
VILLAGE EAST TOWERS, INC.
FINANCIAL STATEMENTS FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

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FINANCIAL STATEMENTS REPORT

Independent Auditors' Report

To the Board of Directors and Shareholders of
Village East Towers, Inc.

Opinion

We have audited the financial statements of Village East Towers, Inc., which comprise the balance sheet as of June 30, 2023 and 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village East Towers, Inc. as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis For Opinion

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

Responsibilities Of Management For The Financial Statements

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

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

Auditor's Responsibilities For The Audit Of The Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village East Towers, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village East Towers, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

The Corporation has not presented the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the omission of this supplementary information.

Rosa & Associates

ROSA & ASSOCIATES, CPA's, PLLC
Jericho, New York
September 7, 2023

VILLAGE EAST TOWERS, INC.
BALANCE SHEET AND CHANGES IN STOCKHOLDERS' EQUITY
JUNE 30, 2023 AND JUNE 30, 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 3)	\$ 695,250	\$ 919,324
Tenants' accounts receivable	543,964	520,212
Provision for uncollectible account (Note 2g)	(280,109)	(227,325)
Tenants equity increase receivable	7,893	7,893
Commercial income receivable	28,014	117,839
Mortgage escrow account	609,459	397,805
Prepaid expenses (Note 4)	<u>354,646</u>	<u>221,799</u>
Total Current Assets	1,959,117	1,957,547
Cash - reserve fund (Note 12a & 12b)	1,258,047	1,808,115
Property and equipment (Note 5)	<u>16,015,547</u>	<u>16,051,178</u>
Total Assets	<u>\$ 19,232,711</u>	<u>\$ 19,816,840</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses (Note 6)	\$ 2,160,814	\$ 1,826,300
Amortization due within one year	<u>\$ 134,100</u>	<u>\$ 128,600</u>
Total Current Liabilities	<u>2,294,914</u>	<u>1,954,900</u>
Long-Term Liabilities		
Mortgage and Loan payable (Note 8)	<u>18,757,841</u>	<u>19,830,101</u>
Total Liabilities	<u>21,052,755</u>	<u>21,785,001</u>
STOCKHOLDERS' EQUITY		
Capital stock - common	6,853,583	6,638,067
Capital contributions	5,362,171	5,362,171
Deficit	<u>(14,035,798)</u>	<u>(13,968,399)</u>
Total Stockholders' Equity	<u>(1,820,044)</u>	<u>(1,968,161)</u>
Total Liabilities and Stockholder's Equity	<u>\$ 19,232,711</u>	<u>\$ 19,816,840</u>

VILLAGE EAST TOWERS, INC.
COMPARATIVE STATEMENT OF DEFICIT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

	2023	2022
Accumulated deficit - beginning	\$ (13,968,399)	\$ (13,967,707)
Net (loss)	<u>(67,399)</u>	<u>(692)</u>
	(14,035,798)	(13,968,399)
Accumulated deficit - end	<u>\$ (14,035,798)</u>	<u>\$ (13,968,399)</u>

VILLAGE EAST TOWERS, INC.
COMPARATIVE STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

	2023	2022
Income		
Rental Income		
Maintenance charges (Note 7)	\$ 3,993,111	\$ 3,684,936
Vacancy loss	(87,096)	(90,185)
Commercial rent (Note 20)	381,642	495,759
Allowance for uncollectible account (Note 2g)	(52,784)	(167,562)
Special assessments capital (Note 17)	74,171	90,080
Utilities	743,917	679,515
Energy Assessment	66,650	-
Parking income	<u>319,262</u>	<u>263,340</u>
Total Rental Income	<u>5,438,873</u>	<u>4,955,883</u>
Other Income		
Interest income	\$ 58,319	\$ 15,826
Air conditioners	132,581	98,180
Laundry	54,000	54,000
Surcharge income	256,857	232,041
Storage income	43,986	30,342
Miscellaneous income	71,545	27,423
Miscellaneous income - prior year adjustment	<u>-</u>	<u>(13,667)</u>
Total Other Income	<u>617,288</u>	<u>444,145</u>
Total Income	<u>6,056,161</u>	<u>5,400,028</u>
Cost of Operations (See supporting schedules)		
Administrative Expenses	\$ 460,614	\$ 523,312
Operating Expenses	3,763,995	3,274,508
Maintenance Expenses	712,120	786,493
Taxes and Insurance	953,404	818,101
Financial expense	<u>273,952</u>	<u>278,429</u>
Total Cost of Operations	<u>6,164,085</u>	<u>5,680,843</u>
INCOME OR (LOSS) BEFORE DEPRECIATION AND SPECIAL ITEMS	(107,924)	(280,815)
Depreciation and Amortization (See supporting schedule)	(912,720)	(894,222)
Forgiveness of indebtedness (Note 8a & 8b)	953,245	953,245
Gain on extinguishment of debt	<u>-</u>	<u>221,100</u>
Net (Loss)	<u>\$ (67,399)</u>	<u>\$ (692)</u>

