

***FAIRVIEW OWNERS CORP***  
***(A Cooperative Housing Corporation)***  
***FINANCIAL STATEMENTS***  
***DECEMBER 31, 2014 AND 2013***

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**(A Cooperative Housing Corporation)**  
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**DECEMBER 31, 2014 AND 2013**

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# MICHAEL YASTRAB, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDITORS' REPORT

To the board of directors  
Fairview Owners Corp.

We have audited the accompanying financial statements of Fairview Owners Corp., which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues, expenses, changes in shareholders equity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Owners Corp. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the Cooperative has not promulgated a study to determine the estimated remaining lives of the components of the building and current estimates of major repairs and replacements that may be required and therefore, has not presented such information that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements. In addition, the Cooperative records payments for note amortization as a direct charge to shareholders' equity. This method is in conformity with the income tax basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Had the payments been recorded as maintenance income, revenue would have increased by \$348,936 in 2014 and \$229,938 in 2013.



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CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
May 18, 2015

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**BALANCE SHEET**  
**AS OF DECEMBER 31,**

***EXHIBIT A***

**2014**                      **2013**

***ASSETS***

***CURRENT ASSETS***

Cash and cash equivalents	\$	361,510	\$	54,973
Receivable from tenant/shareholders		91,136		128,535
Real estate tax escrow deposits (Note 6)		97,838		85,140
Cash security deposits (Note 11)		69,976		69,884
Prepaid expenses and other current assets (Note 7)		748,735		726,638
<b>Total current assets</b>		<b>1,369,195</b>		<b>1,065,170</b>

***PROPERTY, AT COST (Notes 2,9)***

Building and building improvements		41,589,005		41,558,883
Pool furnishings, playground and other equipment		428,673		417,286
		42,017,678		41,976,169
Less: accumulated depreciation		33,643,494		32,488,490
		<b>8,374,184</b>		<b>9,487,679</b>

Land		850,000		850,000
<b>Net property</b>		<b>9,224,184</b>		<b>10,337,679</b>

***OTHER ASSETS***

Unamortized loan cost (Note 9)		222,946		233,210
Cash & cash equivalents for future major repairs and replacement (Notes 8 and 14)		190,335		184,167
Other assets		4,560		4,560
		<b>417,841</b>		<b>421,937</b>

<b>Total assets</b>	<b>\$</b>	<b>11,011,220</b>	<b>\$</b>	<b>11,824,786</b>
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**The accompanying notes are an integral part of these financial statements.**

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**BALANCE SHEET**  
**AS OF DECEMBER 31,**

*EXHIBIT A*

**2014**

**2013**

***LIABILITIES AND SHAREHOLDERS' EQUITY***

***CURRENT LIABILITIES***

Accounts payable and accrued expenses (Note 10)	\$ 2,267,627	\$ 2,047,566
Current portion of debt (Note 9)	360,571	243,922
Deposits & other payables (Note 11)	123,702	126,568
<b>Total current liabilities</b>	<b>2,751,900</b>	<b>2,418,056</b>

***LONG-TERM LIABILITIES***

Notes payable (Note 9)	9,287,548	9,636,481
Less: current portion	(360,571)	(243,922)
<b>Total long-term liabilities</b>	<b>8,926,977</b>	<b>9,392,559</b>

***SHAREHOLDERS' EQUITY***

Capital stock par value \$1 a share, 400,000 shares authorized, 341,550 issued and outstanding	341,550	341,550
Shareholders' assessment for loan amortization	2,704,094	2,355,158
Shareholders' assessment for major repairs and replacement of building	245,233	245,233
Capital paid in excess of par (Note 13)	28,784,521	28,778,353
Accumulated deficit	(32,743,055)	(31,706,123)
<b>Total shareholders' equity</b>	<b>(667,657)</b>	<b>14,171</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,011,220</b>	<b>\$ 11,824,786</b>

