

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

**Financial Statements
For the Years Ended
December 31, 2022 and 2021**

609-611-615 Owners Corp.
(A Cooperative Housing Corporation)

Table of Contents

| | Page(s) |
|---|----------------|
| Accountants' Compilation Report | 1 |
| Financial Statements | |
| Balance Sheets | 2 |
| Statements of Revenues, Expenses and Accumulated Deficit..... | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5 – 11 |

To the Stockholders and Board of Directors
609-611-615 Owners Corp.

Accountants' Compilation Report

Management is responsible for the accompanying financial statements of 609-611-615 Owners Corp., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues, expenses and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.



Certified Public Accountants

West Hempstead, New York
July 2, 2024

609-611-615 Owners Corp.*(A Cooperative Housing Corporation)***Balance Sheets****December 31, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Land, Building and Improvements, at Cost | | |
| Land | \$ 1,017,000 | \$ 1,017,000 |
| Building and Improvements | 13,991,554 | 13,638,529 |
| Totals | 15,008,554 | 14,655,529 |
| Less: Accumulated Depreciation | <u>(12,241,639)</u> | <u>(12,112,575)</u> |
| Total Land, Building and Improvements | <u>2,766,915</u> | <u>2,542,954</u> |
| Other Assets | | |
| Cash (Undesignated) | 59,357 | 89,407 |
| Cash - Reserve Fund (Designated for Future Repairs and Replacements) | 135,525 | 469,263 |
| Investments - Reserve Funds (Designated for Future Repairs and Replacements) | 496,081 | 1,200,000 |
| Security Deposit | 2,240 | 2,240 |
| Carrying Charges and Other Receivables | 69,847 | 163,212 |
| Prepaid Expenses | 87,957 | 73,072 |
| Total Other Assets | <u>851,007</u> | <u>1,997,194</u> |
| Total Assets | <u><u>\$ 3,617,922</u></u> | <u><u>\$ 4,540,148</u></u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Mortgage Payable, Net of Unamortized Mortgage Issuance Costs | \$ 3,501,138 | \$ 3,568,915 |
| Accounts Payable | 201,685 | 463,837 |
| Carrying Charges Received in Advance | 11,771 | 82,704 |
| Contract Liability (Assessments Received in Advance) | 198,515 | 198,515 |
| Total Liabilities | <u>3,913,109</u> | <u>4,313,971</u> |
| Stockholders' Equity | | |
| Capital Stock Par Value @ 20¢ per Share, 100,000 shares authorized 79,406 shares issued and outstanding | 15,881 | 15,881 |
| Paid in Capital | 8,545,353 | 8,545,353 |
| Accumulated Deficit | <u>(8,856,421)</u> | <u>(8,335,057)</u> |
| Total Stockholders' Equity | <u>(295,187)</u> | <u>226,177</u> |
| Total Liabilities and Stockholders' Equity | <u><u>\$ 3,617,922</u></u> | <u><u>\$ 4,540,148</u></u> |

