

TWENTY-THIRD AMENDMENT

TO

OFFERING PLAN FOR  
COOPERATIVE OWNERSHIP

OF

WARNER HOUSE  
67-41 BURNS STREET  
FOREST HILLS, NEW YORK

DATED: July 18, 2017

THIS AMENDMENT MODIFIES AND SUPPLEMENTS THE TERMS OF THE ORIGINAL OFFERING PLAN DATED MAY 12, 1983 AND THE FIRST THROUGH TWENTY-SECOND AMENDMENTS THERETO AND SHOULD BE READ IN CONJUNCTION WITH SAID OFFERING PLAN AND PRIOR AMENDMENTS.

67-41 BURNS STREET  
FOREST HILLS, NEW YORK

TWENTY-THIRD AMENDMENT TO THE OFFERING PLAN  
TO CONVERT TO COOPERATIVE OWNERSHIP

This Amendment modifies and supplements the terms of the Offering Plan dated May 12, 1983 and the First through Twenty-Second Amendments thereto and should be read in conjunction with the Offering Plan and prior Amendments. The Offering Plan and prior Amendments are hereinafter collectively referred to as the Plan.

The terms of this Twenty-Third Amendment are as follows:

**A. FINANCIAL DISCLOSURES**

The following financial disclosure information is provided pursuant to 13 NYCRR, Sec. 18.5(c):

1. Arbern Forest Hills Apartments LLC (“Holder”) owns 4,170 shares allocated to 13 apartments. This constitutes 13.47% of the total shares in the building. Annexed hereto as Exhibit A is a list of unsold shares.
2. The aggregate monthly maintenance payable for all shares owned by Holder is \$8,952.99. The monthly maintenance per share is \$2.15.
3. The aggregate monthly rents received from tenants of all units owned by Holder in the building are \$14,878.37.
4. Except for Holder's obligation to pay monthly maintenance, there are no financial obligations that will become due to the Apartment Corporation within twelve (12) months from the date of this Amendment. Holder is current on all other financial obligations under the Plan.
5. The unsold shares are not subject to a financing commitment.
6. The payments or obligations disclosed in paragraphs 2 and 4 of this Amendment will be funded from the revenues generated from the rental of Holder-owned units in the building and projected sales of such units. If there are no sales, or fewer sales than expected, Holder currently has

the resources to meet its obligations disclosed in Paragraph 2 of this Amendment, but Holder is posting no security for the funding of and makes no representations about said obligations in the future. However, nothing stated above should be construed so that the undersigned incurs any additional obligations other than its present obligations.

7. As of the date hereof and during the twelve (12) month period before the filing date of this Amendment, Holder is and was current on all financial obligations under the Plan, including, but not limited to, maintenance, reserve or working capital fund payments, assessments, and payments for repairs or improvements promised in the Plan.

8. Holder pays its maintenance in a timely fashion, and is aware that under Section 352-l of the General Business Law a cooperative corporation may collect rents directly from the tenant of a dwelling unit owned by a non-occupying owner if maintenance, assessments or late fees are not paid within certain prescribed periods.

9. Annexed hereto as Exhibit B is a list of all buildings in which Holder or the principal of Holder, as individual holder of unsold shares (or units) or as a general partner or principal of the Holder or holder owns more than 10% of the shares (or units). The Offering Plans for these buildings are on file with the Department of Law and are available for public inspection.

10. The Holders of the buildings listed in Exhibit B are current on their respective financial obligations under the respective Offering Plans.

11. The Board of Directors is made up of seven (7) members. Holder is not in control of the Board of Directors, which was first disclosed in the Fourteenth Amendment, dated December 18, 2007. The exact date the Holder relinquished control is not available. The current seven (7) members are Lawrence Bernstein, Michael Ferri, Thomas Martinez, Caryn Ross, Baal Surujpaul, and Eliana Villafuerte. There is one (1) vacancy. Lawrence Bernstein is the sole Holder director.

## **B. CERTIFIED FINANCIAL STATEMENTS**

Annexed hereto as Exhibit C are the certified Financial Statements for the years ending December 31, 2016 and December 31, 2015.

