PRATT TOWERS, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021

Schwartz & Associates, CPA's, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL STATEMENTS REPORT

Schwartz & Associates, CPA's, PLLC
certified public accountants

Independent Auditors' Report

To the Board of Directors and Shareholders of
Pratt Towers, INC.

Opinion

We have audited the financial statements of Pratt Towers, INC., which comprise the balance sheet as of June 30, 2022 and 2021, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pratt Towers, INC. as of June 30, 2022 and 2021, 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.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Pratt Towers, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pratt Towers, INC.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Pratt Towers, INC.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pratt Towers, INC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplemental Information

The Corporation has not presented the information about the estimates of future costs of 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 information, though 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 omission of this supplementary information.

Schwartz & Associates

SCHWARTZ & ASSOCIATES, CPA's, PLLC
Jericho, New York
October 15, 2022

PRATT TOWERS, INC.

BALANCE SHEET AND CHANGES IN STOCKHOLDERS' EQUITY
JUNE 30, 2022 AND JUNE 30, 2021

	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 4)	$ 861,842	$ 1,206,296
Accounts receivable	1,334,542	1,115,200
Reserve for uncollectible accounts	(912,920)	(863,298)
Mortgage escrow account (Note 9)	446,626	64,324
Prepaid expenses (Note 5)	274,535	303,441
Total Current Assets	2,004,625	1,825,963
Funds		
Reserve fund balance (Note 18)	1,906,036	1,133,181
Chase bank-parking lot reserve account	8,882	8,878
Property and equipment (Note 6)	16,161,826	6,811,094
Total Assets	$ 20,081,369	$ 9,779,116
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses (Note 7)	$ 1,458,858	$ 1,374,091
Contracts payable (Note 14)	1,160,614	284,651
PPP loan payable (Note 20)	-	141,957
Total Current Liabilities	2,619,472	1,800,699
Long-Term Liabilities		
Mortgage payable-HDC building & project loans (Note 8)	14,567,429	5,659,185
Deferred mortgage interest payable (Note 8)	52,992	-
Due to (from) reserve fund (Note 18)	233,395	(437,551)
Total Liabilities	17,473,288	7,022,333
STOCKHOLDERS' EQUITY		
Capital stock - common (Note 10)	999,900	999,900
Capital contributions	5,682,293	5,682,293
Deficit	(4,074,112)	(3,925,410)
Total Stockholders' Equity	2,608,081	2,756,783
Total Liabilities and Stockholder's Equity	$ 20,081,369	$ 9,779,116

PRATT TOWERS, INC.

COMPARATIVE STATEMENT OF DEFICIT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

	2022	2021
Accumulated deficit - beginning	$ (3,925,410)	$ (3,882,776)
Net Loss	(148,702)	(42,634)
	(4,074,112)	(3,925,410)
Accumulated deficit - end	$ (4,074,112)	$ (3,925,410)

PRATT TOWERS, INC.

COMPARATIVE STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

	2022	2021
Income		
Rental Income		
Maintenance charges	$ 2,850,690	$ 2,697,375
Provision for uncollectible	(49,622)	(228,755)
Vacancy loss	(18,434)	(7,108)
Vacancy loss-prior year	-	60,170
Professional apartment	19,350	19,350
Gas and electricity	284,370	268,408
Parking income	76,843	77,268
Total Rental Income	3,163,197	2,886,708
Other Income		
Interest income	$ 3,886	$ 13,199
Air conditioners	75,825	79,400
Surcharge income	258,404	235,180
Laundry	34,800	34,800
Miscellaneous income	11,175	3,740
Total Other Income	384,090	366,319
Total Income	3,547,287	3,253,027
Cost of Operations (See supporting schedules)		
Administrative Expenses	$ 274,041	$ 240,507
Operating Expenses	1,928,266	2,019,966
Maintenance Expenses	453,501	413,523
Taxes and Insurance	596,563	605,142
Financial Expenses	237,351	69,180
Total Cost of Operations	3,489,722	3,348,318
INCOME BEFORE DEPRECIATION AND SPECIAL ITEMS	57,565	(95,291)
Depreciation and Amortization (See supporting schedule)	(348,224)	(227,437)
Gain on extinguishment of debt-PPP loan forgiven (Note 20)	141,957	-
Realized gain on investments (Note 2J)	-	280,094
Net Loss	$ (148,702)	$ (42,634)