**The accompanying notes are an integral part of these financial statements.**

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31,**

***EXHIBIT B***

	<b>2014</b>	<b>2013</b>
<b><i>INCOME:</i></b>		
Tenant/shareholders:		
Maintenance (Note 3)	\$ 5,727,745	\$ 5,573,209
Less: payment for note amortization	(348,936)	(229,938)
	5,378,809	5,343,271
Parking	489,671	491,004
Laundry and sundry	168,946	170,697
Interest	15	18
Pool, net of expenses	(82,628)	(22,113)
Total income	5,954,813	5,982,877
<b><i>EXPENSES:</i></b>		
Administrative	306,054	272,768
Operating	1,570,128	1,650,015
Maintenance	2,032,454	1,871,729
Financial	1,875,339	1,812,093
Total expenses	5,783,975	5,606,605
<b><i>SURPLUS OF REVENUES OVER EXPENSES</i></b>		
<b><i>BEFORE DEPRECIATION AND</i></b>	170,838	376,272
<b><i>AMORTIZATION</i></b>		
<b><i>DEPRECIATION AND AMORTIZATION</i></b>	(1,207,770)	(1,198,793)
<b><i>NET DEFICIENCY OF REVENUES</i></b>		
<b><i>OVER EXPENSES</i></b>	(1,036,932)	(822,521)
<b><i>DEFICIT - BEGINNING OF YEAR</i></b>	(31,706,123)	(30,883,602)
<b><i>DEFICIT - END OF YEAR</i></b>	\$ (32,743,055)	\$ (31,706,123)

The accompanying notes are an integral part of these financial statements.

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

*EXHIBIT C*

	Capital Stock	Assessment for Loan Amortization	Assessment for Major Repairs & Building	Capital Paid in Excess of Par	Accumulated Deficit	Total
<b><i>EQUITY - January 1, 2014</i></b>	\$ 341,550	\$ 2,355,158	\$ 245,233	\$ 28,778,353	\$ (31,706,123)	\$ 14,171
Net deficiency of revenues over expenses					(1,036,932)	(1,036,932)
Payment for note amortization		348,936				348,936
Sponsor capital contribution				6,168		6,168
<b><i>EQUITY - December 31, 2014</i></b>	<b>\$ 341,550</b>	<b>\$ 2,704,094</b>	<b>\$ 245,233</b>	<b>\$ 28,784,521</b>	<b>\$ (32,743,055)</b>	<b>\$ (667,657)</b>
	Capital Stock	Assessment for Loan Amortization	Assessment for Major Repairs & Building	Capital Paid in Excess of Par	Accumulated Deficit	Total
<b><i>EQUITY - January 1, 2013</i></b>	\$ 341,550	\$ 2,125,220	\$ 245,233	\$ 28,769,075	\$ (30,883,602)	\$ 597,476
Net deficiency of revenues over expenses					(822,521)	(822,521)
Payment for note amortization		229,938				229,938
Sponsor capital contribution				9,278		9,278
<b><i>EQUITY - December 31, 2013</i></b>	<b>\$ 341,550</b>	<b>\$ 2,355,158</b>	<b>\$ 245,233</b>	<b>\$ 28,778,353</b>	<b>\$ (31,706,123)</b>	<b>\$ 14,171</b>

**The accompanying notes are an integral part of these financial statements.**



**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

<b>EXHIBIT D</b>		
	<b>2014</b>	<b>2013</b>
<b><i>OPERATING ACTIVITIES</i></b>		
Net loss	\$ (1,036,932)	\$ (822,521)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,207,770	1,198,793
Decrease in receivables	37,399	28,622
(Increase) Decrease in real estate escrow deposits	(12,698)	33,779
(Increase) in other current assets	(22,097)	(34,172)
Increase in operating payables	217,103	68,972
<b>Net cash provided by operating activities</b>	<b>390,545</b>	<b>473,473</b>
<b><i>INVESTING ACTIVITIES</i></b>		
Cash acquisition of improvements and equipment	(41,508)	(413,058)
Cash payments for mortgage acquisition	(42,500)	0
Shareholders' contribution for loan amortization	348,936	229,938
Transmittal from the reserve fund	0	(65,000)
<b>Net cash provided (used) by investing activities</b>	<b>264,928</b>	<b>(248,120)</b>
<b><i>FINANCING ACTIVITIES</i></b>		
Amortization of loan	(348,936)	(229,938)
<b>Net cash used by financing activities</b>	<b>(348,936)</b>	<b>(229,938)</b>
Increase (Decrease) in cash	306,537	(4,585)
Cash at beginning of year	54,973	59,558
<b><i>CASH AT END OF YEAR</i></b>	<b>\$ 361,510</b>	<b>\$ 54,973</b>

***Supplemental Cash Flow Information:***

Cash paid for income taxes	\$ 8,277	\$ 10,735
Cash paid for interest	\$ 530,559	\$ 538,079

**The accompanying notes are an integral part of these financial statements.**

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

***Note 1 - Organization***

Fairview Owners Corp., a Cooperative Housing Corporation, (the Cooperative), was incorporated on March 28, 1984 under the laws of the State of New York. The Cooperative became effective on June 26, 1985 when the building began operations as a cooperative corporation and first issued proprietary leases. The Cooperative owns one fourteen story building containing three wings located at 61-20 Grand Central Parkway in Forest Hills, New York consisting of 422 residential apartments.

