
DAYTON TOWERS CORPORATION

Financial Statements and
Supplementary Information for the
Years Ended September 30, 2022 and 2021

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

DAYTON TOWERS CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
DAYTON TOWERS CORPORATION
8000 Shore Front Parkway
Rockaway Beach, NY 11693

Opinion

We have audited the accompanying financial statements of DAYTON TOWERS CORPORATION, which comprise the balance sheets (with supporting schedules) as of September 30, 2022 and 2021, and the related statements of revenues and expenses (with supporting schedules), changes in stockholders' deficiency, 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 DAYTON TOWERS CORPORATION as of September 30, 2022 and 2021, 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 DAYTON TOWERS CORPORATION 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 DAYTON TOWERS CORPORATION'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 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.

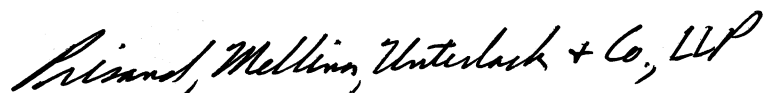
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 DAYTON TOWERS CORPORATION'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 DAYTON TOWERS CORPORATION'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 about Future Major Repairs and Replacements

As discussed in Note 2, DAYTON TOWERS CORPORATION has omitted the supplementary information on future 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, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Plainview, New York
November 21, 2022

