



**BIG SIX TOWERS, INC.**  
Financial Statements and  
Supplementary Information

June 30, 2020 and 2019

# BIG SIX TOWERS, INC.

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Big Six Towers, Inc.

We have audited the accompanying financial statements of Big Six Towers, Inc., which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations, changes in stockholders' 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 Big Six Towers, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*Newman, Newman & Kaufman, LLP*

October 14, 2020

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**BIG SIX TOWERS, INC.**

**BALANCE SHEETS**

<u>June 30,</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 373,954	\$ 657,336
Mortgage escrow (Note 3)	1,534,317	2,139,699
Receivables (Note 4)	604,558	518,859
Prepaid expenses (Note 5)	<u>657,478</u>	<u>815,558</u>
Total Current Assets	<u>3,170,307</u>	<u>4,131,452</u>
Investment Funds:		
Working capital reserves	28,213	603,478
Replacement reserve (Notes 2 and 8)	7,298,693	7,988,574
Capital assessment account (Notes 2 and 10)	-	4,966
Parking lot restoration reserve	<u>-</u>	<u>2,538</u>
Total Investment Funds	<u>7,326,906</u>	<u>8,599,556</u>
Property and Improvements: (Notes 2 and 6)		
Land - apartment complex and shopping center	1,775,824	1,775,824
Shopping center building and expansion	14,489,949	14,489,949
Residential buildings	14,936,224	14,936,224
Power plant	3,720,789	3,720,789
Building improvements and equipment	<u>39,222,470</u>	<u>37,541,116</u>
Total	74,145,256	72,463,902
Less: accumulated depreciation	<u>44,976,143</u>	<u>42,751,089</u>
Net Property and Improvements	<u>29,169,113</u>	<u>29,712,813</u>
Other Assets:		
Cash - security and applicant deposits	98,818	108,746
Unamortized J-51 costs (Note 2)	23,473	28,632
Security deposits	8,600	8,500
Violation and environmental conditions escrows (Note 8)	<u>175,751</u>	<u>175,751</u>
Total Other Assets	<u>306,642</u>	<u>321,629</u>
Total Assets	<u>\$ 39,972,968</u>	<u>\$ 42,765,450</u>

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

**BIG SIX TOWERS, INC.****BALANCE SHEETS**

<b>June 30,</b>	<b>2020</b>	<b>2019</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 836,669	\$ 688,300
Water and sewer charges payable (Note 7)	845,977	1,422,759
Building improvements payable	494,759	856,938
Mortgage payable - current portion	462,183	437,809
Equity payable (Note 10)	197,391	169,922
Accrued mortgage interest	<u>176,074</u>	<u>178,055</u>
Total Current Liabilities	<u>3,013,053</u>	<u>3,753,783</u>
Long-Term Liabilities:		
HDC mortgages payable - net of current portion (Note 8)	51,684,590	52,494,346
Deferred mortgage interest - HDC (Note 8)	926,916	863,831
Unamortized mortgage finance costs (Note 2)	<u>( 481,449)</u>	<u>( 508,897)</u>
Total Long-Term Debt	52,130,057	52,849,280
Applicants' deposits and security	223,200	236,400
Commercial security deposits	<u>76,031</u>	<u>102,458</u>
Total Long-Term Liabilities	<u>52,429,288</u>	<u>53,188,138</u>
Total Liabilities	<u>55,442,341</u>	<u>56,941,921</u>
<b>Stockholders' Equity</b>		
Common stock - \$20.00 par value, 231,430 shares authorized, 226,693 shares issued and outstanding	4,533,860	4,533,860
Additional paid-in capital	11,710,894	11,413,600
Accumulated deficit	<u>( 31,714,127)</u>	<u>( 30,123,931)</u>
Total Stockholders' Equity	<u>( 15,469,373)</u>	<u>( 14,176,471)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 39,972,968</u>	<u>\$ 42,765,450</u>