***Note 2 - Summary of significant accounting policies***

**Cash and cash equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as highly liquid investments, which mature in three months or less at the time of purchase. Due to the short term nature of cash equivalents, the carrying value approximates fair value.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

**Fair value of financial instruments**

Substantially all of the Cooperatives' financial instruments are carried at fair value or amounts approximating fair value. Assets, including cash and cash equivalents and certain other current assets are carried at fair value or contracted amounts which approximate fair value. Similarly, accounts payable and other liabilities are carried at fair value or contracted amounts approximating fair value.

**Property**

Property, consisting principally of a building and improvements, are carried at cost. Depreciation of the property was computed, whereby the building was depreciated on a straight-line basis principally over a forty year period, and the improvements principally over a twenty-seven year period. Capital expenditures for 2014 were expended from the operating account. In 2013, a grant from the New York State Energy Research Development Authority ("NYSERDA") of \$110,240 was received as part of an energy project initiated by the Cooperative and used to fund energy improvements.

<p><b>FAIRVIEW OWNERS CORP.</b>  <b>(A Cooperative Housing Corporation)</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>DECEMBER 31, 2014 AND 2013</b></p>
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***Note 3 - Revenue***

Maintenance 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 Cooperative retains excess operating funds, if any, at the end of the operating year, for use in future operating periods. The board increased maintenance in January 2014 to \$1.295 a share per month. In January 2008, an additional special assessment of \$422,000 was charged. The assessment continued through 2014.

The revenue consisted of the following:

	<b>2014</b>	<b>2013</b>
Maintenance:	\$ <u>5,305,745</u>	\$ <u>5,151,209</u>
Assessment:	<u>422,000</u>	<u>422,000</u>
	<u>\$ <u>5,727,745</u></u>	<u>\$ <u>5,573,209</u></u>

The special assessment is being used to fund the major repairs and maintenance of Fairview Owners Corp.

***Note 4 - Sponsor***

At December 31, 2014, the sponsor, (Grandway Associates, ZooCare Realty LP) owned approximately eleven percent (11%) of the Cooperative's outstanding shares.

***Note 5 - Management and related parties***

The principal of the management company, Carlson Realty, Inc., is a shareholder.

<p><b>FAIRVIEW OWNERS CORP.</b>  <b>(A Cooperative Housing Corporation)</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>DECEMBER 31, 2014 AND 2013</b></p>
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**Note 6 - Real estate tax escrow deposits**

The Cooperative is required, pursuant to the terms of the first mortgage, to advance monthly payments to New York Urban, the escrow agent for the first mortgagee, in order for the escrow agent to make timely disbursements for real estate taxes on behalf of the Cooperative. The tax payment of \$129,691, due in January 2015, was prepaid in December 2014 (Note 7). The balance in the escrow account was \$97,838 at December 31, 2014 and \$85,140 at December 31, 2013.

**Note 7 - Prepaid expenses and other current assets**

A portion of the water and sewer charges are billed annually in July and covers the period July 1 to June 30. The entire amount of the bill was accrued including the prepayment. The full insurance premiums are accrued at the anniversary of the policies.

	<u>2014</u>	<u>2013</u>
Prepaid health insurance	\$ 20,959	\$ 19,854
Water and sewer	207,278	200,561
Prepaid real estate taxes	129,691	150,447
Unexpired insurance premiums	335,797	328,005
Other current assets	55,010	27,771
	<u>\$ 748,735</u>	<u>\$ 726,638</u>

**Note 8 - Cash in bank - for future major repairs and replacement**

The sponsor, in accordance with the offering plan and an agreement with the Cooperative, established a fund to be used exclusively for making capital repairs, replacement and improvements to the building. The sponsor is required to make a contribution to the fund based on a formula of \$2 per sold share from the proceeds of the sales of each of his units. There were sales of 3,084 shares in 2014 and 4,639 shares in 2013 and corresponding deposits by the sponsor in the amount of \$6,168 in 2014 and \$9,278 in 2013 into the reserve fund.

