

RIVIERA TOWERS CORPORATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2003

RIVIERA TOWERS CORPORATION

Index to Report

November 30, 2003

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MANAGEMENT'S RESPONSIBILITY **FOR FINANCIAL STATEMENTS**

Management is responsible for the preparation of the Company's financial statements and related information appearing in this annual report. Management believes that the financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments, which it believes are reasonable under the circumstances.

The independent accountants audit the Company's financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company meets periodically with financial management, and the independent accountants to review accounting, control, auditing and financial reporting matters.

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JERICO, NEW YORK 11753

Independent Auditors' Report

Board of Directors
Riviera Towers Corporation

We have audited the accompanying Comparative Balance Sheets of Riviera Towers Corporation as of November 30, 2003 and November 30, 2002, and the related Statements of Income, Changes in Stockholders' Equity and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Riviera Towers Corporation management. Our responsibility is to express an opinion on these financial statements based on our audit.

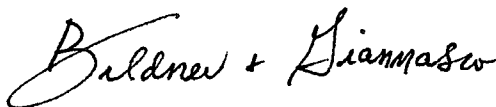
We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riviera Towers Corporation as of November 30, 2003 and November 30, 2002, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedules of reserves and reserve funds, income, administrative, operating, maintenance, taxes, insurance, financial expenses, and operating budget compared to actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

As discussed in Note 10, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about 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 part of, the basic financial statements.

Respectfully submitted,

A handwritten signature in cursive script that reads "BILDNER & GIANNASCO".

BILDNER & GIANNASCO, LLP
Certified Public Accountants

Jericho, New York
February 4, 2004

RIVIERA TOWERS CORPORATION**Comparative Balance Sheets**

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>NOVEMBER 30, 2003</u>	<u>NOVEMBER 30 2002</u>
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 158,773	\$ 228,692
Accrued Mortgage Interest Payable	75,154	76,237
Accrued Operating Expenses	9,367	6,772
Mortgage Payable	180,476	167,006
Lease Payable	13,661	-
Prepaid Income	30,470	66,977
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	\$ 467,901	\$ 545,684
<u>SECURITY DEPOSITS PAYABLE-See Contra</u>	\$ 86,581	\$ 115,924
	<hr/>	<hr/>
<u>LONG TERM LIABILITIES</u>		
Mortgages Payable	\$11,460,409	\$ 11,640,885
Lease Payable	14,795	-
	<hr/>	<hr/>
<u>TOTAL LONG TERM LIABILITIES</u>	11,475,204	11,640,885
	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	\$12,029,686	\$ 12,302,493
	<hr/>	<hr/>
<u>STOCKHOLDERS' EQUITY</u>		
Common Stock, Par Value \$1 Per Share 85,477 Shares Issued, 85,215 Outstanding	\$ 85,477	\$ 85,477
Paid-In Capital	9,556,136	9,389,130
Reserve for Capital Projects	1,035,667	1,913,799
Retained Earnings (Deficit)	(10,860,900)	(11,330,962)
Treasury Stock	(107,770)	(94,282)
	<hr/>	<hr/>
<u>TOTAL STOCKHOLDERS' EQUITY</u>	\$ (291,390)	\$ (36,838)
	<hr/>	<hr/>
<u>COMMITMENTS AND CONTINGENCIES</u>		
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$11,738,296	\$ 12,265,655
	<hr/>	<hr/>

RIVIERA TOWERS CORPORATION

Comparative Statements of Income

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>INCOME</u>		
Carrying Charges and Other Rentals	\$ 4,814,807	\$ 4,609,715
Financial Income	90,459	89,877
Other Income	218,442	176,178
	<hr/>	<hr/>
<u>TOTAL INCOME</u>	\$ 5,123,708	\$ 4,875,770
	<hr/>	<hr/>
<u>EXPENSES</u>		
Administrative	\$ 264,788	\$ 249,717
Operating	750,655	666,420
Maintenance	1,044,669	986,358
Taxes and Insurance	1,623,299	1,546,004
Financial	946,796	902,187
	<hr/>	<hr/>
<u>TOTAL EXPENSES</u>	\$ 4,630,207	\$ 4,350,686
	<hr/>	<hr/>
<u>NET INCOME BEFORE DEPRECIATION</u>	\$ 493,501	\$ 525,084
	<hr/>	<hr/>
<u>DEPRECIATION</u>	734,565	698,932
	<hr/>	<hr/>
<u>NET (LOSS) FOR YEAR</u>	\$ (241,064)	\$ (173,848)
	<hr/>	<hr/>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION

