion to permanent loan status, which can be no later than January 31, 2016 and then five and seven-tenths percent (5.7%) through the date of maturity, January 31, 2046, with the exception of the Subordinate Building Loan which has a fixed interest rate of one percent (1%). The notes call for payments of interest only through and until the permanent conversion, at which point 360 monthly payments of \$205,429 (\$144,933, \$39,239, \$11,608 and \$9,649 respectively) inclusive of principal, interest and fees shall be due on the first of each month. All unpaid sums will be due at maturity. The new mortgages are secured by land, building and property along with an assignment of all leases and rents. The new mortgages funding the constructions are through the method of Construction Loan Advances from each of the four mortgages. The total cumulative advances aggregated \$7,128,735 as of June 30, 2014.

As part of the July 31, 2013 financing package, HPD modified the terms of its mortgage. Under the terms of the mortgage modification, the outstanding balance of the HPD note at July 31, 2013 was memorialized as \$59,416,090. The note was to have no interest, amortization or payments through May 31, 2020. The Non-Deferred Principal Amount of the mortgage (see above) was increased to \$31,373,661 leaving the deferred portion of \$28,042,429. Commencing June 1, 2020 and continuing through maturity October 1, 2054, monthly payments of \$90,000 shall self-amortize the Non-Deferred Principal portion. The mortgage rate during this time period was reduced to one percent (1%).

During the fiscal year ended June 30, 2014, the Cooperative made voluntary mortgage payments to HPD of \$1,000 per month. As of June 30, 2014 and June 30, 2013 the principal amounts owing were \$59,404,752 and \$59,416,752 respectively.

For the purpose of replacing all the existing windows and other repairs (Note 7), on June 6, 2007, the Cooperative entered into mortgage indebtedness with the City of New York by obtaining a loan under Article 8A. The principal amount of \$12,000,000 consists of a "Capital Loan" of \$4,900,000 and a "Home Loan" of \$7,100,000. On July 1, 2009 and thereafter until June 1, 2037, interest on the Capital Loan shall be computed and paid monthly at the rate of one percent (1%) per annum on the amount of an advance, or advances, made against the loan. Equal monthly payments of \$16,726.19 consisting of interest and principal shall be required. On June 1, 2037, the entire unpaid principal balance and all accrued interest shall be due and payable. The Home Loan shall not bear interest and shall be due and payable in full on the "Home Loan Maturity Date" which is the fifth (5th) anniversary of a defined construction completion date. However, if on the Home Loan Maturity Date, the premises have been continuously owned, used, maintained and operated as and by a limited profit housing company in full compliance with the provisions of Article II of New York State Private Housing Finance Law, the Home Loan shall be reduced to zero and deemed paid, all in accordance with Section 452 of the New York State Private Housing Finance law. Based on an analysis of the underwriting of the loan evidenced hereby, HPD has determined that said reduction is necessary to ensure the continued affordability and economic viability of the premises. It is the intention of the Cooperative to comply with the terms of the Home Loan; as such, no provision for repayment has been included in the schedule below.

On July 31, 2007, the Cooperative made its first request for an advance against this 8A Loan for reimbursement of engineering costs in the amount of \$219,729. Subsequent advances were made to fund the window replacement/exterior work in progress. As of June 30, 2011, total 8A/Home Loan advances aggregated \$12,000,000.

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3: PAYABLE TO THE CITY OF NEW YORK (Continued)

On December 10, 2009, the Cooperative entered into mortgage indebtedness with the City of New York by obtaining an additional loan under Article 8A. The principal amount of \$3,719,607 consists of a "Capital Loan" of \$718,990 and a "Home Loan" of \$3,000,617. Terms for the Home Loan are similar to that of the aforementioned "Home Loan" of \$7,100,000. The Capital Loan bears interest at the rate of one percent (1%) per annum to be computed from December 1, 2010. The Capital Loan shall be paid in equal monthly payments of \$2,380.96 consisting of interest and principal on January 1, 2011 and on the first day of each and every month thereafter until December 1, 2039. As of June 30, 2012, total 8A/Home Loan advances against this Article 8A Loan aggregated \$3,719,607.