DAYTON TOWERS CORPORATION
BALANCE SHEETS
AS OF SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,754,705	\$ 1,464,305
Accounts receivable	1,654,672	1,498,088
Prepaid expenses	1,345,013	1,153,245
Mortgage escrows (Note 3)	1,242,975	1,078,809
Total Current Assets	<u>5,997,365</u>	<u>5,194,447</u>
Funds: (Notes 2 and 4)		
Capital reserve fund	1,487,663	2,476,417
Operating reserve fund	1,963,112	1,957,600
Double equity reserve fund	1,139,378	959,133
Total Funds	<u>4,590,153</u>	<u>5,393,150</u>
Property and Improvements: (Notes 2 and 5)		
Land	4,942,061	4,942,061
Buildings	29,274,548	29,274,548
Building improvements and equipment	83,048,090	81,345,800
Total	117,264,699	115,562,409
Accumulated depreciation	<u>(72,300,453)</u>	<u>(68,995,519)</u>
Net Property and Improvements	<u>44,964,246</u>	<u>46,566,890</u>
Total Assets	<u><u>\$ 55,551,764</u></u>	<u><u>\$ 57,154,487</u></u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
BALANCE SHEETS
AS OF SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accrued mortgage interest	\$ 171,749	\$ 175,182
First mortgage payable - current portion (Note 6)	696,557	654,147
Disaster recovery loans payable - current portion (Note 6)	2,198,420	2,198,420
Accounts payable	2,981,132	1,454,991
Due to former cooperators - equity and amortization	636,419	219,436
Building improvements payable	396,728	370,703
Application deposits payable	381,450	394,950
Advance maintenance	209,367	163,671
Due to stockholders - STAR abatements	142,151	102,265
Total Current Liabilities	<u>7,813,973</u>	<u>5,733,765</u>
Long-Term and Other Liabilities:		
First mortgage payable - net of current portion (Note 6)	32,027,363	32,723,920
Second mortgage payable (Note 6)	24,196,596	24,196,596
Disaster recovery loans payable - net of current portion (Note 6)	7,060,767	9,259,187
Unamortized debt issuance costs (Note 2)	(1,358,095)	(1,499,285)
Net Long-Term Debt	61,926,631	64,680,418
Loan payable - Paycheck Protection Program (Note 7)	-	822,992
Net Long-Term and Other Liabilities	<u>61,926,631</u>	<u>65,503,410</u>
Total Liabilities	<u>69,740,604</u>	<u>71,237,175</u>
Stockholders' Deficiency:		
Common stock - \$10 par value, 623,376 shares authorized and issued	6,233,760	6,233,760
Contributed capital	12,664,271	12,406,337
Accumulated deficit	(33,034,088)	(32,670,002)
Treasury stock (Note 8)	(52,783)	(52,783)
Total Stockholders' Deficiency	<u>(14,188,840)</u>	<u>(14,082,688)</u>
Total Liabilities and Stockholders' Deficiency	<u><u>\$ 55,551,764</u></u>	<u><u>\$ 57,154,487</u></u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents:		
Checking Accounts:		
Operating accounts - JPMorgan Chase Bank/Signature Bank	\$ 331,593	\$ 189,142
Equity account - JPMorgan Chase Bank	917,579	720,976
Community accounts - JPMorgan Chase Bank	14,414	68,698
	<u>1,263,586</u>	<u>978,816</u>
Money Market and Passbook Savings Accounts:		
Community accounts - JPMorgan Chase Bank	286,740	281,725
Community account - BCB Community Bank	204,379	203,764
	<u>491,119</u>	<u>485,489</u>
Total Cash and Cash Equivalents	<u>\$ 1,754,705</u>	<u>\$ 1,464,305</u>
Accounts Receivable:		
Maintenance - Apartments (net of allowance for doubtful accounts of \$283,393 in 2022 and \$199,914 in 2021) (Note 2)	\$ 1,627,974	\$ 1,382,918
Commercial rent (Notes 2 and 9)	26,698	17,841
Construction deposit	-	84,334
Insurance proceeds	-	12,995
Total Accounts Receivable	<u>\$ 1,654,672</u>	<u>\$ 1,498,088</u>
Prepaid Expenses:		
Insurance	\$ 892,903	\$ 683,053
Real estate tax	279,349	282,289
Supplies inventory	112,000	138,320
Fuel	60,761	49,583
Total Prepaid Expenses	<u>\$ 1,345,013</u>	<u>\$ 1,153,245</u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
REVENUES		
Maintenance - Apartments (Note 15)	\$ 17,490,453	\$ 17,146,316
Surcharges	876,763	843,339
Parking income	451,381	451,752
Air conditioners	359,930	369,450
Laundry income	327,504	213,805
Administrative, late and other stockholder fees	153,624	213,771
Pool fees	148,288	131,366
Commercial and professional rental income (Note 9)	113,535	129,094
Energy assessment (Note 15)	74,454	-
Antenna income (Note 9)	29,120	26,000
Interest and dividends	17,945	44,943
Total Revenues	<u>20,042,997</u>	<u>19,569,836</u>
EXPENSES		
Administrative expenses	1,083,676	1,045,023
Operating expenses	13,410,978	12,154,668
Repairs and maintenance	2,635,340	2,458,363
Financial expenses	2,221,272	2,261,309
New York City shelter rent real estate tax (Note 10)	1,093,930	1,091,950
Total Expenses	<u>20,445,196</u>	<u>19,011,313</u>
Operating (loss) income before other items and depreciation expense	(402,199)	558,523
Amortization of disaster recovery loans to income (Note 6)	2,198,420	2,198,420
Forgiveness of Paycheck Protection Program loan (Note 7)	822,992	-
Water and sewer credits	438,000	438,000
Bad debt expense (Note 2)	(116,365)	(124,221)
INCOME BEFORE DEPRECIATION EXPENSE	2,940,848	3,070,722
Depreciation expense	(3,304,934)	(3,567,786)
Net Loss For The Year	<u><u>\$ (364,086)</u></u>	<u><u>\$ (497,064)</u></u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
Administrative Expenses:		
Management fee (Note 16)	\$ 762,900	\$ 744,000
Professional fees	173,542	143,063
Office and administrative expenses	103,602	109,903
Telephone and communications	43,632	48,057
	<u> </u>	<u> </u>
Total Administrative Expenses	\$ 1,083,676	\$ 1,045,023
	<u> </u>	<u> </u>
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 2,065,995	\$ 1,817,894
Fuel and gas - heat	1,977,330	1,531,025
Water and sewer	1,587,957	1,465,365
	<u> </u>	<u> </u>
	5,631,282	4,814,284
	<u> </u>	<u> </u>
Payroll		
Wages	3,079,316	2,901,595
Union benefits (Note 11)	1,186,959	1,281,571
Workers' compensation and disability	267,076	253,027
Payroll taxes	260,996	244,374
	<u> </u>	<u> </u>
	4,794,347	4,680,567
	<u> </u>	<u> </u>
Other		
Insurance	1,796,339	1,489,174
Security	1,180,809	1,153,667
Permits and miscellaneous operating	8,201	16,976
	<u> </u>	<u> </u>
	2,985,349	2,659,817
	<u> </u>	<u> </u>
Total Operating Expenses	\$ 13,410,978	\$ 12,154,668
	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 623,603	\$ 555,336
Materials and supplies	592,240	664,056
Painting, plastering and flooring	308,856	218,288
Electrical and equipment	260,565	185,235
Pool contract	250,598	237,300
Grounds	185,363	133,590
Heating and water treatment service	177,794	135,416
Plumbing	105,213	167,786
Doors, locks, windows and screens	94,760	30,382
Intercom and antenna	79,894	74,832
Exterminating	78,390	84,977
Pool repairs and supplies	73,732	34,798
Uniforms	12,173	13,676
Stockholder reimbursements	(207,841)	(77,309)
	<u>\$ 2,635,340</u>	<u>\$ 2,458,363</u>
Financial Expenses:		
First mortgage interest (Note 6)	\$ 2,080,082	\$ 2,120,119
Amortization of debt issuance costs (Note 2)	141,190	141,190
	<u>\$ 2,221,272</u>	<u>\$ 2,261,309</u>
Depreciation Expense:		
Building improvements and equipment	<u>\$ 3,304,934</u>	<u>\$ 3,567,786</u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2022</u>	<u>2021</u>
COMMON STOCK		
Balance - Beginning of Year	\$ 6,233,760	\$ 6,233,760
Transactions during the year	<u>-</u>	<u>-</u>
Balance - September 30,	<u>\$ 6,233,760</u>	<u>\$ 6,233,760</u>
CONTRIBUTED CAPITAL		
Balance - Beginning of Year	\$ 12,406,337	\$ 12,193,431
Contributed capital - double equity (Note 4)	<u>257,934</u>	<u>212,906</u>
Balance - September 30,	<u>\$ 12,664,271</u>	<u>\$ 12,406,337</u>
ACCUMULATED DEFICIT		
Balance - Beginning of Year	\$ (32,670,002)	\$ (32,172,938)
Net loss for the year	<u>(364,086)</u>	<u>(497,064)</u>
Balance - September 30,	<u>\$ (33,034,088)</u>	<u>\$ (32,670,002)</u>
TREASURY STOCK (NOTE 8)		
Balance - Beginning of Year (1,676 shares)	\$ (52,783)	\$ (52,783)
Transactions during the year	<u>-</u>	<u>-</u>
Balance - September 30, (1,676 shares)	<u>\$ (52,783)</u>	<u>\$ (52,783)</u>