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

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

Statements of Revenues, Expenses and Accumulated Deficit For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Revenues | | |
| Carrying Charges | \$ 1,963,070 | \$ 1,963,786 |
| Parking Income | 134,303 | 125,954 |
| Laundry Income | 41,350 | 36,060 |
| Other Income | 16,574 | - |
| Sublet Fees | 4,000 | 740 |
| Transfer Fees | 1,999 | 18,305 |
| Interest and Dividend Income | 1,899 | 3,095 |
| Total Revenues | <u>2,163,195</u> | <u>2,147,940</u> |
| Expenses | | |
| Real Estate Taxes | 491,069 | 539,605 |
| Utilities | 424,768 | 269,255 |
| Salaries and Related Expenses | 335,175 | 312,918 |
| Repairs and Maintenance | 253,431 | 255,141 |
| Security Guards | 250,100 | 240,349 |
| Union Expense | 138,074 | 127,022 |
| Interest Expense - Mortgage | 123,147 | 126,513 |
| Insurance | 122,366 | 116,496 |
| Management Fees | 80,527 | 32,926 |
| Water and Sewer | 71,302 | 70,275 |
| Professional Fees | 37,048 | 15,355 |
| Office and Administrative Expenses | 36,580 | 33,177 |
| Snow Removal | 35,533 | 33,154 |
| Workers' Compensation Insurance | 12,440 | 11,092 |
| Telephone | 9,145 | 9,790 |
| Amortization of Mortgage Issuance Costs - Current | 4,304 | 2,869 |
| Corporate Taxes | 1,950 | 1,950 |
| Total Expenses from Operations | <u>2,426,959</u> | <u>2,197,887</u> |
| Deficiency of Revenues over Expenses from Operations before Other Items | (263,764) | (49,947) |
| Other Items | | |
| Depreciation | (129,064) | (126,583) |
| Painting and Plastering | (60,680) | (104,866) |
| Violations | (25,330) | - |
| Bad Debt - Uncollectible Income | (24,570) | (22,164) |
| Driveway Repair | (19,900) | - |
| Insurance Proceeds | 16,860 | - |
| Insurance Claim Loss | (14,916) | - |
| Amortization of Mortgage Issuance Costs - Prior | - | (20,109) |
| Mortgage Prepayment Fee | - | (15,821) |
| Late Charges on Paid Bills | - | (5,352) |
| Deficiency of Revenues over Expenses | (521,364) | (344,842) |
| Accumulated Deficit | | |
| Beginning of Year | <u>(8,335,057)</u> | <u>(7,990,215)</u> |
| End of Year | <u>\$ (8,856,421)</u> | <u>\$ (8,335,057)</u> |

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

609-611-615 Owners Corp.*(A Cooperative Housing Corporation)***Statements of Cash Flows****For the Years Ended December 31, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Deficiency of Revenues over Expenses | \$ (521,364) | \$ (344,842) |
| <i>Adjustments to Reconcile Deficiency of Revenues over Expenses to Net Cash Used in Operating Activities -</i> | | |
| Depreciation | 129,064 | 126,583 |
| Amortization of Mortgage Issuance Costs | 4,304 | 2,869 |
| Mortgage Prepayment Fee - Allocated to Financing Activities | - | 15,821 |
| Decrease (Increase) in Carrying Charges and Other Receivables | 93,365 | (81,702) |
| Increase in Prepaid Expenses | (14,884) | (47,438) |
| (Decrease) Increase in Accounts Payable | (262,152) | 10,312 |
| (Decrease) Increase in Carrying Charges Received in Advance | (70,933) | 40,320 |
| Decrease in Good Faith Deposit | - | 25,000 |
| Total Adjustments | <u>(121,236)</u> | <u>91,765</u> |
| Net Cash Used in Operating Activities | <u>(642,600)</u> | <u>(253,077)</u> |
| Cash Flows from Investing Activities | | |
| Decrease (Increase) in Investments - Reserve Funds | 703,918 | (175,114) |
| Purchase of Improvements | <u>(353,025)</u> | <u>(78,114)</u> |
| Net Cash Provided by/(Used) in Investing Activities | <u>350,893</u> | <u>(253,228)</u> |
| Cash Flows from Financing Activities | | |
| Payments for Mortgage Amortization | (72,081) | (62,273) |
| Mortgage Proceeds | - | 3,650,000 |
| Mortgage Payoff | - | (3,164,217) |
| Mortgage Issuance Costs - Prior Mortgage | - | 20,109 |
| Mortgage Issuance Costs | - | (43,040) |
| Mortgage Prepayment Fee | <u>-</u> | <u>(15,821)</u> |
| Net Cash (Used) in/Provided by Financing Activities | (72,081) | 384,758 |
| Net Decrease in Cash | (363,788) | (121,547) |
| Cash at Beginning of Year | <u>558,670</u> | <u>680,217</u> |
| Cash at End of Year | <u>\$ 194,882</u> | <u>\$ 558,670</u> |
| Summary of Cash Accounts | | |
| Cash (Undesignated) | | |
| Cash - Reserve Fund (Designated for Future Repairs and Replacements) | \$ 59,357 | \$ 89,407 |
| Total | <u>135,525</u> | <u>469,263</u> |
| Total | <u>\$ 194,882</u> | <u>\$ 558,670</u> |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash Paid During the Year for - | | |
| Interest | \$ 123,381 | \$ 142,334 |
| Corporate Taxes | \$ 1,700 | \$ 8,400 |