Five-year schedule of mortgage principal repayments for all loans are projected as follows:

	HDC Loans*	HPD Loans	Total
Fiscal Year Ended June 30, 2015	\$ -	\$ 180,598	\$ 180,598
Fiscal Year Ended June 30, 2016	262,670	182,412	445,082
Fiscal Year Ended June 30, 2017	562,125	184,244	746,369
Fiscal Year Ended June 30, 2018	535,013	186,096	721,109
Fiscal Year Ended June 30, 2019	507,901	186,965	694,866
Subsequent	34,864,291	63,420,230	98,284,521
Total	\$ 36,732,000	\$ 64,340,545	\$ 101,072,545

*Assuming all funds have been disbursed under the construction loans.

NOTE 4: INCOME TAXES

No provision for federal income taxes has been made as a result of the continuing losses sustained by the Cooperative for its residential activities.

The Internal Revenue Service has assumed the position that real estate cooperatives are subject to the provisions of IRC Subchapter T. Thus, non-patronage income, such as commercial rentals, in excess of non-patronage deductions allocable thereto, is subject to income tax under the Service's position.

For the fiscal year ended June 30, 2014 and June 30, 2013, the Cooperative incurred \$210,150 and \$206,249 respectively for federal corporation income tax under the provisions of IRC Section 277 with respect to their commercial activities.

NOTE 5: COMMITMENTS AND CONTINGENCIES

In a joint undertaking with Union Settlement Association, Metropolitan Hospital Center & HHC Health & Home Care, Silberman School of Social Work at Hunter College, the CUNY School of Public Health at Hunter College and the New York Academy of Medicine, the Cooperative opened, effective July 1, 2014, a Naturally Occurring Retirement Community Supportive Service Program (NORC). The Cooperative will provide assistance in planning, physical space and funding a 25% matching contribution to monies provided by the Department for the Aging under this program.

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5: COMMITMENTS AND CONTINGENCIES (Continued)

The Internal Revenue Service has examined the Cooperative's income tax returns for the fiscal years ended June 30, 1973, 1974, 1975, 1976 and 1996 and accepted them as filed.

The Cooperative has received numerous building violations. The Cooperative is addressing these violations and are having them removed. Any charge for a violation will be recognized when it is determined that the Cooperative will be responsible for paying the violation.

On September 24, 2004, the Cooperative, as part of its mortgage refinancing, agreed to stay a member of the Mitchell-Lama program for fifty years until October 1, 2054.

The Cooperative has a steam pipe, which connects the boiler plant on the west side of the cooperative to the buildings on the east side of Second Avenue. This pipe has a limited life expectancy and has had multiple major failures during the last few years. After repairs, the pipe's condition or life expectancy has not been substantially improved. A pipe failure could be a significant financial event. For this reason, the Cooperative is building a new boiler plant on the east side of Second Avenue and intending to abandon the pipe.

NOTE 6: LITIGATION

As of the report date, there are several litigations against the Cooperative. As to all the pending litigations, the Counsel for the Cooperative reports that, in its opinion, it is unlikely that any outstanding litigation against the Cooperative will be settled above the limits of the insurance coverage in force.

A former employee filed a complaint with the New York State Department of Human Rights (DHR) claiming that he was wrongfully terminated as a result of racial discrimination. Special counsel has been assigned by the insurance company. The matter is pending subject to a response from an investigator of the DHR.

NOTE 7: MAJOR REPAIRS AND REPLACEMENTS

The Cooperative was in need of replacing windows, window sills, boilers and undertaking certain energy improvements. This project was initially expected to cost approximately \$8,000,000 in year 2006 and subsequently revised to include exterior building repairs required under Local Law 10/11, additional hallway lighting improvements, elevator improvements, renovated boilers and a new boiler plant. The revised estimated cost was expected to be in excess of \$28,000,000 at that time. To fund these projects, the Cooperative secured \$15,719,607 in loans/grants from the City of New York (Note 3). The tasks of providing additional hallway lighting improvements, elevator improvements, rebuilt boilers and a new boiler plant were temporarily delayed due to lack of funding.

On July 31, 2013 (Note 3), the Cooperative entered into a two-stage program to significantly upgrade the facility. Phase 1, which commenced July 2013, involves the Cooperative signing a contract with Central Construction Management, LLC for \$27,175,711. Work covered in Phase 1 includes installing a new roofing system, heating system upgrades, building a new boiler plant, fixing parapet walls, elevator upgrades and other projects. HDC is committed to Phase 2, which is anticipated to be \$28,000,000 in building improvements. Phase 2 improvements include additional elevator modernization, additional roof work and an electrical system upgrade.