## **C. BUDGET**

Annexed hereto as Exhibit D is the 2017 Budgeted Statement of Operations. The Board intends to authorize an assessment of approximately \$1.97 per share in 2017 to balance the budget. This assessment may be offset by shareholders who are eligible for the annual New York City tax assessment abatement for cooperatives as well additional programs through New York City for tax relief.

**D. DEFINITIONS**

All terms in this Amendment not otherwise defined herein shall have the meanings ascribed to them in the Plan.

**E. NO OTHER MATERIAL CHANGES**

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: July 18, 2017  
Brooklyn, New York

ARBORN FOREST HILLS APARTMENTS  
LLC

S/Lawrence Bernstein  
Lawrence Bernstein, Manager

**EXHIBIT A**

List of Unsold Shares

## Burns Street Unit Schedule

Apt	Shares
102	295
202	298
216	298
217	199
304	300
316	300
403	282
407	333
505	304
506	456
606	459
609	338
614	308
	4170

**EXHIBIT B**

<b><u>ADDRESS OF PROPERTY §</u></b>	<b><u>HOLDER OF UNSOLD SHARES</u></b>	<b><u>LOCATION</u></b>
207 OCEAN PARKWAY	ARBERN 207-227 OCEAN PARKWAY LLC	BROOKLYN, NY
125 EASTERN PARKWAY	ARBERN 125 EASTERN PARKWAY LLC	BROOKLYN, NY
310 WINDSOR PLACE	ARBERN WINDSOR APARTMENTS LLC	BROOKLYN, NY
135 PROSPECT PARK W	TRS HOLDINGS LLC	BROOKLYN NY
94-11 59 <sup>TH</sup> AVENUE	ARBERN 94-11 59 <sup>TH</sup> AVENUE LLC	REGO PARK, NY
66-15 WETHEROLE STREET	ARBERN WETHEROLE APARTMENTS LLC	REGO PARK, NY
67-41 BURNS STREET	ARBERN FOREST HILLS APARTMENTS LLC	FOREST HILLS, NY
76-10 34 <sup>TH</sup> AVENUE	ARBERN VERSAILLES APARTMENTS LLC	JACKSON HEIGHTS, NY
*BOULEVARD TENANTS	ARBERN BOULEVARD APARTMENTS LLC	FOREST HILLS, NY

§ Arbern Realty Company is the sole member of the respective limited liability companies. The partners of Arbern Realty are Terry S. Bernstein, Rosebern Realty Family Limited Partnership, Deena Bernstein, Lawrence Bernstein and Bradley Bernstein.

\* Multiple building complex comprised of 64-35 Yellowstone Boulevard, 105-25 65<sup>th</sup> Avenue, 105-24 64<sup>th</sup> Road, 105-37 65<sup>th</sup> Avenue & 105-38 64<sup>th</sup> Road

**EXHIBIT C**

Certified Financial Statements for the years ending December 31, 2016 and 2015



**WARNER HOUSE OWNERS CORP.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
AND  
INDEPENDENT AUDITORS' REPORT**

**SANDLER, ROSENGARTEN, DENIS & BERGER LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

WARNER HOUSE OWNERS CORP.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS – INCOME TAX BASIS	
BALANCE SHEETS	2
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5 – 7
AUDITORS REPORT ON SUPPLEMENTAL INFORMATION	8
SCHEDULE OF OTHER INCOME	9
SCHEDULE OF OPERATING EXPENSES	10
SCHEDULE OF REPAIRS AND MAINTENANCE	11

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Warner House Owners Corp.

We have audited the accompanying financial statements of Warner House Owners Corp., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, statements of accumulated deficit, and cash flows - all income tax basis - 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 the basis of accounting the Company uses for income tax purposes described in Note A-1; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 Warner House Owners Corp. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with the basis of accounting the Company uses for income tax purposes as described in Note A-1.

**Basis of Accounting**

We draw attention to Note A-1 to the financial statements, which describes the basis of accounting. These financial statements are prepared on the basis of accounting the Company uses for income tax purposes, which is a basis of accounting other than generally accepted accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Omission of required supplementary information about future major repairs and replacements.***

As discussed in the notes to the financial statements, the Company has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that will be required in the future, that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements. Our opinion on the basic financial statements is not affected by the missing information.