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

**BIG SIX TOWERS, INC.**

**STATEMENTS OF OPERATIONS**

<b>Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Maintenance	\$ 12,163,236	\$ 11,808,846
Commercial income	1,202,653	1,454,781
Surcharges	472,410	428,258
Parking	309,302	311,377
Utilities	299,162	309,409
Interest income	175,130	200,189
Other shareholder and miscellaneous income	112,868	136,391
Laundry	108,000	108,000
Storage	<u>60,810</u>	<u>60,536</u>
Total Revenues	<u>14,903,571</u>	<u>14,817,787</u>
<b>Cost of Operations</b>		
Administrative expenses	Schedule 1 987,052	897,900
Operating expenses	Schedule 2 8,234,351	8,328,794
Repairs and maintenance	Schedule 3 1,651,372	1,559,374
Real estate taxes	Schedule 4 1,066,418	1,023,638
Mortgage interest	2,186,975	2,211,748
Special repairs - plumbing	<u>109,938</u>	<u>181,026</u>
Total Cost of Operations	<u>14,236,106</u>	<u>14,202,480</u>
<b>Income Before Noncash Depreciation, Amortization and Mortgage Finance Interest Costs</b>	667,465	615,307
Noncash depreciation, amortization and mortgage finance interest costs	( <u>2,257,661</u> )	( <u>1,931,514</u> )
Net Loss For The Year	( <u>\$ 1,590,196</u> )	( <u>\$ 1,316,207</u> )

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

**BIG SIX TOWERS, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

<u>Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>
<b>Common Stock</b>		
Balance - July 1,	\$ 4,533,860	\$ 4,533,860
Transactions during year	<u>-</u>	<u>-</u>
Balance - June 30,	<u>\$ 4,533,860</u>	<u>\$ 4,533,860</u>
<b>Additional Paid-In Capital</b>		
Balance - July 1,	\$ 11,413,600	\$ 10,970,851
First sale capital assessment	<u>297,294</u>	<u>442,749</u>
Balance - June 30,	<u>\$ 11,710,894</u>	<u>\$ 11,413,600</u>
<b>Accumulated Deficit</b>		
Balance - July 1,	(\$ 30,123,931)	(\$ 28,807,724)
Net loss for the year	<u>( 1,590,196)</u>	<u>( 1,316,207)</u>
Balance - June 30,	<u>(\$ 31,714,127)</u>	<u>(\$ 30,123,931)</u>

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

**BIG SIX TOWERS, INC.**  
**STATEMENTS OF CASH FLOWS**

<u>Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 1,590,196)	(\$ 1,316,207)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	2,225,054	1,898,618
Amortization	5,159	5,448
Mortgage finance interest costs	27,448	27,448
Deferred mortgage interest	63,085	64,661
Other changes in operating assets and liabilities that provided (used) cash:		
Mortgage escrow	605,382	( 547,310)
Receivables	( 85,699)	211,241
Prepaid expenses	158,080	115,078
Cash - security deposits	9,928	139,440
Security deposits	( 100)	( 500)
Accounts payable	148,369	30,568
Other current liabilities	( 551,294)	224,433
Deposits payable	( 39,627)	( 13,937)
Total Adjustments	<u>2,565,785</u>	<u>2,155,188</u>
Cash Provided By Operating Activities	<u>975,589</u>	<u>838,981</u>
<b>Cash Flows From Investing Activities</b>		
Decrease in investment funds	1,272,650	706,372
Increase in building improvements and equipment	( 1,681,354)	( 1,747,704)
(Decrease) increase in building improvements payable	( 362,179)	39,527
Cash Used In Investing Activities	<u>( 770,883)</u>	<u>( 1,001,805)</u>
<b>Cash Flows From Financing Activities</b>		
First sale capital assessment proceeds	297,294	442,749
HDC mortgage amortization	( 437,893)	( 414,799)
HDC mortgage principal payments	( 347,489)	-
Cash (Used In) Provided By Financing Activities	<u>( 488,088)</u>	<u>27,950</u>
Net change in cash and cash equivalents	( 283,382)	( 134,874)
Cash and cash equivalents - at beginning of year	<u>657,336</u>	<u>792,210</u>
Cash and cash equivalents - at end of year	<u>\$ 373,954</u>	<u>\$ 657,336</u>
<b>Supplemental Disclosures</b>		
Interest paid	\$ 2,125,871	\$ 2,148,964
Income taxes paid	\$ -0-	\$ -0-

