
ST. JAMES TOWERS, INC.

Financial Statements and
Supplementary Information for the
Years Ended June 30, 2021 and 2020

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

ST. JAMES TOWERS, INC.

Table Of Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	3
Supporting Schedules - Balance Sheets	5
Statements of Operations	6
Supporting Schedules - Statements of Operations	7
Statements of Changes in Stockholders' Equity	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Supplementary and Prospective Information:	19
Independent Accountant's Compilation Report on Supplementary and Prospective Information	20
Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast	21
Summary of Significant Accounting Policies and Forecast Assumptions	22



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
ST. JAMES TOWERS, INC.
21 St. James Place
Brooklyn, NY 11205

We have audited the accompanying financial statements of ST. JAMES TOWERS, INC., which comprise the balance sheets (with supporting schedules) as of June 30, 2021 and 2020, and the related statements of operations (with supporting schedules), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ST. JAMES TOWERS, INC. as of June 30, 2021 and 2020, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 2, ST. JAMES TOWERS, INC. has omitted the supplementary information on 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. 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.

Pisano, Mellin, Unterlack + Co., LLP

Plainview, New York
September 29, 2021

ST. JAMES TOWERS, INC.
BALANCE SHEETS
AS OF JUNE 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,175,623	\$ 2,123,975
Accounts receivable	160,526	143,287
Prepaid expenses	104,391	92,581
Total Current Assets	<u>2,440,540</u>	<u>2,359,843</u>
Funds: (Note 4)		
Reserve fund	856,834	743,027
First sale reserve fund	468,822	416,284
Capital assessment fund	11,402	51,120
Total Funds	<u>1,337,058</u>	<u>1,210,431</u>
Property and Improvements: (Notes 2 and 5)		
Land	347,350	347,350
Building	4,844,018	4,844,018
Building improvements and equipment	12,963,443	12,907,049
Total	18,154,811	18,098,417
Accumulated depreciation	<u>(10,917,864)</u>	<u>(10,570,793)</u>
Net Property and Improvements	<u>7,236,947</u>	<u>7,527,624</u>
Other Assets:		
Cash - application deposits	92,551	93,901
Total Assets	<u><u>\$ 11,107,096</u></u>	<u><u>\$ 11,191,799</u></u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
BALANCE SHEETS
AS OF JUNE 30,

	<u>2021</u>	<u>2020</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued loan interest	\$ 1,792	\$ 2,651
Loan payable - current portion (Note 6)	385,581	375,134
Accounts payable and accrued expenses	634,681	461,549
Equity and amortization payable	357,270	369,979
Stockholder abatements payable	198,820	181,964
Advance maintenance	61,398	82,980
Accrued wages and payroll taxes	13,843	11,062
Deferred laundry income - current portion (Note 7)	-	9,920
Total Current Liabilities	<u>1,653,385</u>	<u>1,495,239</u>
Long-Term and Other Liabilities:		
Loan payable - net of current portion (Note 6)	396,320	781,901
Application deposits payable	115,069	116,419
Security deposits payable	7,338	7,338
Total Long-Term and Other Liabilities	<u>518,727</u>	<u>905,658</u>
Total Liabilities	<u>2,172,112</u>	<u>2,400,897</u>
Stockholders' Equity:		
Common stock - \$29.10 par value, 72,148 shares authorized, issued and outstanding	2,099,507	2,099,507
Contributed capital (Note 8)	9,787,136	9,734,345
Accumulated deficit	(2,951,659)	(3,042,950)
Total Stockholders' Equity	<u>8,934,984</u>	<u>8,790,902</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 11,107,096</u></u>	<u><u>\$ 11,191,799</u></u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF JUNE 30,