*Sandler, Rosenzweig, Denis & Byers LLP*

Great Neck, New York  
May 2, 2017

Warner House Owners Corp.  
**BALANCE SHEETS – INCOME TAX BASIS**  
December 31, 2016 and 2015

	2016	2015 *
<b>ASSETS</b>		
Land and building		
Land	\$ 573,470	\$ 573,470
Building and improvements	4,424,190	4,295,260
	4,997,660	4,868,730
Less: accumulated depreciation	(3,648,432)	(3,522,151)
	1,349,228	1,346,579
Cash - operating	213,195	139,616
Cash - money market	122,509	122,449
Cash - certificate of deposit	129,297	127,092
Accounts receivable	6,797	6,813
Mortgage escrow	15,648	67,139
Prepaid expenses	63,837	14,289
Mortgage refinancing costs, net of amortization of \$21,973 in 2016 and \$17,504 in 2015	22,720	27,189
	\$ 1,923,231	\$ 1,851,166
	\$ 1,923,231	\$ 1,851,166
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Mortgage payable	\$ 1,596,483	\$ 1,630,753
Accounts payable and accrued expenses	110,517	27,305
Prepayments	17,671	6,071
Abatement payable	-	58,359
Security deposits	1,100	1,100
Total Liabilities	1,725,771	1,723,588
<b>Stockholders' Equity</b>		
Common stock \$1 par value; authorized 40,000 shares, 30,956 issued and outstanding	30,956	30,956
Additional paid-in capital	3,448,604	3,414,334
Accumulated deficit	(3,282,100)	(3,317,712)
Total Stockholders' Equity	197,460	127,578
Total Liabilities and Stockholders' Equity	\$ 1,923,231	\$ 1,851,166

\*Restated for comparative purposes.

The accompanying notes are an integral part of this statement.

Warner House Owners Corp.  
**STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT – INCOME TAX BASIS**  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Maintenance charges	\$ 795,954	\$ 796,954
Less: amount contributed for mortgage amortization	<u>34,270</u>	<u>33,017</u>
	762,684	763,937
Other income	173,660	71,933
Total Revenues	<u>936,344</u>	<u>835,870</u>
Expenses excluding depreciation, amortization and income taxes		
Mortgage interest	69,684	70,922
Real estate taxes	300,014	265,251
Operating expenses	331,233	338,174
Repairs and maintenance	<u>66,476</u>	<u>99,760</u>
Total Expenses excluding depreciation, amortization and income taxes	<u>767,407</u>	<u>774,107</u>
Income (loss) before depreciation, amortization and income taxes	168,937	61,763
Depreciation	126,281	126,010
Amortization mortgage costs	4,469	4,469
(Loss) before income taxes	<u>38,187</u>	<u>(68,716)</u>
Income taxes	2,575	3,327
Net (Loss)	<u>35,612</u>	<u>(72,043)</u>
Accumulated Deficit - Beginning of Year	<u>(3,317,712)</u>	<u>(3,245,669)</u>
Accumulated Deficit - End of Year	<u><u>\$ (3,282,100)</u></u>	<u><u>\$ (3,317,712)</u></u>

The accompanying notes are an integral part of this statement.

Warner House Owners Corp.  
**STATEMENTS OF CASH FLOWS – INCOME TAX BASIS**  
Years ended December 31, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Net loss	\$ 35,612	\$ (72,043)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and Amortization	130,750	130,479
<b>Changes in operating assets and liabilities:</b>		
(Increase) Decrease in escrow deposits	51,491	(44,973)
Decrease (Increase) in accounts receivable	16	23,115
(Increase) Decrease in prepaid expenses	(49,548)	51,393
Increase (Decrease) in accounts payable, prepayment & abatement	36,453	15,048
Total Adjustments	169,162	175,062
Net cash provided by (used in) operating activities	204,774	103,019
<b>Cash flows from investing activities:</b>		
Capital improvements	128,930	-
Net cash (used in) investing activities	128,930	-
<b>Cash flows from financing activities:</b>		
Principal payments on mortgages	(34,270)	(33,017)
Contributed capital	34,270	33,017
Net cash provided by financing activities	-	-
Net (Decrease) Increase In Cash	75,844	103,019
Cash and Cash Equivalents - Beginning of Year	389,157	286,138
Cash and Cash Equivalents - End of Year	\$ 465,001	\$ 389,157
<b>Supplemental disclosure and cash flow information:</b>		
Cash paid during the year:		
Interest Expense	\$ 69,790	\$ 71,043
Income Taxes	\$ 2,800	\$ 3,500

The accompanying notes are an integral part of this statement.