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7: MAJOR REPAIRS AND REPLACEMENTS (Continued)

As part of the original 2007 funding, the following contracts were awarded and completed as of June 30, 2011:

On July 30, 2007, HPD approved a contract between the Cooperative and Real Quality Window Corp. for window replacement, cladding of sills, bridging, caulking and related activities with a contract sum of \$9,044,108. As of June 30, 2011, new windows have been installed in all (14) buildings. Total requisition payments of \$9,274,895 have been made by HPD after receiving written approval by the supervising engineers, Salamon Engineering Group.

On July 30, 2007, HPD approved a contract between the Cooperative and Ghotra General Construction, Inc. to furnish all work, labor, services, materials and equipment necessary to complete all work required by the Cooperative's Local Law 10/11 Report (exterior wall repairs). The contract, including change orders, aggregated \$6,382,611 with an unpaid balance of \$322,918 as of June 30, 2013. These sums were paid July 31, 2013.

On October 28, 2011, the Cooperative received a Capital Needs Assessment report from Rand Engineering & Architectures, PC ("Rand"). This report has been subsequently modified based upon the construction planning discussed below.

Rand indicated at that time that substantial immediate repairs, totaling \$34,978,087, were needed to repair/upgrade the roofs, exterior walls, windows and doors, site exterior, common interiors, apartment interiors, heating systems, ventilation systems and other aspects of the development. The report further indicated that an additional \$20,105,680 would be required to upgrade the buildings' electrical systems in approximately five years time.

Based upon their report, the following monies would have to be allocated to address these systems:

<u>Year</u>	<u>Anticipated Capital Expendure</u>
2013	\$ 22,740,413 (Delayed to 2014/2015)
2014	12,237,674 (Delayed to 2015)
2016	264,004
2017	20,105,680
2018	3,091,200
2019	6,115,424
2020	8,889,776
2022	4,638,732
2027	<u>1,964,200</u>
Total	<u>\$ 80,047,103</u>

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7: MAJOR REPAIRS AND REPLACEMENTS (Continued)

After the July 31, 2013 loan closing date, the Cooperative initiated physical construction works, which have been progressing through the report date. During the fiscal year ended June 30, 2014, the Cooperative incurred \$3,556,365 in construction costs, \$1,848,022 in loan obtainment costs, \$390,381 in the Construction Loan costs, \$211,623 in construction loan interest, \$131,792 for plumbing and heating improvements and \$13,142 for building Verizon cable connection works. During the fiscal year ended June 30, 2013, the Cooperative incurred \$19,855 for office equipment and furniture, \$58,279 for building exterior repair works and received a settlement credit of \$121,001 in connection with the capital improvement program mentioned above.

NOTE 8: REAL ESTATE TAXES

For fiscal years after June 30, 2004, and for as long as the mortgage remains outstanding with The City of New York, the Cooperative will pay a real estate tax based upon 10% of its Shelter Rent as defined by Section 33 of the Private Housing Finance Law.

On April 2, 2007, the City of New York back billed the Cooperative Shelter Rent Taxes from 2003 through 2005 in the amount of \$431,856. The City has agreed to collect, interest free, the back balance through 2005 over a ten-year period at the rate of \$43,185.60 per year beginning July 1, 2007. The Balance Sheet reflects calculated and unbilled Shelter Rent Taxes payable. The Cooperative is current with any real estate taxes that have been billed.

NOTE 9: OTHER SIGNIFICANT EVENTS

The City of New York passed Local Law 53 requiring all buildings that received their water service based on frontage to have water meters installed by June 30, 1992. The Cooperative complied with the City mandate. Many buildings in the City of New York did not. Subsequently, these buildings were made to comply. The City was aware that frontage billings would normally have been less expensive than metered charges. The City did not wish to penalize those buildings that voluntarily complied with the law. In February 1993, and subsequently amended, the New York City Water Board passed the Retroactive Transaction Billing Program, which phased into the Multiple-Family Conservation Program that the Cooperative applied to and was accepted into these programs. These programs afford the Cooperative the benefit of paying the lesser of metered charges or a flat dollar rate per dwelling unit. The program has been extended through fiscal year ending June 30, 2015. Flat charges of \$1,595,488, \$1,543,783 and \$1,462,697 were billed for the fiscal years ended June 30, 2015, 2014 and 2013 respectively.