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

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

Notes to Financial Statements

1. Organization

609-611-615 Owners Corp. is a cooperative housing corporation (the "Corporation") which was incorporated in New York State on February 5, 1980. On July 8, 1980, the Corporation took title to property located at 609-611-615 Palmer Road, Yonkers, NY consisting of 235 residential apartments and parking spaces. The primary purpose of the Corporation is to manage the operations and maintain the common elements. The Corporation qualifies as a cooperative housing corporation under Section 216 of the Internal Revenue Code in 2022 and 2021.

2. Summary of Significant Accounting Policies

Method of Accounting

The Corporation's financial statements are prepared on the accrual method of accounting which recognizes revenue when earned and expenses when incurred.

Cash (Undesignated) and Cash – Reserve Fund (Designated for Future Repairs and Replacements.

The Corporation considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.

Revenue

Tenant-stockholders are billed monthly based on their respective stock holdings to provide funds for the Corporation's operating expenses through carrying charges, and assessments, if any, to be used for future capital acquisitions and major repairs and replacements.

Carrying charges are based on an annual budget determined by the Board of Directors. The Corporation retains excess operating funds, if any, at the end of the year for use in future operating periods. Carrying charges and other receivables at the balance sheet date are stated at the amounts expected to be collected for outstanding charges from tenant-stockholders. Therefore, no allowance for uncollectible accounts is deemed necessary. Carrying charges received in advance at the balance sheet date represent payments made by tenant-stockholders in advance of the monthly charge.

Bad debt of \$24,570 and \$22,164 was recognized in 2022 and 2021, respectively, relating to uncollectable charges from shareholders from bounced checks.

Depreciation

Real property and improvements are stated at cost. Depreciation is computed using the straight-line method at the appropriate rates.

The Corporation evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable.

Mortgage Issuance Costs

The Corporation presents mortgage and line of credit costs and related amortization in conformity with FASB ASU 2015-03 (FASB), *Simplifying the Presentation of Debt Issuance Costs*. In accordance with this FASB, mortgage and line of credit costs must be presented in the balance sheets as a direct reduction from the carrying value of the debt liability. Mortgage issuance are amortized using the straight-line method over the term of the mortgage and line of credit.

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

Notes to Financial Statements

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.

Contract Liabilities (Assessments Received in Advance – Reserve Fund)

The Corporation recognizes revenue from tenant-stockholders as the related performance obligations are satisfied. A contract liability (assessments received in advance – reserve fund) is recorded when the Corporation has the right to receive payment in advance of the satisfaction of performance obligations related to specific future repairs and replacement assessments. For 2023 and 2022, the Corporation did not implement any assessments for specific future performance obligations.

3. Cash (Undesignated)

As of December 31 Cash (Undesignated) includes the following:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Cash - Valley Bank | \$ 49,880 | \$ 50,000 |
| Cash - NCB Operating Accounts | 9,477 | - |
| Cash - Sterling Operating - Prior Management | - | 39,407 |
| Totals | <u>\$ 59,357</u> | <u>\$ 89,407</u> |

Valuation

Carrying amounts reported in the financial statements approximate fair values because of the short maturities of those instruments.

4. Investments – Reserve Fund (Designated for Future Repairs and Replacements)

Investments – Reserve Fund consist of the following held at Charles Schwab at December 31, 2022:

| | |
|-------------------------------------|-------------------|
| US Treasury Bill (matured 01/31/23) | \$ 249,011 |
| US Treasury Bill (matured 03/31/23) | 247,070 |
| Total | <u>\$ 496,081</u> |

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

Notes to Financial Statements

Investments – Reserve Funds consist of the following certificates of deposit held at Charles Schwab at December 31, 2021:

| | |
|--|--------------|
| Beal Bank USA 0.05% (matured 01/05/2022) | \$ 250,000 |
| Goldman Sachs Bank 0.1% (matured 03/10/2022) | 250,000 |
| Goldman Sachs Bank 0.1% (matured 06/06/2022) | 250,000 |
| Goldman Sachs Bank 0.1% (matured 09/09/2022) | 250,000 |
| Bank Hapoalim BM, 0.3% (matured 12/14/2022) | 200,000 |
| | <hr/> |
| Total | \$ 1,200,000 |
| | <hr/> <hr/> |

Valuation of Investments - Reserve Fund

Carrying amounts reported in the financial statements approximate fair values because of the short maturities of those instruments.