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents:		
Operating account	\$ 262,186	\$ 229,559
Operating reserve	905,611	905,139
Self-controlled escrow (Note 3)	563,050	528,908
Equity and amortization account	365,918	379,707
Community room account	78,858	80,662
	<u> </u>	<u> </u>
Total Cash and Cash Equivalents	<u>\$ 2,175,623</u>	<u>\$ 2,123,975</u>
 Accounts Receivable:		
Stockholder maintenance and other fees (net of allowance for doubtful accounts of \$37,751 in 2021) (Note 2)	<u>\$ 160,526</u>	<u>\$ 143,287</u>
 Prepaid Expenses:		
Real estate tax	\$ 51,049	\$ 54,613
Insurance	50,763	37,252
Service contracts	2,579	716
	<u> </u>	<u> </u>
Total Prepaid Expenses	<u>\$ 104,391</u>	<u>\$ 92,581</u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
REVENUE		
Maintenance - Apartments (net of vacancies)	\$ 2,769,752	\$ 2,763,100
Surcharges	274,269	260,782
Utility chargebacks	242,554	244,060
Parking income	101,312	56,794
Air conditioners	89,100	90,420
Professional rent (Note 9)	88,083	88,083
Late and other fees	8,782	19,944
Storage fees	4,550	4,405
Interest and dividends	975	8,986
	<u>3,579,377</u>	<u>3,536,574</u>
TOTAL REVENUE		
COST OF OPERATIONS		
Administrative expenses	277,706	348,759
Operating expenses	2,245,193	2,152,528
Repairs and maintenance	710,092	760,319
Shelter rent tax (Note 11)	261,999	254,209
Loan interest (Note 6)	26,254	39,929
	<u>3,521,244</u>	<u>3,555,744</u>
TOTAL COST OF OPERATIONS		
Income (loss) from operations before other items and depreciation expense	58,133	(19,170)
Capital assessment (Note 5)	378,360	613,748
Laundry income (Note 7)	39,620	39,600
Bad debt expense (Note 2)	(37,751)	-
	<u>438,362</u>	<u>634,178</u>
INCOME BEFORE DEPRECIATION EXPENSE		
Depreciation expense	(347,071)	(349,409)
	<u>\$ 91,291</u>	<u>\$ 284,769</u>
Net Income For The Year		

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
Administrative Expenses:		
Management fee	\$ 162,000	\$ 162,000
Professional fees	67,973	140,884
Other administrative	40,766	38,403
Telephone and communications	6,967	7,472
	<u> </u>	<u> </u>
Total Administrative Expenses	<u>\$ 277,706</u>	<u>\$ 348,759</u>
Operating Expenses:		
Utilities		
Electricity and gas	\$ 453,752	\$ 419,041
Water and sewer	346,203	346,203
Gas - heat	242,262	220,253
	<u> </u>	<u> </u>
	1,042,217	985,497
	<u> </u>	<u> </u>
Payroll		
Wages	448,426	416,661
Union benefits (Note 10)	196,892	191,325
Payroll taxes	39,206	34,795
Workers' compensation and disability insurance	13,566	13,365
	<u> </u>	<u> </u>
	698,090	656,146
	<u> </u>	<u> </u>
Other		
Security services	324,785	329,272
Insurance	167,885	165,994
Miscellaneous operating and permits	12,216	15,619
	<u> </u>	<u> </u>
	504,886	510,885
	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$ 2,245,193</u>	<u>\$ 2,152,528</u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
Repairs and Maintenance:		
Painting, plastering, flooring and apartment renovation	\$ 189,893	\$ 149,549
Plumbing	171,713	197,594
Materials and supplies	117,591	126,655
Electrical	103,616	155,786
Equipment repairs and maintenance	45,019	31,816
Elevator contract and repairs	34,777	30,148
Grounds maintenance	33,993	63,646
Doors, locks and windows	24,491	25,418
Boiler, heating and water treatment	23,418	21,485
Water damage - net of insurance proceeds	19,737	-
Exterminating	11,303	11,513
Exterior	9,725	15,100
Uniforms	9,599	11,186
Stockholder chargebacks	(84,783)	(79,577)
	<u>\$ 710,092</u>	<u>\$ 760,319</u>
Depreciation Expense:		
Building improvements and equipment	<u>\$ 347,071</u>	<u>\$ 349,409</u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
COMMON STOCK		
Balance - Beginning of Year	\$ 2,099,507	\$ 2,099,507
Transactions during the year	<u>-</u>	<u>-</u>
Balance - June 30,	<u>\$ 2,099,507</u>	<u>\$ 2,099,507</u>
 CONTRIBUTED CAPITAL		
Balance - Beginning of Year	\$ 9,734,345	\$ 9,633,977
Transactions during the year (Note 8)	<u>52,791</u>	<u>100,368</u>
Balance - June 30,	<u>\$ 9,787,136</u>	<u>\$ 9,734,345</u>
 ACCUMULATED DEFICIT		
Balance - Beginning of Year	\$ (3,042,950)	\$ (3,327,719)
Net income for the year	<u>91,291</u>	<u>284,769</u>
Balance - June 30,	<u>\$ (2,951,659)</u>	<u>\$ (3,042,950)</u>