PRATT TOWERS, INC.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

	2022	2021
Schedule of Administrative Expenses		
Management fee	$ 155,861	$ 153,306
Legal	6,649	69,396
Legal-prior year	-	(91,465)
Accounting	31,060	23,020
Office and administrative	80,471	86,250
Total Schedule of Administrative Expenses	$ 274,041	$ 240,507
Schedule of Operating Expenses		
Gas heating and fuel	$ 203,947	$ 275,156
Gas	18,008	15,954
Electricity	380,896	403,624
Payroll	533,269	511,690
Water meter charges	305,906	331,485
Security services	275,028	277,848
Pension and welfare	211,212	204,209
Total Schedule of Operating Expenses	$ 1,928,266	$ 2,019,966
Schedule of Maintenance Expenses		
Maintenance supplies	$ 71,247	$ 80,003
Repairs and maintenance	22,161	124,581
Elevator maintenance	33,409	35,293
Plumbing repairs	124,697	104,450
Boiler maintenance and repairs	59,503	57,818
Consultant fees	40,730	39,763
Landscaping	14,700	24,831
Apartment restoration	77,413	20,311
Painting and plastering	65,760	45,034
Miscellaneous maintenance contacts	30,600	33,400
Tenant charges	(86,627)	(60,135)
	453,593	505,349
Insurance recovery - fire damage	-	(147,644)
Fire damage	-	55,818
Insurance recovery-water damage	(29,672)	-
Water damage repairs	29,580	-
Total Schedule of Maintenance Expenses	$ 453,501	$ 413,523

PRATT TOWERS, INC.
SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

	2022	2021
Schedule of Taxes and Insurance		
New York City real estate tax	$ 254,620	$ 232,339
Corporation tax - prior year adjustment	(1,481)	-
Payroll taxes	43,614	41,143
Insurance	299,810	331,660
Total Schedule of Taxes and Insurance	$ 596,563	$ 605,142
Schedule of Financial Expenses		
Interest on mortgage	$ 175,132	$ 57,392
Deferred mortgage interest	52,992	-
Interest-debt issuance costs amortized	9,227	4,600
Interest on loan	-	7,188
Total Schedule of Financial Expenses	$ 237,351	$ 69,180
Schedule of Depreciation and Amortization		
Depreciation expense-bldg. improvements	$ 338,844	$ 210,146
Depreciation expense-bldg. equipment	5,950	13,861
Depreciation expense-lobby improvements	3,430	3,430
Total Schedule of Depreciation and Amortization	$ 348,224	$ 227,437

PRATT TOWERS, INC.

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (148,702)	$ (42,634)
Noncash items included in Net Loss:		
Depreciation and Amortization	357,451	232,037
Deferred mortgage interest payable	52,992	-
Realized gain on investments	-	(280,094)
Changes in:		
Accounts receivable	(219,342)	(294,268)
Reserve for uncollectible accounts	49,622	228,755
Other receivables	-	31,000
Mortgage escrow account	-	(64,324)
Prepaid expenses	28,906	(86,988)
Accounts payable and accrued expenses	84,767	518,202
Total adjustments	354,396	284,320
NET CASH FLOWS FROM OPERATING ACTIVITIES	205,694	241,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Improvements	(9,698,955)	(3,549,848)
Proceeds from sale of investment	-	533,558
Change in contracts payable	875,963	266,821
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,822,992)	(2,749,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage amortization	-	(44,317)
Proceeds PPP Loan	-	141,957
PPP loan forgiveness	(141,957)	-
Net Proceeds of mortgage refinancing	-	3,388,764
Mortgage loan proceeds	8,899,016	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	8,757,059	3,486,404
NET INCREASE IN CASH	139,761	978,621
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,850,230	1,871,609
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,989,991	$ 2,850,230
Supplemental disclosure of cash flow information		
Cash paid - mortgage interest	$ 175,131	$ 65,780

PRATT TOWERS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

1. Nature of Organization

Pratt Towers, INC. is a cooperative housing corporation located at 333 Lafayette Ave, Brooklyn, NY. On July 26, 1961, the Corporation acquired the land, building, and improvements. The primary purpose of the Corporation is to manage the operations, maintain the common elements and provide residences for its shareholders by leasing to them, under proprietary leases, the apartments in the building owned by the Corporation. The Corporation consists of 326 residential apartments, a commercial space, and a garage.