5. Mortgage Payable

In April 2021, the Corporation refinanced its mortgage with Valley National Bank for \$3,650,000, which requires monthly interest and principal payments of \$17,102.85. The interest rate is 3.45% per annum.

The mortgage matures April 1, 2031, with a remaining balance of approximately \$2,821,000.

The aggregate amount of required principal payments at December 31, 2022 is as follows:

Year Ending December 31,

| | |
|---|--------------|
| 2023 | \$ 85,583 |
| 2024 | 88,582 |
| 2025 | 91,687 |
| 2026 | 94,901 |
| Thereafter | 3,176,252 |
| | <hr/> |
| | 3,537,005 |
| Less: Unamortized Mortgage Costs | (35,867) |
| | <hr/> |
| Total Mortgage Payable, Net of Unamortized Mortgage Issuance Costs | \$ 3,501,138 |
| | <hr/> <hr/> |

Interest expense for the years ended December 31, 2022 and 2021 was \$123,147 and \$126,513, respectively.

6. Line of Credit

The Corporation has a line of credit up to \$500,000 with Valley National Bank. The interest rate is the prime rate but not less than 3.45%. The line of credit matures concurrently with the mortgage. The Corporation does not have an outstanding balance on the line of credit as of December 31, 2022 and 2021.

609-611-615 Owners Corp.
(A Cooperative Housing Corporation)
Notes to Financial Statements

7. Accounts Payable

Accounts payable consists of the following at December 31:

| | 2022 | 2021 |
|------------------------------------|-------------|-------------|
| Utilities | \$ 51,685 | \$ 159,855 |
| STAR Abatement | 42,570 | 42,267 |
| Professional Fees | 36,870 | 36,460 |
| Repairs and Maintenance | 25,379 | 47,672 |
| Security Guards | 16,964 | 55,301 |
| Interest Expense - Mortgage | 11,495 | 11,730 |
| Union Expense | 11,060 | 44,000 |
| Water and Sewer | 3,380 | 62,655 |
| Office and Administrative Expenses | 1,390 | 3,005 |
| Telephone | 892 | 892 |
| Totals | \$ 201,685 | \$ 463,837 |

8. Corporate Taxes

The Corporation files a U.S. Corporate Income Tax Return. For state purposes, corporate tax computations are based upon the property's fair market value. A United States Tax Court case stated cooperatives could be governed by Subchapter T of the Internal Revenue Code. It is the Corporation's position that any incidental profits resulting from activities are integrally intertwined with the Corporation's functions, and the Corporation's management believes all of its income is effectively patronage service income. Therefore, the Corporation could receive the benefits of Subchapter T.

Accordingly, no provision for taxes, if any, that could result from the application of Subchapter T to the Corporation's income has been reflected in the accompanying financial statements.

The Corporation has unused operating losses available at December 31, 2022 for carryforward against future years' taxable income that expire in the years 2022-2042.

It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore, no deferred tax assets have been recognized.

The Board of Directors has analyzed the tax positions taken by the Corporation and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) disclosure in the financial statements.

The Corporation's tax returns for all years since 2019 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

9. Management Fees

The Corporation has a management agreement with AKAM Living Services to act as managing agent for the property, replacing Mayerhauser Realty Inc. whose contract ended in April 2022. Management fees for the years ended December 31, 2022 and 2021 were \$80,527 and \$32,926, respectively.

609-611-615 Owners Corp.
(A Cooperative Housing Corporation)
Notes to Financial Statements

10. Improvements

Additions to Improvements consist of the following for years ended December 31:

| | 2022 | 2021 |
|----------------------------|-------------|-------------|
| Boilers - Work-in-Progress | \$ 180,000 | \$ - |
| Security Updates | 127,280 | - |
| Bulkhead Replacements | 25,805 | - |
| Professional Fees | 19,940 | - |
| Permits | - | 9,000 |
| Driveway Improvement | - | 56,504 |
| Scaffolding | - | 12,610 |
| Totals | \$ 353,025 | \$ 78,114 |

The Corporation entered into a contract with All State Restoration, Inc. for façade work. The contract price is \$338,400. The work began in January 2023 and was completed in August 2023.