<p><b>FAIRVIEW OWNERS CORP.</b>  <b>(A Cooperative Housing Corporation)</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>DECEMBER 31, 2014 AND 2013</b></p>
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**Note 8 - Continued**

The following is a historical summary of the activity in the cash accounts for future major repairs and

	<u>2014</u>	<u>2013</u>
Sponsor contributions on sales (Note 13)	\$ 1,435,521	\$ 1,429,353
Contributions from shareholders	245,233	245,233
Income earned	589,970	589,970
Expenditures for capital improvements	(5,540,221)	(5,540,221)
From mortgage refinancing	1,750,000	1,750,000
Note proceeds	1,600,000	1,600,000
Transfer to operating	(371,919)	(371,919)
NYSERDA grant (net)	498,260	498,260
Other expenses	(16,509)	(16,509)
Balances December 31,	<u>\$ 190,335</u>	<u>\$ 184,167</u>

**Note 9 - Notes Payable**

In November 2004, the mortgage, secured by the building, was refinanced for 15 years for \$9,000,000 with interest at 5.82% by John Hancock Mutual Life Insurance Company. For the first ten years of the mortgage, the monthly payment amount was \$43,650 which consisted of only interest. In 2014, this amount increased to \$52,922 and applied to interest first and then to principal. The principal balance of the mortgage was \$8,885,714 as of December 31, 2014 and \$9,000,000 as of December 31, 2013.

In September 2009, Fairview was granted a special loan agreement by Herald Bank in conjunction with the New York State Energy Research and Development Authority (NYSERDA). The cooperative received a seven year loan of \$1,600,000. The interest rate on the loan is 8.5%. NYSERDA paid 6.5% and Fairview is responsible for the remaining 2%. The 6.5% interest on the life of the loan was prepaid in full by NYSERDA. Fairview is required to remain in full compliance with the NYSERDA energy agreement or the full interest would become due by Fairview. The monthly payment by Fairview is \$20,448 which will be applied to interest first and then to principal. The principal balance of the loan was \$401,834 as of December 31, 2014 and \$636,481 as of December 31, 2013.

<b>FAIRVIEW OWNERS CORP.</b> <b>(A Cooperative Housing Corporation)</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>DECEMBER 31, 2014 AND 2013</b>
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*Note 9 - Continued*

The John Hancock mortgage was refinanced in 2004. The cost of the refinancing was \$766,094, which is being amortized over the fifteen year term of the mortgage. The cost of the 2009 Herald Bank loan was \$11,837. These costs are being amortized over the seven year life of the loan. The notes were refinanced in 2015. The costs incurred for the new refinancing as of December 31, 2014 were \$42,500, which will be amortized when the refinancing is completed. The debt financing costs consist of the following:

	<u>2014</u>	<u>2013</u>
Brokerage fee	\$ 44,000	\$ 44,000
Mortgage tax	63,388	63,388
Legal fees	35,464	35,464
Prepayment fee	631,028	588,528
Surveys and other costs	46,551	46,551
	<u>\$ 820,431</u>	<u>\$ 777,931</u>
Accumulated amortization	597,485	544,721
Unamortized mortgage cost	<u>\$ 222,946</u>	<u>\$ 233,210</u>

Prior to the 2015 refinancing, aggregate principal payments for the years succeeding December 31, 2014 were expected to be as follows:

<b>Year</b>	<u><b>Total Payments</b></u>
2015	360,571
2016	290,727
2017	136,031
2018	144,163
Thereafter	<u>8,356,056</u>
	9,287,548
Less: current portion	360,571
Long-term portion	<u>\$ 8,926,977</u>

<p><b>FAIRVIEW OWNERS CORP.</b>  <b>(A Cooperative Housing Corporation)</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>DECEMBER 31, 2014 AND 2013</b></p>
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**Note 10 - Accounts payable and accrued expenses**

Accounts payable and accrued expenses consist of the following:

	<b>2014</b>	<b>2013</b>
Mortgage interest	\$ 43,788	\$ 44,746
Insurance premiums	245,516	241,518
Water and sewer	1,719,880	1,362,876
Water and sewer - payment agreement	0	34,466
Capital expenditure accruals	7,500	46,306
Union benefit payments	118,494	29,241
Electric	60,612	65,550
Other invoices and accruals	71,837	222,863
	<u>\$ 2,267,627</u>	<u>\$ 2,047,566</u>

**Note 11 - Deposits & other payables**

Deposits & other payables consist of the following:

	<b>2014</b>	<b>2013</b>
Payroll tax liabilities	\$ 8,432	\$ 4,182
Tenant security deposits	69,976	69,884
Maintenance received in advance	43,916	51,104
Other	1,378	1,398
	<u>\$ 123,702</u>	<u>\$ 126,568</u>