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (364,086)	\$ (497,064)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation expense	3,304,934	3,567,786
Amortization of debt issuance costs	141,190	141,190
Forgiveness of Paycheck Protection Program loan	(822,992)	-
Revenue allocated to financing activities	(2,198,420)	(2,198,420)
(Increase) in accounts receivable	(156,584)	(11,590)
(Increase) in prepaid expenses	(191,768)	(26,132)
(Increase) decrease in mortgage escrows	(164,166)	212,803
Increase (decrease) in accounts payable	1,526,141	(1,227,523)
Increase in other current liabilities	499,132	179,865
Net change in application deposits transactions	(13,500)	(13,200)
Total Adjustments	1,923,967	624,779
Cash Provided By Operating Activities	1,559,881	127,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) decrease in reserve funds	802,997	(1,449,661)
(Increase) in building improvements and equipment	(1,702,290)	(117,113)
Increase (decrease) in building improvements payable	26,025	(75,000)
Cash (Used) By Investing Activities	(873,268)	(1,641,774)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of first mortgage payable	(654,147)	(614,320)
Revenue from forgiveness of disaster recovery loans payable	2,198,420	2,198,420
Amortization of disaster recovery loans payable	(2,198,420)	(2,198,420)
Proceeds from Paycheck Protection Program loan	-	822,992
Increase in additional paid-in capital - double equity	257,934	212,906
Cash (Used) Provided By Financing Activities	(396,213)	421,578
Net increase (decrease) in cash and cash equivalents	290,400	(1,092,481)
Cash and cash equivalents at beginning of year	1,464,305	2,556,786
Cash and Cash Equivalents at End of Year	\$ 1,754,705	\$ 1,464,305
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 2,083,515	\$ 2,123,343
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of this statement.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 1 - ORGANIZATION