2. Summary of Significant Accounting Policies

a) The Financial Accounting Standards Board (FASB) issued new accounting guidance that created Topic 606, *Revenue from Contract with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The Corporation adopted the requirements of the new guidance as of January 1, 2021 with no adjustment to its financial statements for the year ended June 30, 2022 required.

b) The Corporation adopted an accounting standard update which requires that the Corporation change the presentation of debt issuance costs on the Corporation's financial statements. Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Under the new method, debt issuance costs are presented as a reduction of long-term debt instead of being presented as an asset on the Corporation's balance sheet. Additionally, amortization of the debt issuance costs is reported as interest expense in the Statement of Operation on the Corporation's financial statements.

c) Fixed assets are reflected at historical cost less accumulated depreciation. Depreciation on the building, building improvements and equipment is being charged to operations, using the straight-line method, based on the estimated life of 50 years, and 10 to 27.5 years respectively.

d) Repairs, maintenance, and recurring replacements are charged to operations as incurred. Replacements which improve or extend the useful lives of properties are capitalized.

e) Tenant-stockholder maintenance is based on an annual budget adopted by the Board of Directors. Maintenance increases require the approval of the New York City Department of Housing and Preservation (HPD). Tenant - shareholders are subject to monthly maintenance and operating assessments based on their respective share ownership in order to provide funds for the Corporation's operating expenses. Such amounts are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Corporation's performance obligations related to its maintenance and operating assessments are satisfied over time on a daily pro-rata basis. Capital assessments, if any, provide funds for the Corporation's capital improvements and to replenish the reserve fund. The performance obligations related to capital assessments are satisfied when the funds are expended for their designated purpose.

Maintenance charges and special assessments to shareholders for proprietary rentals are intended to cover operating expenses for the building, as well as to provide funds for building improvements and amortization of the mortgage debt. The Corporation's policy is to retain legal counsel for shareholders whose maintenance charges are substantially delinquent. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

f) Accompanying financial statement reflects tenants' accounts receivable in the amount of $1,334,542 which comprises past and current tenants accounts receivable. Based on management's evaluation of the collectability of shareholders' current account receivable in the amount of $421,622, are considered collectible after application of shareholders' available equity.The Corporation has established an allowance for uncollectible prior and current tenants' assessments after application of the shareholders' available equity. At June 30, 2022, the reserve for uncollectible accounts in the amount of $912,920 as reflected in the financial statement is based on the Corporation's policy currently in effect for the treatment of possible collection losses from those current and past tenants balances and whose maintenance, and other charged receivable exceed their equity. The Board is in the process of applying to NYC-HPD to authorize the write-off of these balances.

g) Amortization of deferred financing costs is charged to operations, on a straight-line method, over the 35-year term of the related mortgage.

h) For the purpose of the statement of cash flows, the Corporation considers all highly liquid investments readily convertible into cash with a maturity of three months or less to be cash equivalents.

i) The financial statements have been prepared in accordance with the U.S. generally accepted accounting principles on the accrual basis. The preparation of financial statements in conformity with the U.S. generally accepted accounting principles 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. The Corporation has evaluated material events and transactions that occurred through October 15, 2022, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

j) Marketable Securities: The Corporations' policy is to classify it's investments in mutual funds as available for sale and carry them at fair value. Realized gains and losses are included in earnings on the First-in, first-out basis. Unrealized gains and losses are reported as a component of stockholders' equity. The Corporation sold all Marketable securities in December 2020.

k) Fair Value Measurements. Financial Accounting Standards Board ("FASB") Accounting Standards Codification("ASC") 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to significant unobservable inputs when market prices are not readily available or are unreliable (Level 3). Generally accepted accounting principles define fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs to the valuation methodology include quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical assets or liabilities, or other significant observable inputs.