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 91,291	\$ 284,769
Adjustments to reconcile net income to cash provided by operating activities:		
Revenue allocated to financing activities	(378,360)	(613,748)
Depreciation expense	347,071	349,409
(Increase) in accounts receivable	(17,239)	(17,041)
(Increase) decrease in prepaid expenses	(11,810)	18,428
Increase in accounts payable and accrued expenses	173,132	252,551
(Decrease) increase in other current liabilities	(15,513)	117,045
(Decrease) in deferred laundry income	(9,920)	(39,600)
Total Adjustments	87,361	67,044
Cash Provided By Operating Activities	178,652	351,813
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in reserve fund	(113,807)	(114,721)
(Increase) in first sale reserve fund	(52,538)	(102,073)
Decrease (increase) in capital assessment fund	39,718	(51,120)
(Increase) in building improvements and equipment	(56,394)	(1,748,170)
Cash (Used) By Investing Activities	(183,021)	(2,016,084)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	1,522,005
Amortization of loan payable	(375,134)	(364,970)
Increase in contributed capital - first sale program	52,791	100,368
Capital assessment	378,360	613,748
Cash Provided By Financing Activities	56,017	1,871,151
Net increase in cash and cash equivalents	51,648	206,880
Cash and cash equivalents at beginning of year	2,123,975	1,917,095
Cash and Cash Equivalents at End of Year	<u>\$ 2,175,623</u>	<u>\$ 2,123,975</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 27,113	\$ 37,278
Income taxes paid - net of refunds	\$ -	\$ -

The accompanying notes are an integral part of this statement.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 1 - ORGANIZATION

ST. JAMES TOWERS, INC. (the "Corporation") is a cooperative housing corporation incorporated on July 26, 1961 pursuant to the New York State Private Housing Finance Law, Article 2 (Mitchell-Lama Program). The property, which consists of a building containing 326 residential units, one professional apartment, and a parking lot is located at 21 St. James Place, Brooklyn, New York. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

As of June 30, 2020, the Corporation had \$6,058 of investments in money market funds valued using Level 1 inputs. See Note 4 for additional information.

Property and Improvements

Property and improvements are stated at cost. The building has been fully depreciated. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from five to forty years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Major Repairs and Replacements

Consistent with general practice in New York City, the Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation, with the approval of the New York City Department of Housing Preservation and Development ("HPD"), may utilize available cash reserves and/or borrow, increase maintenance, impose assessments, or delay repairs and replacements until funds are available.

Revenue Recognition and Accounts Receivable

In accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, the Corporation recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

Stockholders 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 and assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the stockholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose assessments are unreasonably delinquent. Any excess assessments at year end are retained by the Corporation for use in future years. As of June 30, 2021 and 2020, the Corporation's accounts receivable from stockholders of \$160,526 and \$143,287, respectively, were stated net of an allowance for doubtful accounts of \$37,751 and \$0, respectively.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to capital assessments, which are accounted for as revenue for financial reporting purposes and as contributed capital for income tax purposes.

Statement of Cash Flows

The Corporation considers all highly liquid investments (not allocated to the funds) with a maturity of three months or less at the date of purchase to be cash equivalents.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 3 - SELF-CONTROLLED ESCROW

The Corporation deposits prorated monthly sums into an escrow account maintained by JPMorgan Chase Bank for the payment of shelter rent tax, insurance and water and sewer charges. As of June 30, 2021, the escrow account had a balance of \$563,050.

Note 4 - FUNDS

Reserve Fund

During the years ended June 30, 2021 and 2020, the following transactions have taken place in the Corporation's reserve fund.