During the fiscal years ended June 30, 2014 and 2013, the Cooperative and its cooperators received grants from Citizens Energy, a not-for-profit company who represents the United States interest of CITGO Petroleum. The grants are to aid qualifying homeowners with heating assistance funds. The grants are gifts with no consideration from the Cooperative. The total grants were \$243,922 and \$426,446 for fiscal years 2014 and 2013 respectively. Under the specific terms of the grants, the cooperators received \$152,451 (or 62.5% of the funds) for fiscal year ended June 30, 2014 and received \$266,529 (or 62.5% of the funds) for fiscal year ended June 30, 2013. The Cooperative retained the remainder of the funds. As required by the terms of the grants, the Cooperative used these funds to cover the costs of insulation, elevator improvements and/or repairs to energy and heating systems.

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10: CONCENTRATION OF CREDIT RISK

Financial accounts that potentially subject the Cooperative to concentration of credit risk consists of cash accounts in financial institutions which exceed federally insured limits. From time to time during the fiscal period, the Cooperative maintained balances in such accounts, which exceeded those limits. At June 30, 2014 and 2013, the Cooperative had balances in excess of insured limits of \$4,290,640 and \$5,516,189 respectively.

NOTE 11: MAINTENANCE AND FEE INCREASES

On July 14, 2011, HPD ordered a 16% increase in maintenance charges, including utilities, effective August 1, 2011, an additional seven percent increase effective August 1, 2012 and a further three percent increase effective August 1, 2013. These increases are the equivalent of \$28.49 per room per month increase effective August 1, 2011, \$14.48 per room per month increase effective August 1, 2012 and \$6.61 per room per month increase effective August 1, 2013. Total average maintenance per room per month is \$206.55 from August 1, 2011 through July 31, 2012, \$221.03 from August 1, 2012 through July 31, 2013 and \$227.64 after August 1, 2013.

NOTE 12: EQUITY INCREASE

In order to raise funds, the Cooperative voted to increase the equity value of its shares by two times the current value. This increase is effective July 1, 2011. The effect of the increase is to raise the equity from \$616.50 per room to \$1,849.50 per room. The Cooperative agreed to defer the collection of the new equity until a shareholder moves out in exchange for a promissory note signed by the shareholder. New shareholders will be required to pay the new equity in full upon the purchase of their units.

NOTE 13: MULTIEMPLOYER UNION PENSION & HEALTH PLAN

The Cooperative contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan differ from those of a single-employer plan in the following respects: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if the Cooperative chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability.

For the years ended June 30, 2014 and 2013, the Cooperative's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32BJ Pension Fund ("Plan")
Employer Identification Number: 13-1952481
Plan Number: 001

Collective Bargaining Agreement Expiration Date: April 20, 2018

Pension Protection Act Zone Status (Latest available):
Year Ended June 30, 2013 - Red (less than 65% funded)
Year Ended June 30, 2012 - Red (less than 65% funded)

Funding Improvement Plan/Rehabilitation Plan Status: Implemented
Surcharge Paid to Plan: None

FRANKLIN PLAZA APARTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13: MULTIEMPLOYER UNION PENSION & HEALTH PLAN (Continued)

The Cooperative's Contributions:

Year Ended June 30, 2014	\$324,779
Year Ended June 30, 2013	\$321,429

Minimum Required Pension Contributions (per week/per employee):

Year Ended December 31, 2011	\$82.75
Year Ended December 31, 2012	\$86.75
Year Ended December 31, 2013	\$90.75
Period Ended April 20, 2014	\$94.75

The information provided above is from the Plan's most current annual report for the year ended June 30, 2013. The Pension Protection Act Zone Status, the most recent zone status available, was provided to the Cooperative by the Plan and is certified by the Plan's actuary. The Cooperative's contributions to the Plan are less than five percent of all employers' contributions, and there have been no significant changes that would affect the comparability of the contributions for the years ended December 2013 and 2012. In addition, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement.

NOTE 14: SUBSEQUENT EVENTS

The Corporation applied for an 8A Loan from HPD. These funds, in addition to the \$1,800,000 funds received from NYC Council Member Melissa Mark-Viverito's office, will be used to purchase and install new domestic hot water heaters on the 21st floor of each building in the east section of the development. These heaters will provide significant savings to the Cooperative. The Cooperative will be able shut down the boiler plants and rely on the energy provided by the hot water heaters during the summer months. It is anticipated that The New York State Energy Research and Development Authority (NYSERDA) will reimburse the Corporation for the majority of the funds used on this project.