The Corporation entered into a contract with Citron Brothers Plumbing Heating to install boilers for \$398,750. A deposit of \$180,000 was made toward this contract. Work on this project began in 2023.

11. Future Major Repairs and Replacements

The Corporation has not conducted a study to determine the remaining useful lives of the systems and components of common property and the estimated costs of major repairs and replacements that may be required in the future, nor has the Board of Directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Corporation may utilize available cash, borrow, increase carrying charges, impose special assessments, or delay repairs and replacements until funds are available. The effect on future assessments, if any, has not been determined at this time.

12. Security Guards

The Corporation has a contract with U.S. Security Associates, Inc. to provide security guards for the buildings and entrance way.

13. Multiemployer Pension Plans

The Corporation makes contributions to collectively bargained, multiemployer pension plans in accordance with the provisions of negotiated labor contracts.

Additional Information

- Name of plan: Building Service 32BJ Pension Fund (“Pension Plan”)
- Corporation contributions for pension expense included in Union Expense in the financial statements:

| | |
|-----------------------------------|-----------|
| For year ended December 31, 2022: | \$ 24,551 |
| For year ended December 31, 2021: | \$ 22,945 |

609-611-615 Owners Corp.

(A Cooperative Housing Corporation)

Notes to Financial Statements

- Expiration date of collective bargaining agreements: September 30, 2026
- Corporation contributions do not represent more than 5% of total plan contributions.
- The Plan Protection Act zone status:

| | |
|-----------------------------------|---------------|
| For year ended December 31, 2022 | <u>Yellow</u> |
| For year ended December 31, 2021: | <u>Red</u> |

The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the yellow zone (endangered) are between 65%-80% funded, while plans in the red zone (critical) are less than 65% funded and plans in the green zone (healthy) are more than 80% funded.

The Plan emerged from critical status to endangered status as of July 1, 2022, and adopted a new funding improvement plan designed to increase the Plan's funding percentage and to assure that contributions will be enough to meet the minimum required under the law.

- Contributions to the Pension Plan are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. Under the Employee Retirement Income Security Act of 1974, an employer, upon withdrawal from a multi-employer plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits. The Corporation currently has no intention.

14. Concentration of Credit Risk

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and certificates of deposits. The Corporation places its cash and temporary cash investments with institutions secured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Certificates of Deposit are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 in total. Such investments, at times, may exceed the FDIC or SIPC insurance limits.

15. Real Estate Taxes

The Corporation's real estate taxes have been reduced by eligible stockholders' tax abatement credits. These credits pass through to the units of eligible stockholders. The Corporation credits the abatements to eligible stockholders' monthly carrying charges.

16. Special Assessment – Building Improvements

The Board of Directors approved a special assessment of \$2.50 per share to be paid over six months, beginning June 1, 2019. In accordance with FASB ASC 606, the revenue collected that was not used during 2019 for building improvements was recorded on the Balance Sheets as a contract liability until the funds were used for their designated purpose in 2023, whereby the assessment was recognized as income.

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(A Cooperative Housing Corporation)

Notes to Financial Statements

17. Discriminatory Lawsuit

The Corporation was named as a Defendant in a lawsuit alleging discriminatory practices. However, Allied Universal Security, a third-party contractor providing security services to the Corporation, have settled on behalf of the Corporation in 2022.

18. Legal Representation/Litigation

The Corporation is currently involved in a legal dispute with Mayerhauser Realty Inc. and John Mayerhauser, individually, acting in his capacity as managing agent (collectively, the “Defendants”) James Dibinni & Associates have been retained to represent the Corporation in this matter. The nature of the litigation and potential financial impact on the Corporation are currently under evaluation. Further details and developments will be disclosed in subsequent financial statements as they become known.

19. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through July 2, 2024, the date on which the financial statements were available to be issued. There are no subsequent events to be recognized or reported that have not previously been disclosed.