VILLAGE EAST TOWERS, INC.
SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

	2023	2022
Schedule of Administrative Expenses		
Management fee	\$ 270,049	\$ 259,664
Legal	71,246	85,071
Accounting	26,796	26,796
Office and administrative	92,523	151,781
Total Schedule of Administrative Expenses	<u>\$ 460,614</u>	<u>\$ 523,312</u>
 Schedule of Operating Expenses		
Steam	\$ 644,855	\$ 638,577
Cooking gas	22,877	37,883
Co-gen gas	123,370	60,801
Co-gen gas-prior year adjustment	121,048	-
Electricity	629,423	499,326
Payroll	891,098	783,474
Water meter charges	451,542	478,137
Pension and welfare	392,928	310,607
Welfare and pension-prior year audit	20,382	-
Security services	466,472	465,703
Total Schedule of Operating Expenses	<u>\$ 3,763,995</u>	<u>\$ 3,274,508</u>
 Schedule of Maintenance Expenses		
Maintenance supplies	\$ 108,348	\$ 133,818
Repairs and maintenance	124,571	98,163
Elevator maintenance	86,498	70,667
Plumbing repairs	141,156	133,402
Heating repairs	14,158	4,350
Consultant fees	23,615	21,830
Landscaping	14,499	40,306
Painting and plastering	6,120	42,957
Apartment restoration	14,225	163,100
Miscellaneous maintenance contacts	94,201	85,702
Tenant charges	(12,923)	(7,802)
	614,468	786,493
Extraordinary repairs insulation project	97,652	-
Total Schedule of Maintenance Expenses	<u>\$ 712,120</u>	<u>\$ 786,493</u>

VILLAGE EAST TOWERS, INC.
SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

	2023	2022
Schedule of Taxes and Insurance		
New York City real estate tax	\$ 308,791	\$ 312,225
Payroll taxes	72,237	63,671
Insurance	<u>572,376</u>	<u>442,205</u>
Total Schedule of Taxes and Insurance	<u>\$ 953,404</u>	<u>\$ 818,101</u>
Schedule of Financial expense		
Interest on mortgage	\$ 241,014	\$ 244,429
Interest-8A loan	19,967	21,029
Interest-debt issuance costs amortized	<u>12,971</u>	<u>12,971</u>
Total Schedule of Financial expense	<u>\$ 273,952</u>	<u>\$ 278,429</u>
Schedule of Depreciation and Amortization		
Depreciation expense-bldg. improvements	\$ 890,846	\$ 871,091
Depreciation expense-bldg. equipment	<u>21,874</u>	<u>23,131</u>
Total Schedule of Depreciation and Amortization	<u>\$ 912,720</u>	<u>\$ 894,222</u>

VILLAGE EAST TOWERS, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	\$ (67,399)	\$ (692)
Noncash items included in Net (Loss) :		
Depreciation and Amortization	925,691	907,193
Forgiveness of indebtedness (Note 8a & 8b)	(953,245)	(953,245)
Changes in:		
Tenants' accounts receivable	29,033	172,762
Other receivable	89,825	(46,388)
Mortgage escrow account	(211,654)	(53,669)
Prepaid expenses	(132,847)	(1,868)
Accounts payable and accrued expenses	<u>334,512</u>	<u>213,612</u>
Total adjustments	<u>81,315</u>	<u>238,397</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>13,916</u></u>	<u><u>237,705</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Improvements (Note 13)	<u>(877,089)</u>	<u>(709,000)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u><u>\$ (877,089)</u></u>	<u><u>(709,000)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage amortization	(73,129)	(69,743)
Amortization-8A loan	(53,356)	(52,300)
CDBG loan advance	-	97,177
Proceeds of first sales	<u>215,516</u>	<u>265,342</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u><u>89,031</u></u>	<u><u>240,476</u></u>
NET (DECREASE) IN CASH	(774,142)	(230,819)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,727,439</u>	<u>2,958,258</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,953,297</u></u>	<u><u>\$ 2,727,439</u></u>
Supplemental disclosure of cash flow information		
Cash paid - mortgage interest	\$ 281,421	\$ 288,103