Other than the continuing capital improvement constructions mentioned in Note 7, as of September 11, 2014, the date of this report, there have been no other events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

City of New York
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
DIVISION OF HOUSING SUPERVISION
MITCHELL-LAMA PROGRAM

APPLICATION FOR RENT/CARRYING CHARGE INCREASE

☒ Cooperative
☐ Rental

Development Name: Franklin Plaza Apartments, Inc.

Address (es): 2085 Second Avenue New York, NY 10029

Borough: Manhattan

No. of Separate Buildings: 14

Tax Block/Lot (s): 1656/1, 1678/1

<u>Apartment Breakdown:</u>	No. Units	No. Rooms
Residential Apartments	1,633	7,349
Professional Apartments		
Rent-free staff apartments	2	9
Other:		
TOTAL	1,635	7,349.5

No. of commercial spaces/type: 26

No. of boilers: 7

Heating fuel: Oil Oil Type: 4

No. of Elevators: 28

Tax Exemption: ☐ 80% A.V.
☒ Taxes- 10% Shelter Rent
☐ Other:

No. of Housing Co. Employees:

Superintendents	2
Handymen	19
Security Guards	22
Office Staff	7
Other: Porter	28

Reserve Bank Accounts:

Bank Name	Account No.	Current Balance	Check If HPD Signature Required
HDC	300353	\$715,635	

Average Rent/Carrying Charges per Room per Month (Including Utilities):

Current (Gross Annual Rent/C.C. /No. of Rental Rooms/12) = \$227.70

Proposed Increase(s):

	% Increase	New Rent/C.C. Per Room Per Month
First Year	3	\$234.53
Second Year	3	\$241.57
Third Year	3	\$248.81

9/16 Answer
9/30 Info

Application Prepared By:

Name: VERNON B. FRAY

Development: FRANKLIN PLAZA APARTMENT, INC

SCHEDULE A: PROJECTED INCOME AND EXPENSES INCLUDING PROPOSED RENT/CARRYING
CHARGE INCREASES

Note: Proposed rent/carrying charge increases must be sufficient so that total income equals or exceeds total expenses.

	ACTUAL - LAST	PROJECTIONS		
	FISCAL YEAR ENDED 2014	6/30/15 CURRENT FY ENDED	6/30/16 FY ENDED	6/30/17 FY ENDED
<u>INCOME</u>				
1. Gross Residential Rents (Including Utilities)	19,672,798	20,037,495	20,037,495	20,037,495
2. Surcharge Retention	225,793	106,909	106,909	106,909
3. Other Income (Schedule B)	3,195,778	2,838,250	2,838,250	2,838,250
4. TOTAL GROSS INCOME	23,094,369	22,982,654	22,982,654	22,982,654
5. Vacancy/Loss				
6. TOTAL INCOME	23,094,369	22,982,654	22,982,654	22,982,654
<u>EXPENSES</u>	9,396,985	9,059,839	8,993,912	9,210,222
7. Operating Expenses (Schedule C)				
8. Utility Costs (Schedule D)	8,023,070	6,739,086	7,582,464	7,758,883
9. Real Estate Taxes	1,738,383	1,984,446	1,528,849	1,511,207
10. Interest and Amortization (Schedule E)	229,286	229,286	1,667,289	2,694,434
11. Actual Allocation to Reserves (Schedule F)	3,706,645	6,269,738	2,452,213	3,069,469
12. TOTAL EXPENSES	23,094,369	24,282,395	22,224,727	24,244,215
13. NET CASH FLOW	0	(1,299,741)	757,927	(1,261,561)
14. Reserve Account Balances (Total)	3,706,645	6,269,738	2,452,213	3,069,469

NOTE: ANY PROJECTIONS ON SCHEDULES A, B, C, AND D WHICH DIFFER SIGNIFICANTLY
FROM WHAT WOULD BE EXPECTED DUE TO NORMAL COST INFLATION SHOULD BE EXPLAINED ON AN ATTACHED SHEET.

