

LINDVILLE HOUSING CO., INC.

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2023 and 2022

LINDVILLE HOUSING CO., INC.

TABLE OF CONTENTS

	Page No.
AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets.....	3
Statements of Operations and Accumulated Deficit.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7
ACCOUNTANT’S REPORT ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION	15
SUPPLEMENTARY AND PROSPECTIVE INFORMATION	
Supporting Schedules - Operating Expenses.....	16
Comparative Schedule of Income and Expenditures - Budget, Historical and Forecast.....	18
Summary of Significant Accounting Policies and Forecast Assumptions	19

Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To: The Board of Directors and Shareholders of Lindville Housing Co., Inc.

Opinion

We have audited the financial statements of Lindville Housing Co., Inc., which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, accumulated deficit and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lindville Housing Co., Inc., as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lindville Housing Co., 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 the 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 Lindville Housing Co., Inc.'s ability to continue as a going concern within 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 auditor's 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 generally accepted auditing standards 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Lindville Housing Co., 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, which raise substantial doubt about Lindville Housing Co., 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.

Omission of Required Supplementary Information

Management has omitted 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 missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

April 01, 2024

Marin & Montanye LLP

BALANCE SHEETSAs of June 30, 2023 and 2022ASSETS

	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash – Operating account	\$ 26,338	\$ 181,977
Cash – Equity account	24,156	87,166
Mortgage escrow deposits – (Note 5)	131,356	145,278
Receivables:		
Shareholders' arrears	326,744	332,120
Less: Allowance for doubtful accounts – (Note 3)	(162,957)	(98,341)
Tenant shareholder exemptions	33,234	27,614
Prepaid Expenses:		
Insurance	51,504	47,858
Shelter rent tax	6,454	2,582
Water and sewer tax	<u>20,879</u>	<u>21,334</u>
<u>TOTAL CURRENT ASSETS</u>	457,708	747,588
<u>FUNDS</u>		
Mortgage replacement reserve account – Due from NYC HDC – (Note 5)	286,466	235,227
Reserve account	<u>743,229</u>	<u>611,836</u>
<u>TOTAL FUNDS</u>	1,029,695	847,063
<u>PROPERTY AND EQUIPMENT</u>		
Land	215,240	215,240
Building	2,730,575	2,730,575
Building improvements	6,538,624	6,446,442
Equipment	42,507	42,507
Less: Accumulated depreciation	<u>(5,515,951)</u>	<u>(5,317,410)</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>4,010,995</u>	<u>4,117,354</u>
<u>OTHER ASSET</u>		
Antenna lease income – FASB ASC 842 – adjustment – (Notes 2 and 11)	<u>10,600</u>	<u>-</u>
<u>TOTAL OTHER ASSET</u>	<u>10,600</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,508,998</u>	<u>\$ 5,712,005</u>

See Notes to Financial Statements.