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



## BIG SIX TOWERS, INC.

### Notes to Financial Statements

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#### Note 1. ORGANIZATION

Big Six Towers, Inc. (the "Corporation") is a qualified residential cooperative housing corporation as defined in Section 216(b)(1) of the Internal Revenue Code. It is a New York City sponsored Mitchell-Lama development pursuant to the laws of New York State Public Housing Financing Corporation Act, Article 2. The property, located in Woodside, Queens, is comprised of seven high-rise buildings containing 983 residential units, a shopping center and a power plant which produces heat and electricity for the residential and commercial spaces. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Presentation and Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Investments Carrying Values**

The investments in Certificates of Deposit have been classified in the Held-To-Maturity category as the Corporation has the positive intent and ability to hold the securities to maturity. Such investments are carried at amortized cost which approximate fair value. The investments in Certificates of Deposit had an aggregate face value of \$0 and \$362,592 at June 30, 2020 and 2019, respectively. Money funds are carried at cost which approximate fair value.

##### **Property and Improvements**

Property and improvements are stated at cost. The residential buildings and shopping center building were depreciated on the straight-line method over an estimated life of fifty years. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from five to fifty years. The power plant is depreciated on the straight-line method over an estimated life of forty-five years.

##### **Deferred Costs**

Costs associated with obtaining J-51 benefits have been amortized on the straight-line method over the period of benefit.

##### **Mortgage Finance Costs**

Mortgage finance costs are amortized over the original life of the loan.

##### **Revenue Recognition**

Shareholder maintenance is based on an annual budget approved by the Board of Directors. Maintenance and other shareholder fee increases require the approval of the Department of Housing Preservation and Development ("HPD"). Shareholders are assessed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future periods.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of cash, money market accounts, and other highly liquid investments (not allocated to investment funds) that are readily convertible into cash and purchased with original maturities of three months or less.

## BIG SIX TOWERS, INC.

### Notes to Financial Statements

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#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Concentration of Credit Risk**

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

##### **Reserve Fund Requirements**

The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or (with HPD approval) borrow, increase maintenance, impose assessments, or delay repairs and replacements until funds are available.

Under the rules and regulations of HPD, the Corporation is required to accumulate and maintain reserve accounts as follows:

##### **Reserve for Replacements:**

The reserve for replacements should be funded at ten dollars per room per year. This amounts to an annual funding of \$47,380.

##### **Reserve for Painting and Decorating:**

The reserve for painting and decorating should be funded at twenty-five dollars per dwelling unit per year. This amounts to an annual funding of \$24,575.

##### **Reserve for Vacancy, Collection Losses and Contingencies:**

This reserve should be funded at three percent of the annual rent roll until the accumulation is equal to twenty-five percent of the rent roll; thereafter, such deposits as are necessary to maintain the reserve at the stated level.

Such rules regarding the funding of reserves have been waived while the Corporation funds reserves held by the New York City Housing Development Corporation ("HDC"). As of the balance sheet date, the Corporation had not maintained any of the HPD required reserves. See Note 8 regarding the HDC required reserves the Corporation is funding.

##### **Evaluation of Subsequent Transactions and Events**

The Corporation has evaluated transactions and events that occurred after June 30, 2020 through October 14, 2020, the date the financial statements were available to be issued, and has determined that there were no subsequent transactions or events which would require recognition or disclosure in the financial statements, except as noted herein.

#### Note 3. MORTGAGE ESCROW

The Corporation deposits a pro-rated monthly sum into an escrow account maintained by HDC for the payment of real estate tax, insurance and water and sewer charges. On June 30, 2020 and 2019, the escrow balance was \$1,534,317 and \$2,139,699, respectively.