Warner House Owners Corp.  
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of Warner House Owners Corp.'s (the "Corporation") significant accounting policies applied in the preparation of the accompanying financial statements follows:

*1. Basis of Accounting*

The financial statements are prepared on the basis of reporting adopted for Federal income tax purposes.

*2. Description of Entity*

The Corporation operates as a cooperative housing corporation located in the borough of Queens, New York, under Section 216(B)(1) of the Internal Revenue Code. On January 9, 1985, operations of the cooperative commenced.

*3. Land and Building*

Land and building are stated at their tax basis pursuant to Section 351 of the Internal Revenue Code. Improvements are stated at cost.

*4. Depreciation and Amortization*

The building is being depreciated on the straight-line method over thirty-five (35) years. Building improvements are being depreciated on the straight-line method over twenty-seven and one half (27½) years.

*5. Additional Paid-in Capital*

The portion of the Corporation's monthly maintenance income, which is used to repay the outstanding mortgage payable, is reflected as additional paid-in capital by stockholders.

*6. Estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements the company has evaluated events and transactions for potential recognition or disclosure through May 2, 2017, the date the financial statements were available to be issued.



Warner House Owners Corp.  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2016

**NOTE C - MORTGAGE PAYABLE**

On February 1, 2012 the Corporation refinanced its mortgage with NCB and obtained a mortgage with Valley National Bank in the amount of \$1,750,000 with interest at 4.25%. The mortgage is due in ten years on March 1, 2022 and is calculated on a thirty-year amortization and requires a monthly payment of \$8,672 for interest and principal. In addition the Corporation obtained a \$250,000 credit line, which bears interest at the bank's prime rate but not less than 4.5% as the minimum interest rate. Nothing has been borrowed on the line of credit as of December 31, 2016.

Principal maturities for the next five years will be approximately:

2017		\$ 37,161
2018		38,771
2019		40,448
2020		42,206
2021		44,048
Thereafter		1,393,849
		<u>\$ 1,596,483</u>

**NOTE D - UNAMORTIZED MORTGAGE COST**

Mortgage costs attributable to the mortgage are being amortized over the life of the mortgage.

**NOTE E - INCOME TAXES**

Since the Corporation has incurred a net operating loss for tax purposes, it is not subject to Federal income taxes and such losses are available to be carried forward. New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on capital.

The IRS ceased applying Section 277 of the Internal Revenue Code to housing cooperatives. Section 277 sought a tax derived from the excess of non-member income such as commercial rents, professional rents and investment income, over non-member expenses.

Housing cooperatives are now subject to a less stringent measure, Section 216 under Subchapter T of the Internal Revenue Code. Subchapter T calls for a tax on non-patronage net income. This allows a housing cooperative to enjoy investment income earned on "reasonable reserves" and offset such income with expenses of operating the cooperative housing corporation.

However, net income from other non-shareholder activities such as commercial and professional rentals may be subject to a tax under Subchapter T.

The IRS has reserved the right to attempt to apply Section 277 if circumstances should arise in which a failure to do so would lead to an unconscionable result.

**Warner House Owners Corp.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE E - INCOME TAXES (continued)**

Although the Corporation has incurred a loss, New York State Franchise taxes and New York City General Corporation taxes are generally assessed, based on the capital of the Corporation. Accordingly, a provision for Federal taxes, based upon Subchapter T of the Code, and New York State and New York City, based upon capital, have been recorded as follows:

Federal Income taxes	\$ -
New York State Franchise taxes	2,075
New York City General Corporation taxes	500
	<u>\$ 2,575</u>

The cooperative's federal and state income tax returns for the last three years remain open to examination.

**NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular assessments, pass special assessments, or delay major future repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

**NOTE G - COMMITMENTS**

The Corporation has entered into numerous contracts and agreements with various service organizations to perform the necessary repairs and maintenance and affiliated services for the property. The contract with the managing agent, First Management Corp., calls for a monthly fee of \$2,000 beginning in May 2015.