BALANCE SHEETSAs of June 30, 2023 and 2022LIABILITIES AND STOCKHOLDERS' DEFICIT

	<u>2023</u>	<u>2022</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expense	\$ 231,954	\$ 160,697
Accrued mortgage interest	13,878	14,229
Accrued loan interest	365	378
Prepaid occupancy income	15,080	14,213
Amortization and equity payable	91,942	98,367
Real estate tax exemptions payable	48,034	47,481
First mortgage payable – current portion	68,959	64,953
Second mortgage payable – current portion	31,601	31,287
Section 8A loan payable – current portion	17,023	16,686
Deferred grant income – current portion	<u>18,813</u>	<u>18,813</u>
<u>TOTAL CURRENT LIABILITIES</u>	537,649	467,104
<u>LONG TERM AND OTHER LIABILITIES</u>		
Mortgage payable – (Note 5)	2,657,514	2,722,467
Less: Current portion	(68,959)	(64,953)
Unamortized debt issuance costs	(51,531)	(54,076)
Second mortgage payable – (Note 5)	708,960	740,247
Less: Current portion	(31,601)	(31,287)
Section 8A loan payable – (Note 6)	438,001	454,855
Less: Current portion	(17,023)	(16,686)
Unamortized debt issuance costs – (Note 2)	(11,540)	(12,042)
Deferred grant income – (Note 7)	1,584,201	1,601,329
Less: Current portion	(17,128)	(17,128)
Deferred roof grant – (Note 8)	43,260	44,945
Less: Current portion	<u>(1,685)</u>	<u>(1,685)</u>
<u>TOTAL LONG TERM AND OTHER LIABILITIES</u>	<u>5,232,469</u>	<u>5,365,986</u>
<u>TOTAL LIABILITIES</u>	5,770,118	5,833,090
<u>STOCKHOLDERS' DEFICIT</u>		
Capital Stock – Common – Authorized, Issued and		
Outstanding 36,738 shares at \$10 par value	367,380	367,380
Contributed capital in excess of par value	408,315	408,315
Accumulated Deficit	<u>(1,036,815)</u>	<u>(896,780)</u>
<u>TOTAL STOCKHOLDERS' DEFICIT</u>	<u>(261,120)</u>	<u>(121,085)</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</u>	<u>\$ 5,508,998</u>	<u>\$ 5,712,005</u>

See Notes to Financial Statements.

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICITFor The Years Ended June 30, 2023 and 2022

		<u>2023</u>	<u>2022</u>
<u>INCOME</u>			
<u>Income from Shareholders</u>			
Maintenance charges		\$ 1,728,017	\$ 1,728,017
Less: Vacancy loss		(110,999)	(29,896)
Surcharges		72,047	65,922
Parking		43,654	44,712
Late charges		<u>3,620</u>	<u>1,830</u>
 <u>Total Income from Shareholders</u>		 1,736,339	 1,810,585
<u>Other Income</u>			
Laundry		14,400	14,400
Interest		23,107	4,667
Grant – (Note 7 and 8)		18,813	18,533
Antenna		50,038	46,009
Antenna lease income – FASB ASC 842 – adjustment (Note 11)		10,600	-
Miscellaneous		<u>5,824</u>	<u>8,918</u>
 <u>Total Other Income</u>		 <u>122,782</u>	 <u>92,527</u>
 <u>TOTAL INCOME</u>		 1,859,121	 1,903,112
 <u>COST OF OPERATIONS</u>			
Administrative expenses	Schedule 1	344,691	264,872
Operating expenses	Schedule 2	816,308	577,517
Maintenance expenses	Schedule 3	322,058	184,193
Taxes	Schedule 4	141,563	153,290
Financial expenses	Schedule 5	<u>175,995</u>	<u>180,265</u>
 <u>TOTAL COST OF OPERATIONS</u>		 <u>1,800,615</u>	 <u>1,360,137</u>
 <u>INCOME FROM OPERATIONS BEFORE DEPRECIATION</u>		 58,506	 542,975
Depreciation	Schedule 6	<u>(198,541)</u>	<u>(195,404)</u>
 <u>NET INCOME (LOSS)</u>		 (140,035)	 347,571
Beginning Accumulated Deficit		<u>(896,780)</u>	<u>(1,244,351)</u>
Ending Accumulated Deficit		<u>\$ (1,036,815)</u>	<u>\$ (896,780)</u>

See Notes to Financial Statements.