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 743,027	\$ 628,306
Reserve funding at \$9,500 per month	114,000	114,000
Interest and dividends - net of service charges	(193)	721
Balance - June 30,	<u>\$ 856,834</u>	<u>\$ 743,027</u>

The reserve fund is invested as follows:

Merrill Lynch - Bank Deposit and Preferred Deposit Programs	\$ 856,834	\$ 736,969
Ready Asset Government Liquidity Fund	<u>-</u>	<u>6,058</u>
Balance - June 30,	<u>\$ 856,834</u>	<u>\$ 743,027</u>

First Sale Reserve Fund

During the years ended June 30, 2021 and 2020, the following transactions have taken place in the Corporation's first sale reserve fund.

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 416,284	\$ 314,211
Proceeds from first sale program (Note 8)	52,791	100,368
Interest income - net of service charges	(253)	1,705
Balance - June 30,	<u>\$ 468,822</u>	<u>\$ 416,284</u>

The first sale reserve fund is held in a JPMorgan Chase Bank money market account.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 4 - FUNDS (continued)

Capital Assessment Fund

During years ended June 30, 2021 and 2020, the following transactions have taken place in the Corporation's capital assessment fund.

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 51,120	\$ -
Capital assessment (Note 5)	391,101	613,748
Transfers (to) operating account primarily to pay for building improvements and equipment	(430,353)	(562,707)
Interest income - net of service charges	(466)	79
Balance - December 31,	<u>\$ 11,402</u>	<u>\$ 51,120</u>

The capital assessment fund is held in a JPMorgan Chase Bank money market account.

Note 5 - BUILDING IMPROVEMENTS AND EQUIPMENT AND CAPITAL ASSESSMENT

Building Improvements and Equipment

During the years ended June 30, 2021 and 2020, the Corporation capitalized the following building improvements and equipment.

	<u>2021</u>	<u>2020</u>
Exterior improvements	\$ 29,594	\$ -
Community room renovations	14,800	-
Playground renovations	12,000	-
Parking lot and driveway project	-	1,725,926
Lobby door upgrade	-	13,860
Elevator upgrades	-	8,384
Total	<u>\$ 56,394</u>	<u>\$ 1,748,170</u>

Capital Assessment

Effective July 1, 2019, the Corporation implemented a capital assessment of \$18.04 per share of stock, which will raise approximately \$1,300,000 to pay for a significant portion of the parking lot and driveway improvement project and cover the debt service on a construction loan obtained by the Corporation (Note 6). Stockholders had several payment options. The assessment could be paid in one installment or over twelve, twenty-four or thirty-six months. If the assessment is paid over twelve months, the total (including interest) will be \$18.22 per share. If the assessment is paid over twenty-four months, the total (including interest) will be \$18.40 per share. If the assessment is paid over thirty-six months, the total (including interest) will be \$18.58 per share. During the years ended June 30, 2021 and 2020, the Corporation recorded \$378,360 and \$613,748, respectively, from the capital assessment.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 6 - CONSTRUCTION LOAN PAYABLE

In order to finance a portion of the parking lot and driveway improvement project, the Corporation obtained an unsecured construction loan from Millennium Restoration Corp. in an original principal amount of \$1,522,005. Terms of the loan require monthly payments of \$33,521, applied first to interest at a rate of 2.75% per annum with the balance applied as a reduction of principal on a forty-eight month amortization schedule. The loan payments commenced on July 1, 2019. The loan is scheduled to mature on June 1, 2023. During the next two years ending June 30, the following principal payments are required.

Year Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 385,581
2023	396,320

Note 7 - DEFERRED LAUNDRY INCOME

During 2012, the Corporation entered into an eight year license agreement with Hercules Corp. for the sole and exclusive right and license to install, operate and maintain laundry equipment at the Premises. The estimated termination date of the agreement is October 1, 2020. Upon the execution of the license agreement, the Corporation received \$288,000 of consideration. This amount was initially recorded as deferred income and is being amortized over the life of the agreement.

During October 2017, Hercules Corp. and the Corporation entered into a modification of the license agreement and the Corporation received \$10,370 of consideration, which reflected the amount of increased licensing fees to be received by the Corporation over the remaining term of the agreement. This amount was initially recorded as deferred income and is being amortized over the remaining life of the agreement.

During 2020, the Corporation entered into a new license agreement with Hercules Corp. which provides for laundry income on a monthly basis and did not include any up-front consideration.