**BIG SIX TOWERS, INC.**

**Notes to Financial Statements**

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Note 4. <b>RECEIVABLES</b>	<u>2020</u>	<u>2019</u>
Commercial rents	\$ 308,345	\$ 220,544
Shareholders' charges	292,299	281,082
Due from vendor	<u>3,914</u>	<u>17,233</u>
Total	<u>\$ 604,558</u>	<u>\$ 518,859</u>

Note 5. <b>PREPAID EXPENSES</b>	<u>2020</u>	<u>2019</u>
Insurance	\$ 436,418	\$ 421,701
Real estate tax	219,508	387,647
Service contracts	<u>1,552</u>	<u>6,210</u>
Total	<u>\$ 657,478</u>	<u>\$ 815,558</u>

Note 6. **PROPERTY AND IMPROVEMENTS**

Building improvements and equipment were capitalized as follows:

	<u>2020</u>	<u>2019</u>
Power plant upgrades	\$ 1,003,179	\$ 589,206
Elevator upgrades	378,675	7,650
Flooring replacements	299,500	415,000
Plumbing upgrades	-	362,325
Heating plant upgrades - in progress	-	174,059
Mailroom renovations	-	115,500
Equipment upgrades	-	50,387
Exterior restoration	-	28,655
Professional space upgrades	<u>-</u>	<u>4,922</u>
Total	<u>\$ 1,681,354</u>	<u>\$ 1,747,704</u>

Note 7. **WATER AND SEWER CHARGES PAYABLE**

On September 7, 2018, the New York City Department of Environmental Protection ("DEP") retroactively billed additional water and sewer charges for the period July 1, 2014 to June 30, 2019 under the Multifamily Conservation Program fixed rate. Water and sewer charges totaling \$845,977 have been accrued within these financial statements, of which \$841,902 relates to prior periods. The Corporation has retained professional consultants to investigate the validity of these charges.

## BIG SIX TOWERS, INC.

### Notes to Financial Statements

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#### Note 8. MORTGAGES PAYABLE

The mortgages are held by HDC. Terms of the mortgages are as follows:

##### First Mortgage

The first mortgage, in the original principal amount of \$40,125,000, requires equal monthly installments of \$213,641 applied first to interest at the rate of 5.43% per annum and the balance as a reduction of principal. The loan is fully amortizing and matures on July 1, 2052.

Principal maturities of the mortgage payable for each of the next five years are as follows:

2021	\$ 462,183
2022	487,913
2023	515,077
2024	543,752
2025	574,024
Thereafter	36,328,456

##### Prepayment Terms

Prepayment of the first mortgage shall not be permitted until July 1, 2027. Commencing July 1, 2027, the first mortgage may be prepaid in whole or in part, provided that at the time of such repayment, the second and third mortgages shall be paid in full, subject to a prepayment premium of 2% if the loan is prepaid in the 11<sup>th</sup> year and 1% if the loan is prepaid in the 12<sup>th</sup> year. There is no prepayment premium if prepayment occurs on or after the 12<sup>th</sup> year of the loan.

##### Violations and Environmental Conditions Requirement

As part of the refinancing transaction, the Corporation was required to fund \$75,751 as a violations escrow and \$100,000 as an environmental escrow. These amounts are currently being held in an escrow account maintained by HDC and will be released upon receipt of evidence that the violations and conditions have been cured.

##### Second Mortgage

The second mortgage, in the original principal amount of \$1,532,170, requires no monthly payments. Interest accrues at the rate of 5% per annum. The loan matures July 1, 2052 at which time the remaining principal balance plus accrued interest will have to be extended, refinanced or retired.

Interest income earned on construction loan proceeds held by HDC in reserves will be applied to the principal balance of the loan until the proceeds have been exhausted. At June 30, 2020, the outstanding principal balance was \$945,732.

##### Third Mortgage

The third mortgage, in the original principal amount of \$12,289,720, requires no monthly payments and shall bear interest at the rate of 0% per annum. The loan matures on July 1, 2052 at which time the principal balance will have to be extended, refinanced or retired.

##### Required Reserves

The Corporation is required to fund a replacement reserve with monthly deposits of \$20,479 during the term of the loan. Effective May 1, 2020, the monthly required deposits were temporarily suspended. On June 30, 2020 and 2019, the replacement reserve balance was \$7,298,693 and \$7,988,574, respectively.