LINDVILLE HOUSING CO., INC.EXHIBITS C & DSTATEMENTS OF CASH FLOWSEXHIBIT CFor The Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$ (140,035)	\$ 347,571
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	198,541	195,404
Mortgage and loan interest expense related to amortization of debt issuance costs	3,047	3,047
Increase in receivables	(244)	(114,716)
Increase in allowance for doubtful accounts	64,616	56,857
(Increase) Decrease in mortgage escrow deposits	13,922	(22,687)
(Increase) Decrease in prepaid expenses	(7,063)	15,444
Increase in deferred grant income	(18,813)	(18,533)
Increase in accounts payable and accrued expenses	22,860	2,464
Antenna lease income – FASB ASC 842 – adjustment	(10,600)	-
Interest earned – net of bank charges	(7,652)	(673)
Total Adjustments	<u>258,614</u>	<u>116,607</u>
<u>CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>118,579</u>	<u>464,178</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(49,154)	(338,120)
Increase in mortgage replacement reserve account – transfers	<u>(43,587)</u>	<u>(43,587)</u>
<u>CASH USED BY INVESTING ACTIVITIES</u>	<u>(92,741)</u>	<u>(381,707)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Article 8A evaporating loan	-	144,068
Proceeds from Roof grant	-	46,350
Principal payments of mortgage	(96,240)	(92,155)
Principal payments of Article 8A loan	<u>(16,854)</u>	<u>(16,686)</u>
<u>CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	<u>(113,094)</u>	<u>81,577</u>
<u>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>	<u>(87,256)</u>	<u>164,048</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>880,979</u>	<u>716,931</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 793,723</u>	<u>\$ 880,979</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATIONEXHIBIT D

	<u>2023</u>	<u>2022</u>
Cash paid during the year:		
Interest	\$ 173,312	\$ 176,871

Non-Cash Investing and Financing Activities:

Additions to property and equipment accrued were \$43,027 for the year ended June 30, 2023.

See Notes to Financial Statements.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 1. ORGANIZATION

Lindville Housing Co., Inc. (the “Corporation”) is a limited-profit housing company pursuant to the laws of the State of New York under provisions of the Limited-Profit Housing Companies Law Article XII of the Public Housing Law. The Corporation owns and operates a limited profit housing project consisting of one building at 3555 Olinville Avenue, Bronx, New York. There are 142 residential units and 1 superintendent’s apartment. The primary purpose of the Corporation is to manage the operations of Lindville Housing Co., Inc. and maintain the common elements.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Depreciation

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the related assets. The building has been fully depreciated.

Amortization of Debt Issuance Costs

Costs incurred in obtaining long-term financing, included under mortgage payable on the balance sheets, are amortized on a straight-line basis, which approximates the effective interest method, over the term of the related debt agreement, as applicable.

Revenue Recognition

Tenant-shareholders are subject to monthly maintenance charges to provide funds for the Corporation’s operating expenses, future capital acquisitions, and repairs and replacements. An operating assessment is recognized as income when the related performance obligation (the purpose of the assessment) is satisfied. The performance obligations, relating to capital assessments, are satisfied and recorded as income when these funds are expended for their designated purpose. In accordance with FASB ASC 606, a capital assessment that is not expended in the current year will be deferred to subsequent years and will only be recognized as income when the performance obligation is satisfied.

Shareholder Maintenance - Accounts Receivable

Tenant-shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. The Corporation’s policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose maintenance charges are delinquent. If any receivables become uncollectible, they will be charged to operations when that determination is made. Any excess maintenance charges at year end are retained by the Corporation for use in future years.

Adoption of FASB ASC 842

Effective July 1, 2022, the Corporation adopted FASB ASC 842, Leases. The Corporation determines if an arrangement contains a lease at inception based on whether the Corporation has the right to control the asset during the contract period and other facts and circumstances. The Corporation elected to adopt the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

Under ASC 840, the original lease accounting standard, the Corporation was allowed to disclose their operating leases in the footnotes to financial statements. Under the new standard ASC 842, all leases that are longer than 12 months must be recorded on the balance sheets.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

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

Adoption of FASB ASC 842 – (continued)

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the lessee will exercise the option.

The Corporation adopted ASC 842 under the effective method approach and also elected to adopt the package of practical expedients permitted under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

Estimates

The preparation of financial statements in conformity with 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.

Reclassification

Certain items in the 2022 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net income.