Level 3 inputs to the valuation methodology are unobservable inputs for the asset or liability which reflect management's assumptions about the factors market participants would use in determining fair value and are based on the best information available.

l) Amortization of deferred leasing commissions is being charged to operations on the straight-line method over the remaining life of the related lease term.

3. Maintenance Increases

Pursuant to the Department of Housing Preservation and Development's review of an application for an increase in maintenance charges, the corporation received approval to implement the following increases:

a) An increase in carrying charge, including utilities, of 8.5% per room per month, effective November 1, 2021;

b) An increase in carrying charge, including utilities, of 8.5% per room per month, effective November 1, 2022;

c) An increase in carrying charge, including utilities, of 8.5% per room per month, effective November 1, 2023;

PRATT TOWERS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

4. Cash And Cash Equivalents

	2022	2021
Chase-operating account	$ 41,752	$ 353,694
Apple Bank-community space	8,434	6,252
Apple bank -community room	11,021	12,025
Chase - Slate income account	2,290	27,285
Chase - Application fee account	119,961	121,244
Chase - debit card account	325	171
Chase Equity account	678,059	685,625
	$ 861,842	$ 1,206,296

5. Prepaid Expenses

	2022	2021
Prepaid insurance	$ 111,800	$ 158,900
Prepaid real estate tax	162,735	144,541
	$ 274,535	$ 303,441

6. Property and Equipment

	Cost	Accumulated Depreciation	Book Value 2022	Book Value 2021
Land	$ 422,153	$ -	$ 422,153	$ 422,153
Building	4,847,180	(4,847,180)	-	-
Building improvements	19,694,108	(3,972,135)	15,721,973	6,365,933
Building equipment	244,860	(240,875)	3,985	5,863
Lobby improvements	39,644	(25,929)	13,715	17,145
	$25,247,945	$ (9,086,119)	$16,161,826	$ 6,811,094

7. Accounts Payable And Accrued Expenses

	2022	2021
Accounts payable and accrued expenses (Note 19)	$ 577,737	$ 560,144
Escrow payable-community space	8,923	6,252
Application deposits payable	99,573	99,573
Apartment resale exchange account	772,625	708,122
	1,458,858	1,374,091

8. Long-Term Liabilities

	2022	2021
First Mortgage: On December 9, 2020, Corporation refinanced its preservation loan with NYC HDC first mortgage:	$ 4,337,036	$ 3,546,905
a) HDC first building loan in the principal amount of $6,275,988. This loan is interest only at 3.8% per annum during the period of construction (until June 30, 2023). Upon the completion of construction, this loan converts to a 35 year, self liquidating loan with an interest rate of 4.5% per annum. This loan matures on June 30, 2058 ("Maturity date").During the 35 year period monthly payments of principal, interest and/or fees are due in the amount of $29,702.		
b) HDC first project loan in the principal amount of $2,004,012. This loan is interest only at 3.8% per annum during the period of construction (until June 30, 2023). Upon the completion of construction, this loan converts to a 35 year, self liquidation loan with an interest rate of 4.5%. This loan matures on June 30, 2058 ("Maturity date"). During the 35 year period monthly payments of principal, interest and/or fees are due in the amount of $9,484.		
Second Mortgage: HDC City capital building loan- On December 9, 2020, Corporation refinanced its preservation loan with NYC HDC.	9,098,532	989,646
HDC city capital building loan in the principal amount of $22,400,000. This loan carries a fixed interest rate of 1% per annum. Upon the completion of construction, this loan converts to a 35 year term, and during this period there shall be no payments of principal, interest or fees. This loan matures on June 30, 2058 ("Maturity date"). Upon Maturity the entire unpaid principal with accrued interest, if any shall be due.		