Note 8 - FIRST SALE PROGRAM

The Board of Directors, stockholders and HPD have previously approved a "first sale program". In connection with this program, all incoming stockholders are required to pay an additional 50% of the equity and amortization of the outgoing stockholders. These additional funds are deposited into the first sale reserve fund (Note 4). During the years ended June 30, 2021 and 2020, the Corporation recorded \$52,791 and \$100,368, respectively, of proceeds from the first sale program.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 9 - PROFESSIONAL RENT

The Corporation, as lessor, leases a professional apartment unit. The lease expires during the year ending June 30, 2027. During the next five years ending June 30, the Corporation's minimum contractual base rental income is estimated as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 90,725
2023	96,010
2024	96,010
2025	98,891
2026	104,651

Note 10 - UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement expires on April 20, 2022. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During the years ended June 30, 2021 and 2020, the Corporation contributed \$196,892 and \$191,325, respectively, to the Plan of which \$43,953 and \$42,497, 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 Pension Fund (Employer Identification Number 13-1879376, Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risks of participating in a multiemployer pension plan are 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 July 1, 2020, the Fund's most recently available certified zone status was "red". The Fund is considered to be in critical status for the plan year beginning July 1, 2020 and its actuary has determined that the Fund has an accumulated funding deficiency in its current plan year.

As part of the Fund's efforts to achieve yellow and/or green funding status, the Trustees of the Fund adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Incorporated and the SEIU Local 32BJ. The current union agreement (the "2018 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2021, the contribution rate was \$122.75 per week per employee. Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined and normally will not be calculated without a withdrawal from the Plan. The Corporation has no intention of withdrawing from the Plan.

ST. JAMES TOWERS, INC.

Notes to Financial Statements

Note 11 - REAL ESTATE TAXES

The Board of Estimate of the City of New York has granted the Corporation a partial abatement of real estate tax. It is required to pay real estate tax based on the "shelter rent formula" as defined.

Note 12 - CORPORATION TAXES

The Corporation is qualified to file its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant-cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the year ended June 30, 2021 is patronage income within the meaning of Subchapter T.

The Corporation is subject to Federal income tax based on net taxable income. For the year ended June 30, 2021, the Corporation had net income for financial reporting purposes. However, due to permanent reporting differences between financial and tax reporting (Note 2), the Corporation is not currently liable for Federal income tax.

As of June 30, 2021, the Corporation had approximately \$647,000 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through the year ended June 30, 2036, and approximately \$656,000 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are fully deductible against taxable income for the years ended June 30, 2020 and 2021 and are thereafter limited to 80% of the taxable income in any one tax period. Since the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

During the year ended June 30, 2021, the Corporation was exempt from New York State Franchise tax and New York City Corporation tax.

The Corporation's tax returns for all years since the year ended June 30, 2018 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 13 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's primary asset is a 326 unit apartment development. The Corporation's operations are concentrated in the multifamily real estate market, which is a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of HPD. Such administrative directives, rules and regulations are subject to change by HPD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 14 - CONCENTRATION OF CREDIT RISK

The Corporation maintains a portion of its cash and investments in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2021, the Corporation held approximately \$2,744,000 of cash in excess of federally insured limits. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

Notes to Financial Statements

Note 15 - STOCKHOLDER CHARGES AND SUBSEQUENT EVENT

Stockholder Charges

On June 22, 2021, HPD approved a parking fee increase of \$7.14 per spot effective July 1, 2022 and an air conditioner fee increase of \$2.00 per unit effective July 1, 2022.

Subsequent Event

Subsequent to year-end, on October 15, 2021, HPD approved maintenance increases of 5% effective November 1, 2021, 2.5% effective November 1, 2022 and 2.5% effective November 1, 2023.

Note 16 - CLAIMS OR LITIGATION

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation as of June 30, 2021 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 17 - CONTINGENCIES

During March 2020, a worldwide pandemic emerged which is known as the Coronavirus ("COVID-19"). COVID-19 has caused the New York metropolitan area to significantly curtail its economic and social activities. As of the date of issuance of the accompanying financial statements, the financial and operational impacts of COVID-19 on the Corporation, its stockholders and professional tenant were uncertain and cannot be reasonably estimated.