Development FRANKLIN PLAZA APARTMENT, INC

SCHEDULE B - OTHER INCOME

	ACTUAL LAST FISCAL YEAR ENDED 2014	PROJECTIONS		
		6/30/15 CURRENT FY ENDED	6/30/16 FY ENDED	6/30/17 FY ENDED
1. Professional Apts.				
2. Commercial Spaces	2,089,293	2,157,271	2,157,271	2,157,271
3. Garage				
4. Parking Spaces	151,206	139,680	139,680	139,680
5. Community Rooms	35,100	25,475	25,475	25,475
6. Swimming Pool				
7. Air Conditioners	233,775	239,596	239,596	239,596
8. Washing Machines				
9. Laundry Rooms	62,600	63,100	63,100	63,100
10. Other Vending Machines				
11. Tenant Television	8,370			
12. Roof Rentals				
13. Interest on Investments	3,772			
14. Other (Describe)-Apert. Reshaping/ citizens energy oil gift/ supplemental income	490,427	13,774	8,829	8,829
15. Sale of Easement	3,036			
16 Other tenant charges	118,199	199,354	204,299	204,299
MPCA APPROPRIATIONS				
TOTAL OTHER INCOME	3,195,778	2,838,250	2,838,250	2,838,250

SCHEDULE C OPERATING EXPENSES

	ACTUAL- FISCAL YEAR ENDED 2014	PROJECTIONS		
		6/30/15 CURRENT FY ENDED	6/30/16 FY ENDED	6/30/17 FY ENDED
Supplies	524,714	67,913	69,950	72,049
Extermination	42,411	52,719	66,255	67,000
Painting and Decorating				
Landscaping				
Repairs and Maintenance:		340,559	150,000	154,500
Plumbing	101,136	112,726	60,000	61,800
Electrical	34,296	22,691	23,371	24,072
Heating System	52,278	184,701	80,000	82,400
Roof				
Carpentry				
Masonry				
Other	485,424	500,839	727,563	634,416
Elevator	254,588	248,820	120,000	123,600
Contract Repair & Maintenance	310,696	188,659	95,000	97,850
Repairs				
Personnel				
Maintenance Salaries	2,639,490	2,391,502	2,484,932	2,634,027
Security Salaries	1,136,976	1,125,660	1,151,151	1,220,220
Office Salaries				
Other Salaries				
Payroll Taxes	335,526	307,228	318,570	335,260
Employee benefits	1,405,405	1,668,419	1,797,383	1,821,116
Security Contract				
Legal	122,172	128,655	110,000	110,000
Accounting	28,351	28,984	29,854	30,749
Management fee	637,324	646,884	646,884	646,884
Insurance	1,108,229	948,240	976,687	1,005,988
Office expenses	103,865	47,875	49,312	50,791
Telephone	14,036	5,968	7,000	7,500
Other: Prof. Fess & Newsletter	60,128	40,797	30,000	30,000
Total	9,396,985	9,059,839	8,993,912	9,210,222

Development: FRANKLIN PLAZA APARTMENT, INC

SCHEDULE D: UTILITY EXPENSES

	ACTUAL-LAST FISCAL YEAR ENDED 2014	PROJECTIONS		
		6/30/15 CURRENT FY ENDED	6/30/16 FY ENDED	6/30/17 FY ENDED
Heating Gas and Oil	4,119,841	2,747,227	3,493,595	3,563,456
Electricity	2,287,096	2,362,086	2,348,129	2,395,090
Gas	105,600	94,285	99,421	91,210
Water and Sewer	1,510,733	1,595,488	1,651,330	1,709,127
TOTAL UTILITIES	8,023,070	6,739,086	7,582,464	7,758,883

SCHEDULE E: INTEREST AND AMORTIZATION (DEBT SERVICE)

Mitchell-Lama Debt Service 1a-Mortgage				
Article 8A Loan Debt Service 2a-Mortgage	229,286	229,286	229,286	229,286
Other Debt Service 3-Mortgage			1,438,003	2,465,148
TOTAL DEBT SERVICE	229,286	229,286	1,667,289	2,694,434

SCHEDULE F: ACTUAL ALLOCATION TO RESERVES

Painting Reserve (\$25/apartment)				
Replacement Reserve (\$10/person)	3,706,645	6,269,738	2,452,213	3,069,469
Contingency (3% Gross Rents)				
TOTAL	3,706,645	6,269,738	2,452,213	3,069,469