PRATT TOWERS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
AND JUNE 30, 2021

Forth Mortgage: In June 2009, the Corporation received a loan from the City of New York in the amount of $2,273,635, pursuant to its Section 8-A loan program. The term of the loan is for thirty (30) years, with interest at 1% per annum. Commencing June 2010, the loan requires monthly payments of $7,529, applied first towards interest and the remainder to principal. The loan is self-liquidating and matures on June 1, 2039("Maturity Date"). The purpose of the loan is to fund various building improvement projects. The loan is secured by the land and building owned by the Corporation. On December 9, 2020, this loan was converted to HDC fourth Mortgage loan note in the principal amount of $1,440,979. Interest at 1% per annum during the period of construction (until June 30, 2023). Upon the completion of construction, this loan converts to a 35 year and there shall be no payments of principal, interest or fees. This loan matures on June 30, 2058 ("Maturity date"). At maturity entire unpaid principal with accrued interest, if any shall be due.	1,440,979	1,440,979
	14,876,547	5,977,530
Less: Net debt issuance costs	(309,118)	(318,345)
	$ 14,567,429	$ 5,659,185

9. Mortgage Escrow Accounts

Pursuant to the mortgage agreement with New York City Housing Development Corp., the Corporation is required to make monthly deposits of funds to escrow accounts, which are maintained by HDC, and will be used to pay the real estate taxes, water and sewer charges and insurance premiums of the Corporation.

10. Stockholders' Capital

	2022	2021
41,233 common shares authorized and (2021 41,233) shares issued at $24.25 par value	999,900	999,900
	999,900	999,900

11. Future Major Repairs and Replacements

The Corporation's governing documents do not require accumulation of funds to finance estimated future major repairs and replacements.

The Corporation has not conducted a formal study to determine the remaining useful lives of the components of common property and estimates of the 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 is authorized to utilize available reserve funds, borrow, increase maintenance charges, levy special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

12. Capital Projects

Building improvements for the year ended June 30, 2022, amounted to $9,698,956 and consisted of the following:

Capital Improvement Project	$ 9,657,625
Building Equipment	4,072
Retractable screen door	37,259
Total building improvements	$ 9,698,956

13. Corporation Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from nonpatronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The Corporation believes that all of its income is effectively patronage-sourced and/or expenses allocable to potential non-patronage sourced income would equal or exceed such income. 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 is exempt from New York State Franchise and New York City income taxes.

At June 30, 2022, the Corporation has approximately $472,400 of net operating loss carryforwards for Federal income tax purposes, The loss carryforwards, if not used against future net taxable income, expire between the years 2022 and 2042, and approximately $479,800 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are fully deductible against 2022 taxable income and are thereafter limited to 80% of taxable income in any one tax period.

It is assumed by Management that the Corporation's benefit from any deferred tax benefits from prior net losses will be immaterial to the financial statements. Consequently, no deferred tax assets have been recognized in the accompanying financial statements.

14. Contingency - Contracts Payable

In August 2020, the Corporation entered into a contract in the amount of $26,560,975 for various capital improvement projects, excluding engineering costs. As of June 30, 2022, $10,445,526 was paid toward the contract. An additional $1,160,614 is reflected in the financial statement as contracts payable representing work completed on the contract but unpaid as of June 30, 2022. Funding for the capital improvement projects are being provided by the New York City Housing Development Corp. mortgage loans (see note 9).

15. Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to the concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions which, at times, may exceed the Federal depositing insurance coverage limit of $250,000. At June 30, 2022, cash and cash equivalents exceed federally insured limits by approximately $592,300.

16. Multiemployer Union Pension Plan

The Corporation contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan differ from those of a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, unfunded obligations of the plan may be borne by the remaining participating employers; and (3) 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.

For the years ended June 30, 2022, and 2021, the Corporation's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32 BJ Pension Fund ("Plan")	
Plan Number: 001	
Collective Bargaining Agreement Expiration Date: April 20, 2026	
Pension Protection Act Zone Status: Year ended June 30, 2022, and 2021 - Red (less than 65% funded)	
Funding Improvement Plan/Rehabilitation Plan Status: Implemented	
Surcharges paid to Plan: None	
Corporation's contributions:	
Year ended June 30, 2022,	54,156
Year ended June 30, 2021,	48,596
Maximum Required Pension Contributions (per week, per employee):	
Year ended June 30, 2022,	126
Year ended June 30, 2021,	122

The information provided is from the Plan's most current annual report for the year ended June 30, 2022. The Pension Protection Act Zone Status is 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 Plan are less than 5% of all employer's contributions to the Plan, and there have been no significant changes that would affect the comparability of the contributions for the years ended June 30, 2022, and 2021. Also, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement.