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

1. Nature of Organization

The Company was organized on April 26, 1966, pursuant to the Limited-Profit Housing Companies Law of the State of New York for the purpose of building and operating municipally aided middle-income cooperative apartment house in New York City.

2. Summary of Significant Accounting Policies

- a) The Financial Accounting Standards Board (FASB) issued new accounting guidance that created Topic 606, *Revenue from Contract with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The Corporation adopted the requirements of the new guidance as of January 1, 2021 with no adjustment to its financial statements for the year ended June 30, 2023 required.
- b) The Corporation adopted an accounting standard update which requires that the Corporation change the presentation of debt issuance costs on the Corporation's financial statements. Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Under the new method, debt issuance costs are presented as a reduction of long-term debt instead of being presented as an asset on the Corporation's balance sheet. Additionally, amortization of the debt issuance costs is reported as interest expense in the Statement of Operation on the Corporation's financial statements.
- c) Fixed assets are reflected at cost less accumulated depreciation. Depreciation on the building, improvements, and equipment are being charged to operations on a straight-line basis over the estimated useful lives:
- | | |
|-----------------------|--------------|
| Building | 50 Years |
| Building improvements | 5 – 29 Years |
| Equipment | 4 – 7 Years |
- d) Repairs, maintenance, and recurring replacements are charged to operations as incurred. Replacements which improve or extend the useful lives of properties are capitalized.

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

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

Maintenance and assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose assessments are unreasonably delinquent. Any excess assessments at year end are retained by the Corporation for use in future years.

- g) The Corporation has established an allowance for uncollectible prior tenants' assessments after application of the shareholders' available equity. At June 30, 2023, the accumulated allowance for uncollectible members' assessments is \$280,109, as determined by management.
- h) For the purpose of the statement of cash flows, the Corporation considers all highly liquid investments readily convertible into cash with a maturity of three months or less to be cash equivalents.
- i) The financial statements have been prepared in accordance with the U.S. generally accepted accounting principles on the accrual basis. The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Corporation has evaluated material events and transactions that occurred through September 7, 2023, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

3. Cash And Cash Equivalents

	<u>2023</u>	<u>2022</u>
JP Morgan Chase-operating account	\$ 10,321	\$ 83,012
JP Morgan Chase-reserve account	28,612	21,067
JP Morgan Chase-waiting list-2004	11,401	132,132
JP Morgan Chase-Equity account	513,057	571,854
Apple Bank-security deposit	131,359	110,759
Petty cash fund	500	500
	<u>\$ 695,250</u>	<u>\$ 919,324</u>

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

4. Prepaid Expenses

	<u>2023</u>	<u>2022</u>
Prepaid Co-gen gas	\$ 71,826	\$ -
Prepaid insurance	\$ 183,400	\$ 137,400
Prepaid real estate tax	99,420	84,399
	<u>\$ 354,646</u>	<u>\$ 221,799</u>

5. Property and Equipment

	Cost	Accumulated Depreciation	Book Value 2023	Book Value 2022
Land	\$ 64,265	\$ -	\$ 64,265	\$ 64,265
Building	9,732,300	(9,732,300)	-	-
Building improvements	26,170,841	(10,268,504)	15,902,337	15,916,094
Building equipment	253,861	(204,916)	48,945	70,819
	<u>\$36,221,267</u>	<u>\$(20,205,720)</u>	<u>\$16,015,547</u>	<u>\$16,051,178</u>

6. Accounts Payable And Accrued Expenses

	<u>2023</u>	<u>2022</u>
Accounts payable and accrued expenses	\$ 1,006,117	\$ 812,731
Accrued interest payable	21,574	21,955
Contracts payable	206,563	196,104
Apartment resale & applicants' deposit	659,406	558,862
Prepaid maintenance charges	85,845	75,939
Security deposit payable	181,309	160,709
	<u>\$ 2,160,814</u>	<u>\$ 1,826,300</u>