Note 3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

As of June 30, 2023 and 2022, the Corporation has recorded an allowance for doubtful accounts for each year totaling \$162,957 and \$98,341, respectively, which relates to tenant shareholder balances in excess of their equity balance.

Note 4. STATEMENTS OF CASH FLOWS

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that adds to the total of the same amounts as shown on the statements of cash flows as of June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash – Operating Account	\$ 26,338	\$ 181,977
Cash – Equity Account	24,156	87,166
Cash – Reserve Fund	<u>743,229</u>	<u>611,836</u>
Total cash, cash equivalents and restricted cash as shown on the statements of cash flows	<u>\$ 793,723</u>	<u>\$ 880,979</u>

Note 5. MORTGAGES PAYABLE

On September 12, 2013, the Corporation refinanced its prior mortgage held by Wells Fargo Multi-Family Capital, Inc. with New York City Housing Development Corporation (“HDC”) into two mortgages totaling \$4,080,000.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 5. MORTGAGES PAYABLE – (continued)

First Mortgage Payable

The senior mortgage, in the amount of \$3,110,000, matures on September 30, 2043. The note calls for constant monthly payments of \$15,550 interest only for the first year and monthly payments of \$18,878, beginning November 1, 2014 and thereafter to be applied first to interest at the rate of 6.0% per annum and reduction of principal based on a twenty-nine-year amortization schedule. The mortgage is self-liquidating and will fully mature in 2043. The mortgage is collateralized by the land and building owned by the Corporation.

As part of the agreement, the Corporation is required to maintain a reserve account with HDC with the proceeds of the mortgage, to cover the costs of any future major repairs and capital projects. The Corporation makes monthly contributions of \$3,632 to this reserve. As of June 30, 2023, the balance in the reserve account was \$286,466. The Corporation is also required to make monthly escrow deposits for insurance, water and sewer charges and New York City real estate taxes with HDC. Escrow deposits totaled \$131,356 as of June 30, 2023.

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

Year Ending June 30:	
2024	\$ 68,959
2025	73,212
2026	77,728
2027	82,522
2028	87,612
Thereafter	2,267,481

Second Mortgage Payable

The subordinate mortgage, in the amount of \$970,000 matures on September 30, 2043. The note calls for constant monthly payments of \$808 interest only for the first year and monthly payments of \$3,212, beginning on November 1, 2014 and thereafter to be applied first to interest at the rate of 1.0% per annum and reduction of principal based on a twenty-nine-year amortization schedule. The mortgage is self-liquidating and will fully mature in 2043. The mortgage is collateralized by the land and building owned by the Corporation.

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

Year Ending June 30:	
2024	\$ 31,601
2025	31,919
2026	32,239
2027	32,563
2028	32,890
Thereafter	547,748

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 5. MORTGAGES PAYABLE – (continued)

Second Mortgage Payable – (continued)

The aggregate maturities of the mortgage notes for the next five years and thereafter are as follows:

Year Ending June 30:	
2024	\$ 100,560
2025	105,131
2026	109,967
2027	115,085
2028	120,502
Thereafter	2,815,229

Interest expense was \$171,034 and \$175,139, which includes amortized debt issuance costs of \$2,545 for the years ended June 30, 2023 and 2022, respectively.

Note 6. ARTICLE 8A LOAN PAYABLE

On June 30, 2016 the Corporation was awarded an Article 8A Loan in the amount of \$536,643. The proceeds from the loan were escrowed with the Department of Housing Preservation and Development (“HPD”) as the supervising agency for the Corporation. As of April 2018, the loan is being serviced by New York City Housing Development Corporation (“HDC”). The loan calls for constant monthly payments of interest only for the first year and monthly payments of \$1,777, beginning July 1, 2017 and thereafter to be applied first to interest at a rate of 1.0% per annum and reduction of principal based on a twenty-nine-year amortization schedule. The loan is self-liquidating and will fully mature in 2046.

The purpose of this loan is to fund major capital improvement projects. Funds are released periodically, as work is completed. As of June 30, 2019, the entire balance of \$536,643 has been released to the Corporation and used towards the cost of a capital improvement project.