## BIG SIX TOWERS, INC.

### Notes to Financial Statements

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#### Note 9. COMMERCIAL LEASES

The Corporation, as lessor under various commercial and professional leases, will receive minimum base rents over each of the next five years as follows:

	<u>Commercial</u>	<u>Professional</u>
2021	\$ 606,838	\$ 108,605
2022	539,393	69,187
2023	457,124	19,212
2024	439,859	18,174
2025	324,204	-

Certain leases also contain various escalation clauses allowing for additional rents, parking and utility charges. Some leases provide options to extend the lease agreement which will expire during the five year period. Rents from such extensions and/or expired leases are not included in the minimum base rents stated above.

#### Note 10. EQUITY

Shares in the Corporation may be acquired by qualified purchasers as follows:

First sales assessment per room*	\$ 4,211
Capital equity assessment per room (terraces and elevators)	841
Original equity per room	550
Additional equity per room	300
Utility equity per room	105
Amortization per room (at June 30, 2020)	2,415

Capital equity assessment, equity and amortization amounts are refundable upon the sale of shares. On June 30, 2020 and 2019, the Corporation had outstanding liabilities for equity transactions in the amount of \$197,391 and \$169,922, respectively.

\* First sales assessment represents a capital assessment equal to the total equity applicable to each apartment before the first sales assessment. For the years ended June 30, 2020 and 2019, \$297,294 and \$442,749 of first sale assessments were collected, respectively.

#### Note 11. MANAGEMENT SERVICES

The Corporation retained the management firm of Douglas Elliman Property Management to provide management services. The contractual annual fee is \$481,647.

## BIG SIX TOWERS, INC.

### Notes to Financial Statements

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#### Note 12. MULTIEMPLOYER UNION AGREEMENT AND PENSION PLAN

Substantially all of the Corporation's 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. The contract is in effect through April 20, 2022.

Contributions to the Building Service 32BJ Pension Fund are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risks of participating in a multiemployer pension plan differ from those of a single-employer pension plan in the following aspects: a) assets contributed to a multiemployer pension 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 obligation of the plan may be borne by the remaining participating employers, and c) if the Corporation 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. The Corporation has no intention of withdrawing from the plan.

The information for 32BJ Service Employees International Union multiemployer pension plan is as follows:

Legal Name:	Building Service 32BJ Pension Fund
Employer Identification Number:	13-1879376
Plan Number:	001
Type of Plan:	Defined Benefit Pension Plan
Plan Year End Date:	June 30, 2019 and June 30, 2018
Certified Zone Status:	Red*
Funding Improvement Plan/Rehabilitation Plan:	Implemented*
Surcharges Paid to Plan in 2020:	None
Pension contributions made:	
Year ended June 30, 2020	\$239,198
Year ended June 30, 2019	\$242,427
Minimum average required pension contributions (per week/per employee):	
Year ended June 30, 2019	\$112.75
Year ended June 30, 2020	\$116.75
Year ending June 30, 2021	\$120.75

\*Certified pension zone status (as defined by the Pension Protection Act) represents the level at which the pension plan is funded. Plans in the red zone are less than 65% funded; plans in the yellow zone are less than 80% funded; and plans in the green zone are at least 80% funded. The pension plan is considered to be in critical status for the plan year beginning July 1, 2019. In order for the plan to achieve yellow and/or green funding status, the trustees of the fund adopted a Rehabilitation Plan which terms have been incorporated into the collective bargaining agreement. The current agreement provides for increased employer contributions of \$4.00 per week per year for each eligible employee.

The information provided above is from the pension plan's most current annual report for the year ended June 30, 2019. The Pension Protection Act Zone Status, the most recent zone status available, was provided to the Corporation by the plan and is certified by the plan's actuary. The Corporation's contributions to the pension plan are less than 5% of all employers' contributions to the plan. There have been no significant changes that would affect the comparability of the contributions for the years ended June 30, 2020 and 2019.

**Notes to Financial Statements**

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**Note 13. LEGAL MATTERS**

There are various claims against the Corporation arising in the ordinary course of business. These claims are being defended by the Corporation's counsel. The Corporation is unable to predict the ultimate outcome of these matters and has not provided for any liabilities within these financial statements which may arise from these claims.