Dayton Towers Corporation (the "Corporation") began operations in March 1966 pursuant to the New York State Private Housing Finance Law, Article 2 (the "Mitchell-Lama Program"). The Corporation is a residential Cooperative Housing Corporation located in Rockaway Beach, New York. The Property is comprised of seven high-rise buildings containing 1,752 residential apartments, 1,167 parking spaces, one professional office unit and a shopping center. The primary purpose of the Corporation is to maintain and operate the common elements of the Property.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Improvements

Property and improvements are stated at cost. The residential buildings have been fully depreciated. Building improvements and equipment are depreciated on the straight-line method over estimated lives ranging from five to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

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 buildings 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 has the right, subject to New York City Department of Housing Preservation and Development ("HPD") approval, to utilize available cash reserves and/or borrow, increase maintenance, implement special assessments, or delay repairs and replacements until funds are available.

Debt Issuance Costs

In accordance with FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs related to a recognized debt liability are required to be presented in the accompanying balance sheets as a direct deduction from the carrying amount of the debt liability. Debt issuance costs are being amortized over the life of the related debt obligation on the straight-line basis. The amortization of debt issuance costs is reported as a financial expense in the Statements of Revenues and Expenses.

Revenue Recognition and Residential 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.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Residential Accounts Receivable (continued)

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. Based upon past experience and other factors, the Corporation's residential accounts receivable of \$1,627,974 and \$1,382,918 as of September 30, 2022 and 2021, respectively, were stated net of an allowance for doubtful accounts of \$283,393 and \$199,914, respectively.

Commercial and Professional Rents and Accounts Receivable

Accounts receivable at the balance sheet date represent past due amounts from commercial and professional tenants. As of September 30, 2022 and 2021, the Corporation's accounts receivable from commercial and professional tenants were \$26,698 and \$17,841, respectively. Based upon past experience and other factors, the Corporation considers all accounts receivable from commercial and professional tenants as of September 30, 2022 to be collectible. Accordingly, no allowance for doubtful accounts is required.

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 any portion of maintenance charges used for mortgage amortization, which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments (not allocated to the funds or the mortgage escrow accounts) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - MORTGAGE ESCROWS

The Corporation deposits prorated monthly sums into escrow accounts maintained by the New York City Housing Development Corporation ("HDC") for the payment of real estate taxes, water and sewer expense and insurance. As of September 30, 2022, the escrow accounts had a balance of \$1,242,975.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 4 - FUNDS AND SUBSEQUENT EVENT

Capital Reserve Fund

During the years ended September 30, 2022 and 2021, the following transactions have taken place in the Corporation's capital reserve fund.

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 2,476,417	\$ 2,004,799
Reserve contributions	446,532	446,532
Interest and dividends - net of bank charges	8,799	25,086
Transfers (to) operations to pay for building improvements	(1,444,085)	-
Balance - September 30,	<u>\$ 1,487,663</u>	<u>\$ 2,476,417</u>

The capital reserve fund is held by HDC and invested in U.S. Treasury Bills.

Pursuant to the terms of the first mortgage payable (Note 6), HDC requires the Corporation to make monthly contributions to the capital reserve fund.

Operating Reserve Fund

During the years ended September 30, 2022 and 2021, the following transactions have taken place in the Corporation's operating reserve fund.