7. Maintenance Increases

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

1. An increase in carrying charge, including utilities, of 7% per room per month, effective November 1, 2021;
2. An increase in carrying charge, including utilities, of 9% per room per month, effective November 1, 2022;
3. An increase in carrying charge, including utilities, of 3% per room per month, effective November 1, 2023;

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

8. Long-Term Liabilities

	<u>2023</u>	<u>2022</u>
September 14, 2018, the Corporation refinanced the first mortgage held by the City of New York Housing Development Corporation. The corporation is subject to the regulatory requirements of the City of New York Housing Preservation and Development (HPD) and the City of New York Housing Development Corporation (HDC). The new first mortgage is in the principal amount of \$5,360,000. Interest is at the rate of 4.75% per annum. Monthly payments of \$26,202 are applied first to interest and the balance to principal. The mortgage matures on September 30, 2053 (the "Maturity Date"). A portion of the loan in the amount not to exceed \$2,026,358, shall be used to pay for eligible rehabilitation work. Principal payments on the mortgage note required to be made for each of the next five (5) years and thereafter are as follows (*see below). In connection with the mortgage refinancing, \$125,158 of refinancing costs are being capitalized and classified as net debt issuance cost in the financial statements. These costs are being amortized over 35 years, the term of the mortgage.	\$ 5,040,174	\$ 5,113,304
Second Mortgage The second mortgage is in the principal amount of \$7,882,246. No payments are required until its maturity on December 31, 2053. There is not interest accrued and due on this mortgage. The mortgage is collateralized by the land and building owned by the Corporation.	7,882,246	7,882,246

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

Loan payable

a) In March 2015, the Corporation borrowed \$369,568 from the City of New York - Housing Development Corporation. The loan shall bear no interest, and no payments of principal and interest during the period ending March 10, 2020 (the "Maturity Date"). On March 10, 2020, (the "maturity date"), the Corporation's obligation to repay the loan was deemed satisfied.

b) In December 2016, the New York City Housing Development Corporation made a loan to Village East Towers, Inc. pursuant to the Disaster Relief Appropriations Act 2013 and the CDBG-DR program. The principal sum advanced, up to the amount of \$9,950,000 which is the sum being provided under the CDBG-DR program, shall bear no interest and no payments of principal or interest shall be payable during the period ending June 30, 2018 (the "conversion date") except upon default as specified in the loan documents. On the conversion date, the CDBG-DR construction loan automatically became a permanent loan. During the ten-year term, the loan shall bear no interest, and no payments of principal or interest shall be payable during the period ending except upon default as specified in the loan documents. The permanent loan amount shall be reduced by one-tenth (1/10) of such amount on each anniversary of the conversion date. On June 30, 2028 (the "maturity date") the Corporation's obligation to repay the permanent loan shall be deemed satisfied provided that no default exists as specified in the loan document. As of June 30, 2023, the balance of the loan amounted to \$5,184,496. The loan includes \$80,038 for the payment of loan closing costs. These costs are being amortized over the life of the loan.

5,184,496 6,137,741

Article 8A Loan and Grant.

The City of New York made a loan to Village East Towers, Inc. In the amount of \$4,036,246, of which \$1,535,219 was in the form of a New York City Article 8A loan, and \$2,501,027 was in the form of a Federal Home Loan which was forgivable and had no debt service. This was in the form of a third mortgage. The purpose of these funds was to finance the windows, doors and garage improvements.

The repayable portion of \$1,535,219 bears interest at the rate of 2% per annum until July 1, 2009, and principal and interest is due for the next twenty-nine (29) years. The monthly payment is \$6,117.87. The payments commenced on July 1, 2010. The loan matures June 1, 2038.