Principal maturities of the loan payable for the next five years and thereafter are as follows:

Year Ending June 30:	
2024	\$ 17,023
2025	17,194
2026	17,367
2027	17,541
2028	17,718
Thereafter	351,158

Interest expense was \$4,961 and \$5,126, which includes amortized debt issuance costs of \$502 for the years ended June 30, 2023 and 2022, respectively.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 7. ARTICLE 8A EVAPORATING LOANS

On June 30, 2016, the Corporation was awarded a New York City Council Discretionary Funds Grant. The grant is in the amount of \$1,650,000. The proceeds from the grant were escrowed with the Department of Housing Preservation and Development as the supervising agency for the Corporation. Under HPD procedures, such a grant is treated as an evaporating loan and is to be processed by HPD in their Article VII-A Loan Department, but no interest will be charged on the monies to maturity. Upon maturity of the loan on June 30, 2046, if the Corporation has honored its commitments described below, all of the principal will evaporate and the Corporation will have no obligation to repay the \$1,650,000.

The purpose of this grant is to fund major capital improvement projects. Funds are released periodically, as work is completed. As of June 30, 2023, funds totaling \$1,370,095 have been released to the Corporation and used towards the cost of capital improvement projects.

The terms of the loan are as follows:

Interest:	None
Payments:	None
Term of loan:	Thirty years, maturity.
Maturity:	Original amount \$1,650,000 will be forgiven.
Terms regarding forgiveness:	Real estate taxes remain current and paid, including In-Rem agreements. Water and sewer charges remain current and paid. Existing mortgages and loans remain current and paid. Lindville Housing Co., Inc. remains within the Mitchell Lama Program until maturity. The funds will be used to pay for various projects.

Income recognition:	The proceeds from the loan are escrowed by HPD and as applications for payment regarding approved work are sent, the funds will be released to the contractor performing the work. The capital improvement projects will be capitalized and depreciated over 27.5 years. The funds will be recognized as income over a period of 27.5 years.
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On June 27, 2008, the Corporation was awarded a New York City Councilmanic Grant. The grant, in the amount of \$800,000, was used for various projects. The proceeds from the grant were escrowed with the Department of Housing Preservation and Development as the supervising agency for the Corporation. Under HPD procedures, such a grant is treated as an evaporating loan and is to be processed by HPD in their Article VIII-A Loan department, but no interest will be charged on the monies to maturity. Upon maturity of the loan on June 27, 2028, if the Corporation has honored its commitments described below, all of the principal will evaporate and the Corporation will have no obligation to repay the \$800,000.

The purpose of this grant is to fund major capital improvement projects. Funds are released periodically, as work is completed. As of June 30, 2023, the entire balance of \$800,000 has been released to the Corporation.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 7. ARTICLE 8A EVAPORATING LOANS – (continued)

The terms of the loan are as follows:

Interest:	None
Payments:	None
Term of loan:	Twenty years, maturity.
Maturity:	Original amount \$800,000 will be forgiven.
Terms regarding forgiveness:	Real estate taxes remain current and paid, including In-Rem agreements. Water and sewer charges remain current and paid. Existing mortgages and loans remain current and paid. Lindville Housing Co., Inc. remains within the Mitchell Llama Program until maturity. The funds will be used to pay for various projects

Income recognition: The proceeds from the loan are escrowed by HPD and as applications for payment regarding approved work are sent, the funds will be released to the contractor performing the work. The capital improvement projects will be capitalized and depreciated over 27.5 years. The funds are being recognized as income over a period of 27.5 years. For each of the years ended June 30, 2023 and 2022, income of \$17,128 was recognized.

Note 8. DEFERRED ROOF GRANT

During the year ended June 30, 2022, the Corporation received a grant from the State of New York in the amount of \$46,350 to help fund the cost of roof improvements in prior years. The funds are being recognized as income over a period of 27.5 years, \$1,685 was recognized for the year ended June 30, 2023.