17. Special Capital Assessment

In July 2004, the Board of Directors implemented a Capital Assessment of $656,725 in order to fund the payment of the Corporation's 8A loan (see note 3a). The assessment is considered an increase in the Stockholders' Equity and will be refunded upon the sale of the apartment. The assessment is being paid over sixty (60) monthly installments (five years), expired in June 2009. Each stockholder was assessed in proportion to the number of shares that they own.

In September 2009, the aforementioned capital assessment was extended for an additional term of 128 months. The Capital assessment expired April 2020.

18. Schedule of Reserve Fund Activity

	July 1, 2021 Balance	Additions	Expended	June 30, 2022 Balance
1. Replacement of Fixed Assets Fund				
a. Fund balance 7/1/21	$ (577,201)			
b. Additions during period		$ -		
Interest income		1,604		
c. Principal added during period		9,888,662		
d. Expended during period			$ (9,698,956)	
e. Fund balance 6/30/22				$ (385,891)
2. Contingencies Fund- Operating Reserve				
a. Fund balance 7/1/21	1,270,578			
b. Additions during period (monthly requirement - 3% of rent roll, maximum 25%		$ 481,392		
Interest income		436		
d. Fund balance 6/30/22				1,752,406
3. Cyclical Redecorating Fund				
a. Fund balance 7/1/21	439,804			
b. Additions during period		-		
c. Additions during period (monthly requirement- $8,175)		$ 98,100		
Interest		1,617		
c. Expended during period			-	
d. Fund balance 6/30/22				539,521
4. TOTALS				
a. Fund balance 7/1/21	$ 1,133,181			
b. Additions during period		$ 10,471,811		
c. Expended during period			$ (9,698,956)	
d. Fund balance 6/30/22				$ 1,906,036

SUMMARY

Beal Bank - certificate of deposit		31,466
Beal Bank - certificate of deposit		31,720
NYC HDC - reserve for replacement		477,082
NYC HDC - operating reserve		329,059
NYC HDC - construction loan mortgagor equity		803,314
	$	1,672,641
Excess at 6/30/22	$	(233,395)

19. Schedule of Accounts Payable

Accounting	$	15,040
Legal		15,200
Gas heating and fuel		21,200
Electricity and gas		55,600
Payroll and benefits		9,480
Security services		3,800
Capital projects		21,338
Repairs and supplies		163,900
Water meter charges		7,200
Miscellaneous administration		3,100
STAR/SCRIE rebates payable		190,011
Insurance		71,868
Total accounts payable (Note 7)	$	577,737

20. Paycheck Protection Program Loan (PPP)

In March 2021, the Corporation applied for and received a Paycheck Protection Program Loan, established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the principal amount of $141,957 at a fixed rate of 1%. The loan shall remain due and payable until an application for forgiveness is made by the Corporation and approved by the lender and the small business association as applicable, all in accordance with Paycheck Protection Program requirements.

In February 2022, an application for forgiveness of the loan was made by the Corporation in accordance with all Paycheck Protection Program requirements. On March 2, 2022, the principal amount of the loan was forgiven and paid to the lender.

The forgiveness of the principal balance of the loan in the amount of $141,957 is reflected in the financial statements as gain upon extinguishments of debt.

PRATT TOWERS, INC.

SUPPLEMENTARY AND PROSPECTIVE INFORMATION REPORT

Schwartz & Associates, CPA's, PLLC
certified public accountants

Independent Auditors' Compilation Report on Supplementary & Prospective Information

To the Board of Directors and Shareholders of
Pratt Towers, INC.