973,953 1,027,309

19,080,869

20,160,600

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

Less: Net debt issuance costs	<u>(188,928)</u>	<u>(201,899)</u>
	18,891,941	19,958,701
Less: Amortization due within one year	<u>(134,100)</u>	<u>(128,600)</u>
	<u>\$ 18,757,841</u>	<u>\$ 19,830,101</u>

Principal payments on the mortgage note are required to be made for each of the next five years and thereafter are as follows:

Year ending June 30,	2024	\$ 76,600
	2025	80,000
	2026	83,500
	2027	90,400
	2028	97,600
	Thereafter	<u>4,612,074</u>
		<u>\$ 5,040,174</u>

As of June 2014, the home loan portion was considered repaid in full. Amortization payments are required as follows:

Year ending June 30,	2024	\$ 57,500
	2025	59,500
	2026	61,500
	2027	63,500
	2028	65,500
	Thereafter	<u>666,453</u>
		<u>\$ 973,953</u>

9. Article 8A Mortgage

On March 24, 2021 City of New York made a City Capital Loan to Village East Towers, Inc. in the amount of \$1,660,000 ("City Capital HPD Loan A") which shall be fully repayable at the expiration of the term to the extent of any outstanding principal balance and unpaid interest and other charges and bears interest at the rate of 1% per annum requiring monthly payments of principal and interest in the amount of \$5,359 and another loan in the amount of \$290,000 ("City Capital HPD Loan B") which will be forgiven at the end of the loan term provided there is no defaults and the project has met all applicable requirements.

The purpose of these loans is to finance capital repairs for the elevator modernization. Village East Towers, Inc. shall complete the work no later than 12 months from the closing date unless extended by HPD in its sole and absolute discretion.

The mortgage matures on March 24, 2052 ("the maturity date"). As of June 30, 2023 no amount has been drawn down. In connection with the loan \$41,777 of the financing cost was capitalized and classified as net debt issuance cost in the financial statements. These costs are being amortized over the 30 years life of the loan.

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

10. Stockholders' Capital

	<u>2023</u>	<u>2022</u>
127,656 common shares authorized and 127,656 shares issued at \$33.75 par value	\$ 4,308,390	\$ 4,308,390
Paid in capital re: excess of par value	<u>2,545,193</u>	<u>2,329,677</u>
Stockholders' Capital	<u>\$ 6,853,583</u>	<u>\$ 6,638,067</u>
Change in paid in capital:		
Opening balance	\$ 2,329,677	\$ 2,064,335
Proceed from first sale	<u>215,516</u>	<u>265,342</u>
Ending balance paid in capital	<u>\$ 2,545,193</u>	<u>\$ 2,329,677</u>

11. Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has conducted an Integrated Physical Needs Assessment Report, (IPNA), per the guidelines of the New York City Housing Development Corp (HDC),(HPD) and (HCR). In addition the Corporation is in the process of applying for a Capital Grant from New York City. When funds are required for major repairs and replacements, the Corporation plans to utilize available reserve funds, borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

12. Reserve Fund

a. Replacement Reserve Fund

Opening balance		\$ 1,599,971
Add:		
Net interest income	\$ 47,280	
\$4,333 per month		
	<u>52,000</u>	<u>99,280</u>
Held by NYC HDC		1,699,251
Less:		
Net transfer for building improvements	<u>(445,081)</u>	<u>(445,081)</u>
Ending Balance		<u>\$ 1,254,170</u>

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

b. First Sale Fund

Opening balance		\$ 208,144
Add:		
Net interest income	\$ 615	
Transfer to First sale capital account	184,826	
\$8,750 per month to reimburse for legal fees paid	<u>52,500</u>	<u>237,941</u>
		446,085
Less:		
Transfer to operating	(139,639)	
Net transfer for building improvements	<u>(302,569)</u>	<u>(442,208)</u>
Ending Balance		<u>\$ 3,877</u>

13. Capital Projects

Building improvements for the year ended June 30, 2023, amounted to \$877,089 and consisted of the following:

Façade restoration	\$ 502,891
Roof	21,305
Heat Exchanger	34,549
Doors	140,313
Elevator Modernization	71,230
House Tank/standpipe	53,400
Sidewalk	29,350
Extraordinary plumbing	<u>24,050</u>
	<u>\$ 877,089</u>

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

14. Corporation Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from nonpatronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The Corporation believes that all of its income is effectively patronage-sourced and/or expenses allocable to potential non-patronage sourced income would equal or exceed such income. Accordingly, no provision for taxes, if any, that could result from the application of Subchapter T to the Corporation's income has been reflected in the accompanying financial statements. The Corporation is exempt from New York State Franchise and New York City corporation taxes.

At June 30, 2023, the Corporation has approximately \$4,479,000, of net operating loss carryforwards for Federal income tax purposes which if not used against future net taxable income, will expire between the years 2023, and 2043 and the Corporation has approximately \$384,600 of net operating loss which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are fully deductible against 2023 taxable income and are thereafter limited to 80% of the taxable income in any one tax period.