Comparative Statements of Changes in Stockholders' Equity

	<u>COMMON STOCK</u>	<u>PAID-IN CAPITAL</u>	<u>APPROPRIATED RETAINED EARNINGS</u>	<u>RETAINED EARNINGS (DEFICIT)</u>	<u>TREASURY STOCK</u>	<u>TOTAL STOCKHOLDERS' EQUITY</u>
<u>BALANCE AT DECEMBER 1, 2002</u>	\$ 85,477	\$ 9,389,130	\$ 1,913,799	\$ (11,330,962)	\$ (94,282)	\$ (36,838)
<u>NET (LOSS) FOR YEAR</u>	-	-	-	(241,064)	-	(241,064)
<u>MORTGAGE AMORTIZATION</u>	-	167,006	-	(167,006)	-	-
<u>PURCHASE OF TREASURY STOCK</u>	-	-	-	-	(13,488)	(13,488)
<u>NET TRANSFERS TO APPROPRIATED RETAINED EARNINGS</u>	-	-	(878,132)	878,132	-	-
<u>BALANCE AT NOVEMBER 30, 2003</u>	<u>\$ 85,477</u>	<u>\$ 9,556,136</u>	<u>\$ 1,035,667</u>	<u>\$ (10,860,900)</u>	<u>\$ (107,770)</u>	<u>\$ (291,390)</u>
<u>BALANCE AT DECEMBER 1, 2001</u>	\$ 85,477	\$ 9,244,153	\$ 862,809	\$ (9,961,147)	\$ (80,928)	\$ 150,364
<u>NET (LOSS) FOR YEAR</u>	-	-	-	(173,848)	-	(173,848)
<u>MORTGAGE AMORTIZATION</u>	-	144,977	-	(144,977)	-	-
<u>PURCHASE OF TREASURY STOCK</u>	-	-	-	-	(13,354)	(13,354)
<u>NET TRANSFERS TO APPROPRIATED RETAINED EARNINGS</u>	-	-	1,050,990	(1,050,990)	-	-
<u>BALANCE AT NOVEMBER 30, 2002</u>	<u>\$ 85,477</u>	<u>\$ 9,389,130</u>	<u>\$ 1,913,799</u>	<u>\$ (11,330,962)</u>	<u>\$ (94,282)</u>	<u>\$ (36,838)</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION**Comparative Statements of Cash Flows**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net (Loss) for Year	\$ (241,064)	\$ (173,848)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	734,565	698,932
Amortization - Finance Costs	31,842	24,776
<u>Changes in Assets and Liabilities:</u>		
<u>(Increase) Decrease in:</u>		
Tenants' Accounts Receivable	(11,655)	8,394
Other Accounts Receivable	(809)	(719)
Prepaid Expenses	44,429	(54,546)
<u>Increase (Decrease) in:</u>		
Accounts Payable	(69,919)	56,287
Accrued Interest Payable	(1,083)	6,987
Accrued Operating Costs	2,595	(10,613)
Prepaid Income	(36,507)	(2,083)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 452,394</u>	<u>\$ 553,567</u>
(Forward)		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital Expenditures	\$ (1,224,595)	\$ (663,047)
Mortgage Escrow Deposits	(23,500)	(57,438)
<u>NET CASH (USED) BY INVESTING ACTIVITIES</u>	<u>\$ (1,248,095)</u>	<u>\$ (720,485)</u>
(Forward)		

RIVIERA TOWERS CORPORATION**Comparative Statements of Cash Flows**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> (Forward)	<u>\$ 452,394</u>	<u>\$ 553,567</u>
<u>NET CASH (USED) BY INVESTING ACTIVITIES</u> (Forward)	<u>\$ (1,248,095)</u>	<u>\$ (720,485)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Mortgage Financing	\$ -	\$ 1,500,000
Finance Costs Incurred	-	(52,452)
Reduction of Lease Payable	(10,581)	-
(Increase) Decrease in Due from Capital Project Res. Fund	22,378	(10,171)
Net Increase to Capital Projects Reserve	878,132	(1,050,990)
Carrying Cost of Treasury Stock	(13,488)	(13,354)
Mortgage Amortization	(167,006)	(144,978)
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>	<u>\$ 709,435</u>	<u>\$ 228,055</u>
<u>NET INCREASE (DECREASE) IN CASH</u> <u>AND CASH EQUIVALENTS</u>	<u>\$ (86,266)</u>	<u>\$ 61,137</u>
<u>CASH AND CASH EQUIVALENTS,</u> <u>BEGINNING OF YEAR</u>	<u>387,146</u>	<u>326,009</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 300,880</u>	<u>\$ 387,146</u>
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	<u>\$ 908,969</u>	<u>\$ 870,424</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION

Notes to Financial Statements
November 30, 2003

1- SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND OF COMPANY

The Corporation was organized under the laws of the State of New Jersey in September 1970. The Corporation consists of 426 dwelling units and is located in West New York, New Jersey.