Note 18 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 29, 2021, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



Jayson Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
David V. Agoglia, CPA

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To the Board of Directors and Stockholders of
ST. JAMES TOWERS, INC.
21 St. James Place
Brooklyn, NY 11205

Our report on our audits of the basic financial statements of ST. JAMES TOWERS, INC. for the years ended June 30, 2021 and 2020 appears on Pages 1 and 2, and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have compiled the accompanying operating budget forecast of ST. JAMES TOWERS, INC. for the year ending June 30, 2022, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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 and circumstances occurring after the date of this report.

Prisand, Mellina, Unterlack + Co., LLP

Plainview, New York
September 29, 2021 for Historical Statements
October 15, 2021 for Forecast

ST. JAMES TOWERS, INC.

Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast

	For The Year		Prior Year	Next Year
	July 1, 2020 - June 30, 2021		July 1, 2019 - June 30, 2020	July 1, 2021 - June 30, 2022
	Budget	Actual	Actual	Forecast
	(Unaudited)			(Unaudited)
REVENUE				
Maintenance - Apartments	\$ 2,771,200	\$ 2,771,170	\$ 2,771,170	\$ 2,852,000
Less: vacancy loss	(10,000)	(1,418)	(8,070)	(10,000)
Surcharges	260,000	274,269	260,782	270,000
Utility chargebacks	242,000	242,554	244,060	250,200
Parking income	101,000	101,312	56,794	101,000
Air conditioners	92,000	89,100	90,420	92,000
Professional rent	88,100	88,083	88,083	96,000
Late and other fees	20,000	8,782	19,944	20,000
Storage fees	4,000	4,550	4,405	4,000
Interest and dividends	-	975	8,986	-
TOTAL REVENUE	3,568,300	3,579,377	3,536,574	3,675,200
EXPENDITURES				
Management fee	162,000	162,000	162,000	163,000
Professional fees	120,000	67,973	140,884	100,000
Other administrative and telephone	43,000	47,733	45,875	45,000
Electricity and gas	440,000	453,752	419,041	450,000
Water and sewer	359,000	346,203	346,203	366,000
Gas - heat	230,000	242,262	220,253	230,000
Wages and related expenses	675,000	698,090	656,146	710,000
Security services	335,000	324,785	329,272	342,000
Insurance	182,000	167,885	165,994	193,000
Miscellaneous operating and permits	20,000	12,216	15,619	20,000
Repairs and maintenance	750,000	710,092	760,319	750,000
Shelter rent tax	285,000	261,999	254,209	260,000
Capital reserve funding	114,000	114,000	114,000	114,000
TOTAL EXPENDITURES	3,715,000	3,608,990	3,629,815	3,743,000
Budgeted Deficit	<u>\$ (146,700)</u>			<u>\$ (67,800)</u>
OPERATING LOSS		(29,613)	(93,241)	
Capital assessment		378,360	613,748	
Reserve funding		114,000	114,000	
Laundry income		39,620	39,600	
Loan interest		(26,254)	(39,929)	
Bad debt expense		(37,751)	-	
INCOME BEFORE DEPRECIATION EXPENSE		<u>\$ 438,362</u>	<u>\$ 634,178</u>	

See Independent Accountant's Compilation Report and Summary of Significant Accounting Policies and Forecast Assumptions.

ST. JAMES TOWERS, INC.

Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending June 30, 2022

The operating budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, the forecast reflects management's judgment as of October 15, 2021, the 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 forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

FORECAST ASSUMPTIONS

Revenue

Maintenance charges have been computed based on an average of \$237,667 per month, which reflects a 5% increase effective November 1, 2021. Utility charges and surcharges are based upon prior experience. Parking income is based upon past experience. Professional rent is based upon the current lease terms. Other fees and income are based upon historical experience or contracts. Interest and dividends have not been forecast in order to be conservative.

Expenses

Payroll expenses and benefits are based upon a union contract and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies. Gas - heat reflects recent experience regarding consumption and price. Shelter rent tax is computed based on 10% of defined revenue less utility charges. Repairs and maintenance is based upon historical experience and expected maintenance requirements. Insurance reflects anticipated renewal premiums. Other expenses are based upon historical experience or contracts.

During the year ending June 30, 2022, the Corporation anticipates that \$114,000 will be transferred into the reserve fund.

Income Tax

The Corporation is subject to Federal income tax based on net taxable income. The Corporation is not subject to New York State Franchise tax and New York City Corporation tax.