**Note 14. SUBSEQUENT EVENT - COVID-19**

In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As COVID-19 continues to spread in the United States and around the world, the Corporation may experience disruptions that could severely impact its abilities to carry out its activities. The extent of the impact of COVID-19 on operations and the financial performance will depend on certain developments, including the duration and spread of the outbreak, which are highly uncertain and cannot be predicted with confidence. As of the date of this report, the Corporation cannot reasonably estimate the impact to its activities, revenues, financial condition or results of operations.

**SUPPLEMENTARY AND PROSPECTIVE INFORMATION**





Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To the Board of Directors and Shareholders  
Big Six Towers, Inc.

We have audited the financial statements of Big Six Towers, Inc. as of and for the years ended June 30, 2020 and 2019, and our report thereon dated October 14, 2020, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supporting Schedules and Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast, which is the responsibility of the Corporation's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Newman, Newman & Kaufman, LLP*

October 14, 2020 for Historical Statements  
August 11, 2020 for Budget Forecast

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**BIG SIX TOWERS, INC.**

**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**

<u>Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>
<b>Administrative Expenses:</b>		
	<b>Schedule 1</b>	
Management fee	\$ 481,647	\$ 481,647
Professional fees	313,988	223,713
Telephone and communications	82,953	71,779
Other administrative	80,464	92,761
Community programs	<u>28,000</u>	<u>28,000</u>
Total Administrative Expenses	<u>\$ 987,052</u>	<u>\$ 897,900</u>
<b>Operating Expenses:</b>		
	<b>Schedule 2</b>	
Labor		
Maintenance	\$ 1,605,875	\$ 1,564,009
Security guards	901,900	886,726
Power plant	<u>483,669</u>	<u>482,123</u>
	<u>2,991,444</u>	<u>2,932,858</u>
Employee Benefits		
Union benefits	1,102,107	1,066,035
Payroll taxes	247,700	243,057
Workers' compensation and disability	<u>147,089</u>	<u>168,030</u>
	<u>1,496,896</u>	<u>1,477,122</u>
Utilities		
Fuel and gas heat	1,870,125	2,115,484
Water and sewer	1,052,576	1,020,629
Gas and electricity	<u>33,382</u>	<u>32,264</u>
	<u>2,956,083</u>	<u>3,168,377</u>
Other		
Insurance	647,453	622,033
Permits and other operating expenses	<u>142,475</u>	<u>128,404</u>
	<u>789,928</u>	<u>750,437</u>
Total Operating Expenses	<u>\$ 8,234,351</u>	<u>\$ 8,328,794</u>

See Independent Auditor's Report on Supplementary and Prospective Information.

**BIG SIX TOWERS, INC.**

**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**

<b>Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>
<hr/>		
<b>Repairs and Maintenance:</b>	<b>Schedule 3</b>	
Power plant maintenance	\$ 679,922	\$ 557,812
Elevator contract and repairs	301,741	133,481
Materials and supplies	282,741	362,495
Apartment repairs	79,239	85,778
Grounds and plant maintenance	66,530	69,203
Plumbing	65,148	132,453
Exterminating	46,141	51,124
Equipment and other repairs	35,271	39,128
Rubbish removal	34,279	33,683
Doors, locks and windows	34,254	50,130
Intercom and electrical	18,426	18,019
Uniforms	<u>7,680</u>	<u>26,068</u>
 Total Repairs and Maintenance	 <u>\$ 1,651,372</u>	 <u>\$ 1,559,374</u>
 <b>Real Estate Taxes:</b>	 <b>Schedule 4</b>	
Shelter rent - residential property	\$ 754,512	\$ 717,741
Real estate tax - shopping center	<u>311,906</u>	<u>305,897</u>
 Total Real Estate Taxes	 <u>\$ 1,066,418</u>	 <u>\$ 1,023,638</u>

See Independent Auditor's Report on Supplementary and Prospective Information.