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 1,957,600	\$ 1,938,593
Interest and dividends - net of bank charges	<u>5,512</u>	<u>19,007</u>
Balance - September 30,	<u>\$ 1,963,112</u>	<u>\$ 1,957,600</u>

The operating reserve fund is held by HDC and invested in U.S. Treasury Bills.

Pursuant to the terms of the first mortgage payable (Note 6), the Corporation is required to maintain a minimum operating reserve fund balance of \$1,752,000, which is equal to \$1,000 per apartment unit.

Double Equity Reserve Fund and Subsequent Event

The Board of Directors, stockholders and HPD have previously approved a "double equity program" which is utilized to provide funds to increase the Corporation's reserves. In connection with this program, all incoming stockholders are required to pay double the equity and amortization of the outgoing stockholder.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 4 - FUNDS AND SUBSEQUENT EVENT (continued)

Double Equity Reserve Fund and Subsequent Event (continued)

During the years ended September 30, 2022 and 2021, the following transactions have taken place in the Corporation's double equity reserve fund.

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 959,133	\$ 97
Double equity contributions - September 30, 2021	95,492	117,414
Double equity contributions - September 30, 2022	82,822	-
Interest and dividends - net of bank fees	1,931	(423)
Double equity contributions - September 30, 2020	-	282,707
Net transfers from operations	-	280,813
Double equity contributions - September 30, 2019	<u>-</u>	<u>278,525</u>
Balance - September 30,	<u>\$ 1,139,378</u>	<u>\$ 959,133</u>

The double equity reserve fund is held in a JPMorgan Chase Bank Money Market Account.

Subsequent to year end, during October 2022, the Corporation's managing agent transferred \$175,112 from the operating account to the double equity reserve fund. Available balances as of September 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Double Equity Reserve Fund Balance - September 30,	\$ 1,139,378	\$ 959,133
Double equity contributions - year ended September 30, 2022	175,112	-
Double equity contributions - year ended September 30, 2021	<u>-</u>	<u>95,492</u>
Double Equity Reserve Fund Available - September 30,	<u>\$ 1,314,490</u>	<u>\$ 1,054,625</u>

Note 5 - PROPERTY AND IMPROVEMENTS

During the years ended September 30, 2022 and 2021, the Corporation capitalized the following building improvements and equipment.

	<u>2022</u>	<u>2021</u>
Façade restoration (FISP)	\$ 1,600,909	\$ -
Pool upgrades	46,863	-
Sidewalk replacement	37,500	60,000
Equipment and general improvements	17,018	-
Laundry room fire sprinklers	-	72,298
Elevator upgrades	-	69,019
Parking lot improvements (contract adjustment)	<u>-</u>	<u>(84,204)</u>
Total	<u>\$ 1,702,290</u>	<u>\$ 117,113</u>

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 5 - PROPERTY AND IMPROVEMENTS (continued)

During the year ending September 30, 2023, the Corporation anticipates spending approximately \$15,000,000 on a facade restoration project required by New York City's facade inspection and safety program ("FISP") (formerly Local Law 11). This project is subject to change orders and professional fees as work progresses and will be paid for with proceeds from an additional loan from HDC.

Note 6 - LONG-TERM DEBT

First Mortgage Payable

The first mortgage payable, in the original principal amount of \$36,865,000, is held by HDC. It requires equal monthly payments of \$228,139, applied first to interest at a rate of 6.298% per annum with the balance as a reduction of principal based on a thirty-year amortization schedule. The loan is secured by the land and buildings owned by the Corporation. It is scheduled to mature on December 31, 2043, at which time the outstanding principal balance of approximately \$2,647,000 will be refinanced or extended.

During the next five years ending September 30, the principal payments required under the first mortgage payable are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 696,557
2024	741,715
2025	789,801
2026	841,005
2027	895,529

Second Mortgage Payable

The second mortgage payable, in the original principal amount of \$24,196,596, is held by HDC. The current interest rate is set at 0% per annum. Monthly payments are not required until December 31, 2043 at which time the entire outstanding loan balance will be due.