Note 9. CONTRIBUTIONS TO CAPITAL

The Corporation treats maintenance charges used for amortization of mortgage and loan principal as contributions to capital for tax purposes only.

For the years ended June 30, 2023 and 2022, Paid-in Capital for tax purposes is:

	<u>2023</u>	<u>2022</u>
Mortgages amortization	\$ 96,240	\$ 92,155
Section 8A loan amortization	16,854	16,686

Note 10. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts in financial institutions whose balances, at times, may exceed federally insured limits. At June 30, 2023, the Corporation's cash balances exceeded the insured limit.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 11. COMMERCIAL LEASE – (After the adoption of FASB ASC 842)

In June 2022, the Corporation has signed a lease with Omnipoint Communications, Inc. to keep an Antenna on the roof. The initial lease term is for five years, with monthly rent of \$4,250 for the entire initial lease period. The lease include three renewal options, each for an additional 5 year period, with 3% annual rent increases effective during all renewal periods. Commercial rent totaled \$60,638 and \$46,009 for the years ended June 30, 2023 and 2022, respectively.

The commercial leases are classified as operating leases in accordance with the provision of Financial Accounting Standards Board (“FASB”) ASC 842 which requires the recognition of scheduled rent increases and deferred rent concessions, if any on a straight-line basis over the lease term.

The Corporation’s operating lease is disclosed in the aggregate due to its consistent nature as commercial leases. As of June 30, 2023, the undiscounted cash flows to be received from lease payments on the Corporation’s operating lease on an annual basis for the next five years and thereafter are as follows:

Year Ending June 30:	
2024	\$ 51,000
2025	51,000
2026	51,000
2027	51,000
2028	52,530
Thereafter	924,471

Note 12. 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. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation may have the right to borrow, utilize available cash, increase maintenance charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Note 13. INCOME TAXES

The Corporation is subject to Federal tax based on net income. For the year ended June 30, 2023, the Corporation incurred a loss and is not liable for Federal tax. The Corporation is a limited profit housing company and is not subject to New York State or New York City tax. Current tax expense is \$-0-.

Under the Tax Cuts and Jobs Act passed into law on December 22, 2017, the carryforward of net operating losses (“NOL”) generated for tax years beginning after December 31, 2017 no longer expire. However, these losses can only be used to offset 80% of taxable income in any one year. Losses incurred prior to years beginning January 1, 2018 can continue to be used to offset 100% of taxable income.

As of June 30, 2023, the Corporation had a total NOL of \$1,025,806. The NOL of \$1,025,806 will expire in various years through 2037.

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.

LINDVILLE HOUSING CO., INC.

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2023 and 2022

Note 13. INCOME TAXES – (continued)

The Corporation's Federal tax return is subject to examination by the applicable taxing authority for a period of three years after filing the return.

Note 14. UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ North and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement effective contract date of March 15, 2023 expires March 14, 2027. The Corporation makes contributions to the Plan based on a fixed monthly amount for each employee covered under the union contract. During the years ended June 30, 2023 and 2022 the Corporation contributed \$52,622 and \$65,006, respectively, to the Plan of which \$10,825 and \$13,441, respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

Contributions to the Building Service 32BJ North Pension Fund, Employer Identification Number 13-1819138, (Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risk of participating in a multiemployer pension plan is different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension 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, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Corporation chooses to stop participating in its multiemployer pension plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" are at least 80% funded. As of the date of issuance of these financial statements, the Fund's most recently available certified zone status was "green" for the 2022 Plan Year. The Fund continues to be in the green zone for the plan year 2023. The Corporation has no intention of withdrawing from the Plan.

Note 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 01, 2024, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.

Marin & Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report On Supplementary and Prospective Information

To: The Board of Directors and Shareholders of Lindville Housing Co., Inc.