**NOTE H - UNION BENEFITS - PRIOR YEARS**

As a result of a union audit in 2015 the Corporation paid prior year union benefits. There are no further benefits owed by the Corporation.

**NOTE I - CASH**

Balances of cash at an individual bank, at times, will exceed the federally insured limit of \$250,000. The Company regularly monitors the financial condition of the institution in which it has depository accounts and believes the risk of loss is minimal.

**NOTE J - BALCONY**

In May 2014 a portion of concrete from one of the balconies collapsed. There were no injuries to anyone. All balconies were inspected and all balconies have been repaired.

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**AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Warner House Owners Corp.

The basic financial statements of Warner House Owners Corp. for the years ended December 31, 2016 and 2015 and our report thereon, are presented in the preceding section of this report. Our examination was made primarily for the purpose of formulating an overall opinion on those financial statements. The supplementary statements presented hereinafter although not considered necessary for a fair presentation of financial position, results of operations and changes in cash flows, are presented as supplementary information and have been subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Sandler, Rosengarten, Denis & Bergier LLP*

Great Neck, New York  
May 2, 2017

**SUPPLEMENTARY INFORMATION**

Warner House Owners Corp.  
SCHEDULE OF OTHER INCOME – INCOME TAX BASIS  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Special assessment	\$ 95,964	\$ -
Garage income	47,424	47,520
Laundry income	13,200	13,200
Sublet fee	9,983	5,900
Interest and dividend income	2,266	2,268
Sundry income	4,823	3,045
	<u>\$ 173,660</u>	<u>\$ 71,933</u>

Warner House Owners Corp.  
**SCHEDULE OF OPERATING EXPENSES – INCOME TAX BASIS**  
 Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Expenses		
Payroll	\$ 85,950	\$ 79,950
Payroll taxes	7,661	6,935
Power, light and gas	83,748	90,393
Management fees	24,000	24,000
Water and sewer	62,792	60,767
Insurance	42,123	47,080
Union benefits - prior years	-	3,379
Professional and consulting fees	14,596	18,707
Miscellaneous	10,363	6,963
	<u>\$ 331,233</u>	<u>\$ 338,174</u>

Warner House Owners Corp.  
**SCHEDULE OF REPAIRS AND MAINTENANCE – INCOME TAX BASIS**  
 Years ended December 31, 2016 and 2015

	2016	2015
Repairs and Maintenance		
Oil burner repairs	\$ 8,828	\$ 17,186
Elevator	11,173	4,119
Maintenance supplies	8,667	7,295
Incinerator and compactor	2,123	2,966
Plumbing	12,325	8,115
Electrical repairs	1,400	450
Painting, tiling and plastering	4,000	1,400
Exterminating	2,712	3,275
Security / Intercom	447	3,210
Doors, windows and glass	721	5,607
Engineering & consulting	9,500	-
Balcony repairs	-	25,500
Landscaping and paving	305	13,500
Apartment renovation	-	1,650
Miscellaneous repairs	4,275	5,487
Total Repairs and Maintenance	\$ 66,476	\$ 99,760

**EXHIBIT D**

2017 Budgeted Statement of Operations



**WARNER HOUSE OWNERS CORP.  
BUDGETED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2017**

Revenues	
Maintenance Income	\$ 796,954
Other income	137,412
Total Revenues	<u>934,366</u>
Expenses	
Mortgage Payments	104,000
Real estate taxes	285,000
Operating expenses	373,000
Repairs and maintenance	76,800
Reserve for repairs and maintenance	93,200
Total Expenses	<u>932,000</u>
Excess Revenue over Expenses	<u><u>\$ 2,366</u></u>
Other Income	
Special assessment	\$ 60,912
Garage income	48,000
Laundry income	13,200
Sublet fee	9,000
Interest and dividend income	2,300
Sundry income	4,000
Total	<u><u>\$ 137,412</u></u>
Operating Expenses	
Payroll	\$ 84,000
Payroll taxes	7,000
Heat, light & gas	102,000
Management fees	24,000
Water & sewer	70,000
Insurance	55,000
Professional & consulting fees	20,000
Income taxes	4,000
Miscellaneous	7,000
Total	<u><u>\$ 373,000</u></u>