<p><b>FAIRVIEW OWNERS CORP.</b>  <b>(A Cooperative Housing Corporation)</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>DECEMBER 31, 2014 AND 2013</b></p>
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**Note 12 - Income taxes**

The Corporation is a Cooperative Housing Corporation under Section 216 of the Internal Revenue Code. Under this section real estate taxes and interest paid by the Cooperative are deductible for income tax purposes by the tenant-shareholders, based upon their pro-rata ownership of shares of the Cooperative. The Cooperative has available net operating tax loss carry-forwards in excess of \$15,000,000. These losses expire over 15 and 20 year periods, depending on the year the loss was incurred. Early losses have expired and additional losses will expire each year. In view of the taxable losses over the last 25 years and due to the structure and taxable cost basis of the building, this is not expected to have any material effect as no taxable income in the foreseeable future is expected.

Section 277 of the Internal Revenue Code provides that a membership organization that is operated primarily to furnish services to members is permitted to deduct expenses attributable to the furnishing of such services only to the extent of the income derived during the year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating that income. Accordingly, income from non-membership sources such as interest, commercial rentals, etc. in excess of expenses attributable thereto, may be subject to federal tax if the Internal Revenue Service were to successfully take the position that Section 277 applies to cooperative housing corporations. Recent tax court decisions have been in favor of co-ops as relating to interest income.

The Cooperative follows the policy of not applying the provisions of Section 277 when preparing its annual federal, New York State and New York City income tax returns. Accordingly, no provision for taxes, if any, that could result for the application of Section 277 to the Cooperative's net non-membership income has been reflected in the financial statements. The financial statements, however, do reflect both New York State and New York City provisions for taxes on other than an income basis.

As of December 31, 2014, the years that remain subject to examination by taxing authorities begin with 2011.

**Note 13 - Capital paid in excess of par**

Capital in excess of par consists of:												
Excess of book value over \$ 1 par value	\$	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><b>2014</b></th> <th style="text-align: center; border-bottom: 1px solid black;"><b>2013</b></th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">27,324,000</td> <td style="text-align: right;">27,324,000</td> </tr> <tr> <td style="text-align: right;">25,000</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td style="text-align: right;">1,435,521</td> <td style="text-align: right;">1,429,353</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">28,784,521</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">28,778,353</td> </tr> </tbody> </table>	<b>2014</b>	<b>2013</b>	27,324,000	27,324,000	25,000	25,000	1,435,521	1,429,353	28,784,521	28,778,353
<b>2014</b>	<b>2013</b>											
27,324,000	27,324,000											
25,000	25,000											
1,435,521	1,429,353											
28,784,521	28,778,353											
Sponsor initial working capital												
Sponsor contributions from share sales (Note 8)												



**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

***Note 14 - Future major repairs and replacement***

The Cooperative has not promulgated a study to determine the remaining useful lives of the components of the building and current estimates of costs of major repairs and replacements that may be required. When funds for these projects are required, the Cooperative has the right to borrow, including using lines of credit, utilize available funds from reserve accounts, increase maintenance charges, levy a special assessment, or delay the repairs or replacements until funds are available.

***Note 15 - Pension plan***

The Cooperative makes contributions to a collectively bargained, multi-employer pension plan in accordance with the provisions of negotiated labor contracts. Information from the plans' administrators is not available to permit the Cooperative to determine its relative position or estimate its future liability under the plans.

The Cooperative has a collective bargaining agreement with 32BJ Service Employees International Union, which details rates of pay, hours of work and conditions of employment for those covered employees. All employees of the Cooperative are covered by the union agreement. The employees are covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan. Contributions to the plan are determined in accordance with the provisions of the negotiated labor contract.

Pursuant to the Employee Retirement Income Security Act, as amended, an employer upon withdrawing from a multiemployer plan, is required to pay its share of the plan's unfunded vested benefits. The Cooperative has no intention of withdrawing from the plan.

The plan information for the multiemployer defined benefit plan is as follows:

Union Plan Employer ID #	13-1879376
Year End Date of Plan	June 30, 2014
Certified Pension Zone Status	July 1, 2014 - Red
Pension Contributions Made during 2014	\$11,730

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

***Note 16 - Concentration of Credit Risk***

The Cooperative maintains various bank and money market accounts that, at times, have exceeded federally insured credit limits. The Cooperative has not experienced any losses on such accounts.