We have audited the financial statements of Lindville Housing Co., Inc. as of and for the years ended June 30, 2023 and 2022, and our report thereon dated April 01, 2024, which expressed an unmodified opinion on those financial statements, appears on Pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supporting Schedules and Comparative Schedule of Income and Expenditures - Budget and Historical are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits 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.

We have also compiled the accompanying forecast of Lindville Housing Co., Inc. for the year ended June 30, 2024, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

The accompanying forecasted information and this report are intended solely for the information and use of the Board of Directors and Shareholders of Lindville Housing Co., Inc. and are not intended to be and should not be used by anyone other than these specified parties.

April 01, 2024 for Historical Statements

Marin & Montanye LLP

August 15, 2023 for Forecasted Statements

LINDVILLE HOUSING CO., INC.

SUPPORTING SCHEDULE – OPERATING EXPENSES

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ADMINISTRATIVE EXPENSES</u>	<u>Schedule 1</u>	
Management fee	\$ 46,598	\$ 44,805
Professional fees	49,539	17,040
Consultants	4,247	6,478
Telephone	6,562	9,066
Bad debt	103,295	56,857
Miscellaneous administrative	27,790	33,111
Insurance	<u>106,660</u>	<u>97,515</u>
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>\$ 344,691</u>	<u>\$ 264,872</u>
<u>OPERATING EXPENSES</u>	<u>Schedule 2</u>	
Gas heat	\$ 205,362	\$ 182,945
Electricity and gas cooking	75,952	69,096
Water and sewer charges	151,431	112,416
Security	172,640	-
Payroll	137,848	129,576
Payroll taxes	12,520	10,674
Payroll insurance	6,309	4,197
Employee benefits	52,622	65,006
Permits and miscellaneous operating	<u>1,624</u>	<u>3,607</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 816,308</u>	<u>\$ 577,517</u>
<u>MAINTENANCE EXPENSES</u>	<u>Schedule 3</u>	
Heating repairs	\$ 27,661	\$ 17,919
Plumbing repairs	202,543	31,749
Electrical repairs	3,732	2,880
Grounds	4,344	7,437
Supplies	34,199	31,305
Elevator maintenance and repairs	18,053	15,791
Exterminating	8,733	4,491
Special repairs – apartment renovations	22,297	-
Miscellaneous maintenance and repairs	37,918	94,702
Less: Tenant repairs reimbursements	<u>(37,422)</u>	<u>(22,081)</u>
<u>TOTAL MAINTENANCE EXPENSES</u>	<u>\$ 322,058</u>	<u>\$ 184,193</u>
<u>TAXES</u>	<u>Schedule 4</u>	
New York City real estate taxes	<u>\$ 141,563</u>	<u>\$ 153,290</u>
<u>TOTAL TAXES</u>	<u>\$ 141,563</u>	<u>\$ 153,290</u>

LINDVILLE HOUSING CO., INC.

SUPPORTING SCHEDULES - OPERATING EXPENSES

For The Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>FINANCIAL EXPENSES</u>		<u>Schedule 5</u>
Interest on mortgage payable – (includes amortized debt issuance costs)	\$ 171,034	\$ 175,139
Interest on loan payable – (includes amortized debt issuance costs)	<u>4,961</u>	<u>5,126</u>
<u>TOTAL FINANCIAL EXPENSES</u>	<u>\$ 175,995</u>	<u>\$ 180,265</u>
<u>DEPRECIATION</u>		<u>Schedule 6</u>
Building improvements and equipment	<u>\$ 198,541</u>	<u>\$ 195,404</u>
<u>TOTAL DEPRECIATION</u>	<u>\$ 198,541</u>	<u>\$ 195,404</u>

LINDVILLE HOUSING CO., INC. **EXHIBIT E**
COMPARATIVE SCHEDULE OF INCOME AND EXPENDITURES – BUDGET, HISTORICAL AND FORECAST
Years Ended June 30, 2023, 2022 (Historical) and Year Ending June 30, 2024 (Forecasted)