PROPERTY AND EQUIPMENT

Property and Equipment are stated at cost. Major renewals and betterments are capitalized; normal maintenance and repairs are charged to operations.

Depreciation is provided by charges to operations over the estimated useful lives of the assets involved, utilizing the straight-line method of depreciation. The estimated useful lives are as follows:

Building Improvement	25-50 Years
Operating Equipment	10 Years

RECOGNITION OF REVENUE

Revenue and related costs are recognized in the period in which the revenue is earned or the cost incurred.

2- MORTGAGE ESCROW DEPOSITS

Funds on deposit with the mortgagee may be summarized as follows:

Real Estate Tax	\$130,468
Insurance	<u>104,204</u>
	<u>\$234,672</u>

3- TENANT'S ACCOUNTS RECEIVABLE

The Housing Company, during the current year, has elected to maintain an allowance for collection loss of \$5,000 as of November 30, 2003.

4- **PREPAID EXPENSES**

Prepaid Expenses may be summarized as follows:

Real Estate Taxes	\$114,901
Insurance	52,105
Sewer Charges	<u>10,813</u>
	<u>\$177,819</u>

5- **RESERVE FUNDS**

The Corporation provides for the funding of a reserve for future capital expenditures of \$427,217. The Corporation also added an additional \$82,315 to the fund. During the current year funds were expended in the amount of \$1,387,664, leaving a balance in the reserve funds of \$1,035,667.

6- **MORTGAGE PAYABLE**

On October 10, 1996, the Housing Company refinanced its then existing mortgage and construction loans in favor of a single mortgage in the amount of \$11,000,000, bearing interest at the rate of 7.95% per annum. Mortgage amortization is based upon a thirty-year amortization schedule with a balloon payment of \$9,639,748.88, due November 21, 2006. The monthly debt service requirement to service the debt amounts to \$80,331.

7- **SECOND MORTGAGE PAYABLE**

On May 15, 2002, the Corporation entered into a loan agreement for an additional \$1,500,000. These funds are to be used to fund its capital improvements. The loan bears interest at 6.35%, based on a thirty-year amortization schedule, due to mature on November 1, 2006.

8- **TREASURY STOCK**

As a result of a foreclosure action in 1993, the Housing Company acquired treasury stock on one dwelling unit and incurred legal costs associated with this acquisition. Additionally, carrying charges ascribed to the apartments since acquisition have been capitalized.

9- COMMITMENTS AND CONTINGENCIES

The Housing Company is a cooperative real estate corporation as defined in Section 216 of the Internal Revenue Code. The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code.

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc., in excess of expenses properly attributable thereto, may be subject to Federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, then the Housing Company will be taxed on its income from non-membership sources. As of the date of this report, it is not possible to ascertain whether or not Internal Revenue will be successful in attempting to tax such income.

10- FUTURE MAJOR REPAIRS AND REPLACEMENTS

During the latter part of 1991, an engineering study was conducted in conjunction with a mortgage refinancing to estimate the remaining useful lives and the replacement costs of the components of the building and equipment.

The unexpended funds created by the mortgage refinancing (see note 6) have been transferred to the Reserve Funds of the Housing Company.

Funds being accumulated in these Reserves are based on estimates of future needs for repairs and replacements of property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Amounts accumulated, therefore, and designated for Capital Improvements may not be adequate to meet all future needs. If additional funds are needed, the Cooperative has the right to increase regular carrying charges, pass special assessments, or delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

RIVIERA TOWERS CORPORATION**Schedule of Reserves and Reserve Funds**
For the Year Ended November 30, 2003