**BIG SIX TOWERS, INC.**

**Comparative Schedules of Revenues and Expenses - Budget, Historical and Budget Forecast**

	For The Year		Prior Year	Next Year
	July 1, 2019 - June 30, 2020		July 1, 2018 -	July 1, 2020 -
	Budget	Actual	June 30, 2019	June 30, 2021
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
<b>REVENUES</b>				
Maintenance	\$ 12,163,200	\$ 12,163,236	\$ 11,808,846	\$ 12,274,700
Commercial income	1,571,800	1,202,653	1,454,781	1,089,600
Surcharges	350,000	472,410	428,258	400,000
Parking	308,000	309,302	311,377	435,000
Utilities	310,000	299,162	309,409	300,000
Other shareholder and miscellaneous income	90,000	112,868	136,391	90,000
Laundry	108,000	108,000	108,000	108,000
Storage	60,000	60,810	60,536	68,000
<b>TOTAL REVENUES</b>	<u>14,961,000</u>	<u>14,728,441</u>	<u>14,617,598</u>	<u>14,765,300</u>
<b>EXPENSES</b>				
Management fee	481,600	481,647	481,647	481,600
Professional fees	214,000	313,988	223,713	264,000
Telephone and communications	72,000	82,953	71,779	85,000
Other administrative	87,500	80,464	92,761	85,000
Community programs	28,000	28,000	28,000	28,000
Labor	3,051,900	2,991,444	2,932,858	3,059,100
Employee benefits	1,546,300	1,496,896	1,477,122	1,559,400
Fuel and gas heat	1,943,800	1,870,125	2,115,484	1,492,000
Water and sewer	1,039,700	1,052,576	1,020,629	1,039,700
Gas and electricity	32,800	33,382	32,264	34,700
Insurance	646,900	647,453	622,033	762,200
Permits and other operating expenses	150,000	142,475	128,404	150,000
Repairs and maintenance	1,725,000	1,651,372	1,559,374	1,725,000
Real estate taxes	1,055,400	1,066,418	1,023,638	1,139,100
Special repairs and consulting	50,000	109,938	181,026	50,000
HDC mortgage interest and amortization	2,563,700	2,561,783	2,561,886	2,563,700
Reserve funding	245,800	204,792	245,750	245,800
<b>TOTAL EXPENSES</b>	<u>14,934,400</u>	<u>14,815,706</u>	<u>14,798,368</u>	<u>14,764,300</u>
Budgeted Surplus	<u>\$ 26,600</u>			<u>\$ 1,000</u>
<b>LOSS FROM OPERATIONS</b>		( 87,265)	( 180,770)	
Mortgage amortization		437,893	414,799	
Reserve funding		204,792	245,750	
Interest income		175,130	200,189	
Deferred mortgage interest HDC		( 63,085)	( 64,661)	
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>		<u>\$ 667,465</u>	<u>\$ 615,307</u>	

See Independent Auditor's Report on Supplementary and Prospective Information and Summary of Significant Accounting Policies and Budget Forecast Assumptions.

## **BIG SIX TOWERS, INC.**

### **Summary of Significant Accounting Policies and Budget Forecast Assumptions Year Ending June 30, 2021**

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This financial budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the budget forecast period. Accordingly, the budget forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The comparative historical information for 2020 and 2019 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The budget forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

#### **BUDGET FORECAST ASSUMPTIONS**

##### **Revenues**

Maintenance charges have been computed based on \$215.61 per room effective August 1, 2020 which reflects a 1% increase over the previous level. Commercial income is based upon continuation of existing leases and assumed market rents for expiring leases.

##### **Expenses**

###### **Utilities**

Fuel and gas heat are based upon anticipated consumption of 480,000 gallons at an estimated cost of \$1.49 per gallon and 1,075,000 therms of gas at an estimated average cost of \$0.72 per therm. Water and sewer charges are based upon fixed rates on the multifamily conservation program.

###### **Labor**

The Corporation's labor union contract with Local 32B-32J covers substantially all building employees. Labor costs have been forecasted based upon estimated contract renewal terms. Other labor union employees' costs are forecasted based upon similar increases in their current union contract.

###### **Insurance**

Based upon existing premiums and anticipated industry increases for premium renewals.

###### **Repairs and Maintenance**

Based upon historical experience and expected maintenance requirements.

###### **Real Estate Tax (Shopping Center)**

Based upon the estimated tax rate of 10.694% for the year and applied to the 2020/21 assessed value of \$3,015,270.

###### **Shelter Rent (Residential Property)**

In accordance with HPD established procedures, shelter rent is calculated at 10% of estimated revenues less certain expenditures.