In 2014, the maintenance and assessments received from the sponsor amounted to \$679,587. The sponsor owned 11% of the outstanding shares of the cooperative.

***Note 17 - Subsequent Events***

In March 2015, the mortgage, secured by the building, was refinanced for \$17,000,000 with Amalgamated Bank. The refinancing period will be for 15 years with interest at 3.835%. The monthly payment amount will be \$162,286 which will consist of principal, interest and escrow deposits. The proceeds of the loan will be used to replenish the reserve, pay off the outstanding principal balances of the notes payable and the outstanding balance owed to the New York City Water board.

The management of the Cooperative has determined that there are no other material subsequent events as of May 18, 2015, the date the financial statements were available to be issued, that need to be disclosed. These events could include but are not limited to any legal actions to which the cooperative is a major party or entering into any contracts that are not in the normal course of business.

## SUPPLEMENTAL INFORMATION

The schedules following are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subject to the audit procedures applied in the examination of the basic financial statements, and accordingly, we express no opinion on the schedules.

The unqualified opinion on the basic financial statements taken as a whole are in no way affected by the above paragraph.

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<i>SCHEDULE A</i>	
	<b>2014</b>	<b>2013</b>
<b>ADMINISTRATIVE:</b>		
Management fees	\$ 110,000	\$ 110,000
Professional fees	83,133	53,056
Licenses and permits	13,639	9,552
Office and clerical	99,282	100,160
	\$ 306,054	\$ 272,768
<b>OPERATING:</b>		
Security	\$ 141,302	\$ 139,772
Fuel	328,098	341,532
Utilities - electric and gas	591,270	683,786
Water and sewer	509,458	484,925
	\$ 1,570,128	\$ 1,650,015
<b>MAINTENANCE:</b>		
Salaries and related costs:		
Building wages	\$ 926,313	\$ 912,854
Payroll taxes	79,266	77,193
Workers' statutory insurance	44,922	37,232
Union and pension	333,602	328,617
Repairs and maintenance-general	522,739	420,820
Repairs and maintenance-elevator	36,856	35,478
Repairs and maintenance-flood damage (recovery)	0	(40,263)
Janitorial and building supplies	88,756	99,798
	\$ 2,032,454	\$ 1,871,729
<b>FINANCIAL:</b>		
Interest on mortgages	\$ 530,559	\$ 538,079
Real estate taxes	956,841	908,313
Insurance - general	379,662	354,966
New York State & City corporation tax	8,277	10,735
	\$ 1,875,339	\$ 1,812,093

**The accompanying notes are an integral part of these financial statements.**

**FAIRVIEW OWNERS CORP.**  
**(A Cooperative Housing Corporation)**  
**COMPARISON OF THE 2014 BUDGET TO**  
**THE PRO FORMA RECEIPTS AND DISBURSEMENTS REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>BUDGET</b>	<b>PRO FORMA</b>	<b>VARIANCE</b>
	<b>2014</b>	<b>RECEIPTS AND</b>	<b>INCREASE</b>
		<b>DISBURSEMENTS</b>	<b>(DECREASE)</b>
<b>SCHEDULE B</b>			
<b>REVENUES:</b>			
Maintenance	\$ 5,700,197	\$ 5,727,745	\$ 27,548
Garage rentals	489,000	489,671	671
Laundry	72,000	72,000	0
Pool	10,000	(82,628)	(92,628)
Miscellaneous	76,776	96,961	20,185
	6,347,973	6,303,749	(44,224)
<b>EXPENSES:</b>			
Labor and benefits	1,364,995	1,445,903	80,908
Electricity and gas	625,000	591,270	(33,730)
Fuel oil	400,000	328,098	(71,902)
Water and sewer	400,000	509,458	109,458
Building supplies	75,000	88,756	13,756
Repairs and maintenance	519,752	559,595	39,843
Security	150,900	141,302	(9,598)
Insurance	370,040	379,662	9,622
Management fees	110,000	110,000	0
Legal and audit fees	30,000	83,133	53,133
Real estate taxes	1,010,000	956,841	(53,159)
Corporate taxes	8,500	8,277	(223)
Miscellaneous	61,850	51,121	(10,729)
Mortgage Service	635,064	523,800	(111,264)
NYSERDA	286,872	355,695	68,823
Capital expenditures from operating	0	84,010	84,010
Contingency	300,000	0	(300,000)
	\$ 6,347,973	\$ 6,216,921	\$ (131,052)
<b>Deficit</b>	\$ 0	\$ 86,828	\$ 86,828