	<u>TOTAL</u>
<u>RESERVES BALANCES</u>	
<u>DECEMBER 1, 2002</u>	\$ 1,913,799
<u>ADDITIONS</u>	<u>509,532</u>
	<u>\$ 2,423,331</u>
<u>CHARGES:</u>	
General Building	\$ 49,914
Plumbing Repairs	14,613
Door Replacement	1,896
Electrical Repairs	26,078
HVAC	6,652
Building Improvements	184,285
Building Equipment	173,189
Concrete and Masonary	306,883
Painting	40,799
Professional Fees	11,900
Main Entrance	225,648
Gym	4,886
Pool	<u>340,921</u>
	<u>\$ 1,387,664</u>
<u>RESERVE BALANCES</u>	
<u>NOVEMBER 30, 2003</u>	<u>\$ 1,035,667</u>
Note: Fund Balances November 30, 2003	<u>\$ 1,035,667</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION**Comparative Schedules of Income**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>INCOME FROM CARRYING CHARGES</u>		
<u>AND OTHER RENTALS</u>		
Carrying Charges	\$ 4,387,429	\$ 4,343,991
Apartment Rentals	17,040	16,005
Commercial Rentals	<u>410,338</u>	<u>249,719</u>
<u>TOTAL INCOME FROM CARRYING CHARGES</u>	<u>\$ 4,814,807</u>	<u>\$ 4,609,715</u>
<u>AND OTHER RENTALS</u>		
 <u>FINANCIAL INCOME</u>		
Interest	\$ 34,483	\$ 33,397
Transfer Fees (Flip Tax)	<u>55,976</u>	<u>56,480</u>
<u>TOTAL FINANCIAL INCOME</u>	<u>\$ 90,459</u>	<u>\$ 89,877</u>
 <u>OTHER INCOME</u>		
Laundry Commissions	\$ 58,008	\$ 58,905
Miscellaneous (See Attached)	<u>160,434</u>	<u>117,273</u>
<u>TOTAL OTHER INCOME</u>	<u>\$ 218,442</u>	<u>\$ 176,178</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION**Comparative Schedules of Income**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
Storage Bins	\$ 57,814	\$ 51,421
Cable Service	27,478	26,862
Gym Income	26,872	-
Tenant Processing & Application Fees	9,495	11,125
Late Fees	12,306	12,065
Miscellaneous Tenant Charges	<u>26,469</u>	<u>15,800</u>
<u>TOTAL MISCELLANEOUS INCOME</u>	<u>\$ 160,434</u>	<u>\$ 117,273</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION**Comparative Schedules of Expenses**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>ADMINISTRATIVE EXPENSES</u>		
Management Fees	\$ 152,800	\$ 146,700
Legal Fees	23,887	34,987
Accounting Fees	18,765	8,660
Telephone	9,107	8,802
License & Other Professional Fees	12,249	18,267
Administrative Expenses	<u>47,980</u>	<u>32,301</u>
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>\$ 264,788</u>	<u>\$ 249,717</u>
<u>OPERATING EXPENSES</u>		
Fuel and Utilities	\$ 529,597	\$ 469,663
Water	83,720	74,794
Sewer Charges	105,995	109,340
Exterminating	1,976	1,962
Rubbish Removal	13,858	8,725
Gym Related Expenses	2,590	-
Community Room Expenses	2,828	-
Miscellaneous Operating Expenses	<u>10,091</u>	<u>1,936</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 750,655</u>	<u>\$ 666,420</u>

The accompanying auditors' report and notes are an integral part of these statements.

RIVIERA TOWERS CORPORATION**Comparative Schedules of Expenses**

	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2003</u>	<u>YEAR ENDED</u> <u>NOVEMBER 30,</u> <u>2002</u>
<u>MAINTENANCE EXPENSES</u>		
Payroll and Contract Labor	\$ 684,932	\$ 616,461
Repairs and Maintenance:		
Plumbing	15,298	3,647
Heating and Air Conditioning	43,015	6,920
Electrical	51,815	15,268
General Building	33,083	110,881
Elevator	49,341	44,747
Grounds	5,379	7,001
Pool Contract	14,062	16,000
Security System	7,116	8,925
Reimbursed Repairs	(19,773)	(8,140)
Antenna and Cable Systems	24,262	26,475
Materials and Supplies	134,397	137,302
Uniforms	1,742	871
	<u>\$ 1,044,669</u>	<u>\$ 986,358</u>
<u>TAXES AND INSURANCE</u>		
Real Estate Tax	\$ 1,315,187	\$ 1,335,881
Payroll Taxes	26,260	21,604
N.J. Franchise Tax	50	140
Insurance	231,286	150,811
Employee Benefits	50,516	37,568
	<u>\$ 1,623,299</u>	<u>\$ 1,546,004</u>
<u>FINANCIAL EXPENSES</u>		
Finance Costs - Amortized	\$ 31,842	\$ 24,776
Interest Expense - Other	7,068	-
Interest Expense - Mortgage	907,886	877,411
	<u>\$ 946,796</u>	<u>\$ 902,187</u>

The accompanying auditors' report and notes are an integral part of these statements.