Disaster Recovery Loans Payable

On November 21, 2014, the Corporation entered into a disaster recovery loan payable, in the original principal amount of \$5,540,343, which is held by HDC. The purpose of the disaster recovery loan payable was to reimburse the Corporation for a portion of the damages incurred as a result of Hurricane Sandy. The loan's interest rate is 0% per annum and HDC will not require the Corporation to make monthly payments. The outstanding principal balance was amortized to income over a five-year period through the year ended September 30, 2020 and was forgiven.

On November 18, 2016, the Corporation entered into a second disaster recovery loan payable, in the original principal amount of \$21,459,000, which is held by HDC. On September 18, 2017, the Corporation entered into a third disaster recovery loan payable, in the original principal amount of \$1,058,300 which is held by HDC. During the year ended September 30, 2020, the Corporation drew \$75,000 from the disaster recovery loans payable. The second and third loan's interest rate is 0% per annum and HDC will not require the Corporation to make monthly payments. The outstanding principal balances on these loans are being amortized to income over ten-year periods through the years ended September 30, 2027 and 2030, respectively, and will be forgiven.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 6 - LONG-TERM DEBT (continued)

Disaster Recovery Loans Payable (continued)

As of September 30, 2022 and 2021, the disaster recovery loans had an outstanding balance of \$9,259,187 and \$11,457,607, respectively. During the next five years ending September 30, the principal balance to be forgiven by HDC will amortize as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 2,198,420
2024	2,198,420
2025	2,198,420
2026	2,198,420
2027	465,507

Note 7 - LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

On March 17, 2021, the Corporation received a \$822,992 loan under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses (as defined) of the qualifying business.

The loan principal and accrued interest are forgivable after twenty-four weeks from the date of the loan disbursement (the "Covered Period") as long as the Corporation uses the loan proceeds for eligible expenses including payroll, benefits, worker protection expenditures, rent and utilities that occur within the Covered Period, and maintains its payroll levels. Loan forgiveness must be requested within ten months of the end of the Covered Period and the amount of loan forgiveness will be reduced if the Corporation terminates employees or reduces salaries during the Covered Period.

During the years ended September 30, 2022 and 2021, the Corporation used the loan proceeds for purposes consistent with the PPP. On March 18, 2022, the Corporation's PPP loan of \$822,992 was forgiven in full by the Small Business Administration.

Note 8 - TREASURY STOCK

As of September 30, 2022, the Corporation held 1,676 shares of treasury stock appurtenant to four apartments at a cost of \$52,783. These units are currently being used as residences for the Corporation's superintendents.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 9 - COMMERCIAL, PROFESSIONAL AND ANTENNA INCOME

Commercial and Professional Income

The Corporation, as lessor under one commercial lease and one professional unit lease (currently operating as a month to month lease, which is excluded below) is scheduled to receive minimum contractual base rent over each of the next five years as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 114,266
2024	116,923
2025	116,923
2026	116,923
2027	116,923

Antenna Income

The Corporation currently leases a portion of its roof space to Verizon Wireless (the "Lessee") for telecommunications equipment. The initial lease term was for a five-year period which ended in December 2021. During December 2021, the Lessee exercised the first five-year renewal option which extended the lease until December 2026. The Lessee has the option to renew the lease for two additional five-year terms. The current base rent is \$29,120 per annum.

Note 10 - NEW YORK CITY SHELTER RENT REAL ESTATE TAX

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

The Corporation is also the recipient of three real estate tax abatements under the New York City Tax Incentive and Abatement Program (referred to as the J-51 program). Current benefits are \$354,866 per annum. J-51 benefits are expected to be realized through the year ending September 30, 2027.

Note 11 - UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ or the International Union of Operating Engineers ("IUOE") Local 30, which are covered by union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plans (the "Plans"). The Corporation makes contributions to the Plans based on the number of weeks worked by each employee covered under the union contracts.

Contributions to the pension plans 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.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 11 - UNION BENEFITS (continued)

In accordance with the Pension Protection Act of 2006, each pension plan 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, 2021, the Building Service 32BJ Pension Fund's (the "32BJ Fund") most recently available certified zone status was "yellow". However, the 32BJ Fund is considered to be in "critical status" for the plan year beginning July 1, 2021 since its actuary has determined that the 32BJ Fund will have a funding deficiency in its current plan year.