	2023		2022	2024
	Budget	Actual	Actual	Forecast
	Unaudited			
<u>INCOME</u>				
Maintenance charges	\$ 1,728,017	\$ 1,728,017	\$ 1,728,017	\$ 1,728,017
Less: Vacancy loss	(38,000)	(110,999)	(29,896)	(111,000)
Surcharges	65,000	72,047	65,922	72,000
Parking	45,000	43,654	44,712	43,650
Antenna	47,100	50,038	46,009	51,000
Laundry	14,400	14,400	14,400	14,400
Interest	4,500	23,107	4,667	4,500
Miscellaneous	7,600	9,444	10,748	3,500
<u>TOTAL INCOME</u>	<u>1,873,617</u>	<u>1,829,708</u>	<u>1,884,579</u>	<u>1,806,067</u>
<u>EXPENDITURES</u>				
Management fees	44,800	46,598	44,805	48,000
Professional fees	23,000	49,539	17,040	23,000
Consultant	6,500	4,247	6,478	9,900
Telephone	9,250	6,562	9,066	7,000
Bad debt	-	103,295	56,857	-
Miscellaneous administrative	36,000	27,790	33,111	36,000
Insurance	106,600	112,969	101,712	112,000
Fuel oil and gas heat	201,200	205,362	182,945	229,400
Electricity and gas cooking	76,800	75,952	69,096	91,200
Water and sewer charges	117,900	151,431	112,416	189,000
Security	-	172,640	-	167,000
Payroll	146,000	137,848	129,576	144,000
Payroll taxes	13,100	12,520	10,674	12,900
Employee benefits	60,000	52,622	65,006	60,000
Permits and miscellaneous operating	8,000	1,624	3,607	8,000
Elevator maintenance and repairs	18,600	18,053	15,791	18,600
Exterminating	4,700	8,733	4,491	7,700
Supplies	40,000	34,199	31,305	40,000
Plumbing and heating repairs	56,000	230,204	49,668	75,000
Repairs and maintenance	70,000	30,869	82,938	70,000
New York City real estate taxes	155,370	141,563	153,290	149,900
Mortgage interest and amortization (1)	265,080	264,729	264,749	265,000
Loan interest and amortization (1)	21,325	21,313	21,310	21,325
Allocation to replacement reserve	43,600	43,586	43,586	43,600
Allocation to reserve	120,000	120,000	120,000	120,000
<u>TOTAL EXPENDITURES</u>	<u>1,643,825</u>	<u>2,074,248</u>	<u>1,629,517</u>	<u>1,948,525</u>
<u>SURPLUS (DEFICIT) FROM OPERATIONS</u>	<u>\$ 229,792</u>	<u>\$ (244,540)</u>	<u>\$ 255,062</u>	<u>\$ (142,458)</u>

(1) Does not include amortized debt issuance costs.

LINDVILLE HOUSING CO., INC.

YEAR ENDING JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

- NOTE A: The financial forecast presents, to the best of management's knowledge and belief, the company's expected results of operations for the forecast period. Accordingly, the forecast reflects its judgment, as of August 15, 2023, date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. 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.
- NOTE B: Basis of Accounting - The accompanying forecast is presented using the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.
- NOTE C: Income Tax - The Corporation is subject to Federal income tax based on net income. The Corporation is not subject to New York State franchise tax and New York City corporation tax.
- NOTE D: Revenue - Maintenance charges have been computed based on \$144,001 per month.
- NOTE E: Expenses - Real estate taxes are computed based on shelter rent. Insurance costs reflect current rates in force. Actual results may be higher.
- NOTE F: Debt - The accompanying forecast assumes the following debt:
1. Mortgage Payable - Monthly payments of \$18,878 and \$3,212 representing payments of principal and interest at a rate of 6.0% and 1.0% per annum, respectively.
 2. Loan Payable - Monthly payments of \$1,777 representing payments of principal and interest at a rate of 1.0% per annum.