We have audited the financial statements of Pratt Towers, INC. as of and for years ended June 30, 2022, and 2021. Our INDEPENDENT AUDITORS' REPORT expresses an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying 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 June 30, 2022, and 2021 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.

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Compilation Report

We also have compiled the accompanying operating budget forecast of Pratt Towers, INC. for the year ending June 30, 2023, under attestation standards established by the American Institute of Certified Public Accountants (AICPA).

A "compilation" is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecast or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events or circumstances occurring after the date of issuance of this report.

Schwartz & Associates

SCHWARTZ & ASSOCIATES, PLLC
Certified Public Accountants

October 15, 2022, for Historical Statement
September 15, 2022, for Budget Forecast

PRATT TOWERS, INC.

WORKING CAPITAL FLOW STATEMENT OF
INCOME AND EXPENDITURES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022

	Budget (unaudited) 6/30/2022	Actual 6/30/2022	Actual 6/30/2021	Budget (unaudited) 6/30/2023
Income				
Maintenance charges	$ 2,850,300	$ 2,850,690	$ 2,697,375	$ 3,101,900
Professional apartment	19,400	19,350	19,350	19,400
Vacancy loss	(7,700)	(18,434)	(7,108)	(7,700)
Gas and electricity	292,100	284,370	268,408	304,500
Parking income	77,000	76,843	77,268	77,000
Interest income	-	3,886	13,199	-
Air conditioners	77,200	75,825	79,400	77,200
Laundry	34,800	34,800	34,800	34,800
Surcharge income	224,700	258,404	235,180	224,600
Miscellaneous income	-	11,175	3,740	-
Total Income	3,567,800	3,596,909	3,421,612	3,831,700
Total Expenditures	3,593,200	3,530,835	3,625,022	3,910,800
SURPLUS OR (DEFICIT)	$ (25,400)	$ 66,074	$ (203,410)	$ (79,100)

PRATT TOWERS, INC.
WORKING CAPITAL FLOW STATEMENT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022

	Budget (unaudited) 6/30/2022	Actual 6/30/2022	Actual 6/30/2021	Budget (unaudited) 6/30/2023
Expenditures				
Administrative				
Management fee	$ 159,400	$ 155,861	$ 153,306	$ 164,200
Legal	103,800	6,649	69,396	106,900
Accounting	23,900	31,060	23,020	24,600
Office and administrative	51,500	80,471	86,250	68,600
Operating				
Gas heating and fuel	237,000	203,947	275,156	244,800
Electricity	349,700	380,896	403,624	419,000
Gas	16,500	18,008	15,954	16,500
Payroll	515,100	533,269	511,690	554,600
Water meter charges	310,300	305,906	331,485	319,700
Security services	292,000	275,028	277,848	284,200
Pension and welfare	182,900	211,212	204,209	188,400
Maintenance				
Repairs and maintenance	542,400	453,593	505,349	558,600
Taxes and Insurance				
New York City real estate tax	294,200	254,620	232,339	328,600
Payroll taxes	39,400	43,614	41,143	40,600
Insurance	377,000	299,810	331,660	263,400
Financial Expenses				
Allocation for reserve funds	98,100	101,759	53,696	98,100
Interest and amortization	-	175,132	108,897	230,000
Total Expenditures	$ 3,593,200	$ 3,530,835	$ 3,625,022	$ 3,910,800

PRATT TOWERS, INC.

NOTES TO COMPILATION REPORT ON SUPPLEMENTARY & PROSPECTIVE INFORMATION
JUNE 30, 2022

This budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, this 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 2022 and 2021 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.

FORECAST ASSUMPTIONS (UNAUDITED)

The budget for the year ending June 30, 2023, includes the following assumptions:

a) Carrying charges and utility charges are based upon New York City HPD's rent increase of 8.5% effective November 1, 2022.

b) Gas heating and other utilities reflect consumption based on historical usage and increase in market rates.

c) The Corporation's labor union contract covers all employees. Labor costs and union benefits are projected based upon the applicable contract rates.

d) Repairs and maintenance are based upon historical experience and projected maintenance requirements.

e) Real estate taxes are based upon New York City's shelter rent formula.