As part of the 32BJ Fund's efforts to improve its funding situation, the Trustees of the 32BJ Fund previously adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Inc. and the SEIU Local 32BJ. The current union agreement (the "2022 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2022, the contribution rate was \$126.75 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.

As of January 1, 2022, the IUOE Local 30 Pension Fund's most recently available certified zone status was "green." The Corporation has no intention of withdrawing from the plan.

<u>Pension Fund</u>	<u>EIN Number</u>	<u>Plan Number</u>	<u>Pension Protection Act Zone Status</u>	<u>FIP/RP Status Pending/ Implemented</u>	<u>Contribution by the Corporation</u>	<u>Expiration Date of Collective-Bargaining Agreement</u>
Building Service 32BJ Pension Fund	13-1879376	001	Yellow as of 7/1/21	Yes	\$ 261,825	4/20/26
IUOE Local 30 Pension Fund	51-6045848	001	Green as of 1/1/22	No	\$ 17,407	6/30/23

The Corporation's contributions to the Plans were less than 5% of each plan's total contributions.

Note 12 - CORPORATION INCOME TAXES

The Corporation is qualified to file its Federal tax return 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 September 30, 2022 is patronage income within the meaning of Subchapter T.

For the year ended September 30, 2022, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of September 30, 2022, the Corporation had approximately \$16,095,000 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through the year ending September 30, 2038, and approximately \$4,557,200 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are limited to 80% of the Corporation's 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.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 12 - **CORPORATION INCOME TAXES** (continued)

The Corporation is a limited profit housing company and is 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 September 30, 2019 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 13 - **CONCENTRATION OF CREDIT RISK**

The Corporation maintains its cash in bank deposit accounts and money market accounts which, at times, may exceed federally insured limits. As of September 30, 2022, the Corporation held approximately \$2,721,600 of cash in excess of federally insured limits. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

Note 14 - **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Corporation's primary asset is a 1,752 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 15 - **OTHER MATTERS**

Maintenance Increases

The Board of Directors and HPD have approved maintenance increases of 2% effective December 1, 2019, 2% effective December 1, 2020 and 2% effective December 1, 2021.

Energy Assessment

The Board of Directors and HPD have approved an energy assessment of approximately \$600,000, which is being billed to the stockholders over eight months from September 1, 2022 to April 30, 2023. During the year ended September 30, 2022, the Corporation billed \$74,454 of the assessment.

Note 16 - **MANAGEMENT FEES**

Effective September 1, 2020, the Corporation entered into a new management agreement with Metro Management Development Inc. During the years ended September 30, 2022 and 2021, the Corporation paid \$762,900 and \$744,000, respectively, of management fees to Metro Management Development Inc.

DAYTON TOWERS CORPORATION

Notes to Financial Statements

Note 17 - CLAIMS OR LITIGATION

From time to time, claims or litigation to which the Corporation is a party 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 September 30, 2022 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 18 - 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 commercial tenants were uncertain and cannot be reasonably estimated.

Note 19 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 21, 2022, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



Jayson Prisant, 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
DAYTON TOWERS CORPORATION
8000 Shore Front Parkway
Rockaway Beach, NY 11693

Our report on our audits of the basic financial statements of DAYTON TOWERS CORPORATION for the years ended September 30, 2022 and 2021 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 Revenues 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 DAYTON TOWERS CORPORATION for the year ending September 30, 2023, 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.

Prisant, Mellina, Unterlack & Co., LLP

Plainview, New York
November 21, 2022 for Historical Statements
November 21, 2022 for Forecast

DAYTON TOWERS CORPORATION

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

	For The Year		Prior Year	Next Year
	October 1, 2021 - September 30, 2022		October 1, 2020 - September 30, 2021	October 1, 2022 - September 30, 2023
	Budget	Actual	Actual	Forecast
	(Unaudited)			(Unaudited)
REVENUES				
Maintenance - Apartments (1)	\$ 17,491,000	\$ 17,490,453	\$ 17,146,316	\$ 17,547,800
Surcharges	768,000	876,763	843,339	880,000
Parking income	452,000	451,381	451,752	452,000
Air conditioners	370,000	359,930	369,450	360,000
Laundry income	330,000	327,504	213,805	327,500
Administrative, late and other stockholder fees	220,000	153,624	213,771	190,000
Pool fees	130,000	148,288	131,366	148,000
Commercial and professional rental income	130,000	113,535	129,094	116,900
Energy assessment	-	74,454	-	525,000
Antenna income	26,000	29,120	26,000	29,100
Interest and dividends	30,000	17,945	44,943	30,000
TOTAL REVENUES	19,947,000	20,042,997	19,569,836	20,606,300
EXPENDITURES				
Management fee	759,000	762,900	744,000	774,200
Professional fees	170,000	173,542	143,063	175,000
Office, administrative and telephone	160,000	147,234	157,960	168,000
Electricity and gas	1,850,000	2,065,995	1,817,894	2,200,000
Fuel and gas - heat	1,300,000	1,977,330	1,531,025	1,400,000
Water and sewer	1,495,000	1,587,957	1,465,365	1,600,000
Wages and related expenses	4,821,000	4,794,347	4,680,567	5,012,000
Insurance	1,600,000	1,796,339	1,489,174	1,900,000
Security	1,177,000	1,180,809	1,153,667	1,200,000
Permits and miscellaneous operating	30,800	8,201	16,976	31,000
Repairs and maintenance	2,300,000	2,635,340	2,458,363	2,500,000
First mortgage interest and amortization	2,737,700	2,734,229	2,734,439	2,734,500
New York City shelter rent real estate tax	1,100,000	1,093,930	1,091,950	1,200,000
Capital reserve funding	446,500	446,532	446,532	446,500
TOTAL EXPENDITURES	19,947,000	21,404,685	19,930,975	21,341,200
Budgeted Surplus (Deficit)	<u>\$ -</u>			<u>\$ (734,900)</u>
LOSS FROM OPERATIONS		(1,361,688)	(361,139)	
Amortization of disaster recovery loans to income		2,198,420	2,198,420	
Forgiveness of Paycheck Protection Program loan		822,992	-	
First mortgage amortization		654,147	614,320	
Capital reserve funding		446,532	446,532	
Water and sewer credits		438,000	438,000	
Amortization of debt issuance costs		(141,190)	(141,190)	
Bad debt expense		(116,365)	(124,221)	
INCOME BEFORE DEPRECIATION EXPENSE		<u>\$ 2,940,848</u>	<u>\$ 3,070,722</u>	

(1) Maintenance has been increased by 2% effective December 1, 2019, 2% effective December 1, 2020 and 2% effective December 1, 2021.

(2) The Corporation had accounts payable of \$1,454,991 as of September 30, 2021 and \$2,981,132 as of September 30, 2022.

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

DAYTON TOWERS CORPORATION

Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending September 30, 2023

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 November 21, 2022, 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

Revenues

Maintenance charges have been computed based on \$1,462,317 per month (net of treasury stock maintenance), which was last increased by 2% effective December 1, 2021. Commercial and professional rent is based on current lease terms. Air conditioners and parking income are based upon past experience. Surcharges and pool fees are based upon prior experience. Laundry income is based upon a contract. An energy assessment of approximately \$75,000 per month is anticipated from October 1, 2022 through April 30, 2023. Other fees and income are based upon historical experience.

Expenditures

Payroll expenses and benefits are based upon two union contracts and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies. Fuel and gas - heat reflects recent experience regarding consumption and price. Real estate tax is computed based on New York City's shelter rent tax formula as defined. Debt service is based upon the payments required by the Corporation's outstanding first mortgage payable. 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. It is anticipated that the Corporation will make contributions to the reserve fund as required by the mortgage lender.

Income Tax

The Corporation is subject to Federal income tax based on its net taxable income. The Corporation is exempt from New York State Franchise tax and New York City Corporation tax.