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

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

15. Multiemployer Union Pension Plan

The Corporation contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan differ from those of a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if the Corporation chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability.

For the years ended June 30, 2023, and 2022, the Corporation's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32 BJ Pension Fund ("Plan")
Plan Number: 001
Collective Bargaining Agreement Expiration Date: April 20, 2026
Pension Protection Act Zone Status: Year ended June 30, 2023, and 2022 -Yellow
(less than 80% funded)
Funding Improvement Plan/Rehabilitation Plan Status: Implemented
Surcharges paid to Plan: None
Corporation's contributions:
Year ended June 30, 2023, \$ 94,198
Year ended June 30, 2022, \$ 85,142
Maximum Required Pension Contributions (per week, per employee):
Year ended June 30, 2023, 131
Year ended June 30, 2022, 126

The information provided above is from the Plan's most current annual report for the year ended June 30, 2023. The Pension Protection Act Zone Status is the most recent zone status available, was provided to the Corporation by the Plan and is certified by the Plan's actuary. The Corporation's contributions to the Plan are less than 5% of all employer's contributions to the Plan, and there have been no significant changes that would affect the comparability of the contributions for the years ended June 30, 2023, and 2022. Also, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement.

VILLAGE EAST TOWERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023
AND JUNE 30, 2022

16. Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to the concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions which, at times, may exceed the Federal depositing insurance coverage limit of \$250,000. At June 30, 2023, cash and cash equivalents exceeded federally insured limits by approximately \$317,300.

17. Capital assessments

A capital assessment also known as equity increase was passed in 2010. The funds from the assessment are to be used to provide for the debt service on the 8A Loan and the Amalgamated loan. The assessment is to be \$.21 per share per month from February 1, 2011, thru March 31, 2012, \$.37 per share per month from April 1, 2012, thru November 30, 2014, and \$.05 per share from December 1, 2014, thru May 31, 2038. The capital assessment which has been paid is refundable to the shareholders upon the sale of their apartment. Total amount of the assessment for the year June 30, 2023 was \$74,171.

19. Paycheck protection program (PPP)

In May 2020, the Corporation applied for and received a Paycheck Protection Program (PPP) Loan established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the principal amount of \$221,100 during year 2020. In June 2021 an application for forgiveness of the loan was made by the Corporation in accordance with all Paycheck Protection Program requirements. On July 30, 2021 the principal amount of the loan was forgiven and paid to the lender.

The forgiveness of the principal balance of the loan in the amount of \$221,100 is reflected in the financial statements as gain upon extinguishments of debt.

20. Commercial Rent-Contingency

The financial statements reflect a reduction in commercial rental income for the years ending June 30, 2023 and June 30, 2022 due to the write off of the arrears balance in the amount of \$105,760 and \$147,860 respectively. The Corporation entered into agreements with commercial tenants impacted by the business closures due to the COVID-19 pandemic.

VILLAGE EAST TOWERS, INC.

SUPPLEMENTARY AND PROSPECTIVE INFORMATION REPORT

VILLAGE EAST TOWERS, INC.
WORKING CAPITAL FLOW STATEMENT OF
INCOME AND EXPENDITURES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023 AND JUNE 30, 2022

	Budget (unaudited) 6/30/2023	Actual 6/30/2023	Actual 6/30/2022	Budget (unaudited) 6/30/2024
Income				
Maintenance charges (Note 7)	\$ 3,993,100	\$ 3,993,111	\$ 3,684,936	\$ 4,188,200
Vacancy loss	(55,000)	(87,096)	(90,185)	(72,000)
Special assessments capital (Note 17)	74,400	74,171	90,080	74,400
Utility income	670,000	743,917	679,515	770,800
Energy Assessment	-	66,650	-	199,500
Commercial rent	511,700	381,642	495,759	463,000
Parking income	309,000	319,262	263,340	368,700
Interest income	-	58,319	15,826	-
Air conditioners	97,200	132,581	98,180	120,000
Laundry	54,000	54,000	54,000	54,000
Surcharge income	242,200	256,857	232,041	258,100
Storage income	54,300	43,986	30,342	75,000
Miscellaneous income	<u>3,000</u>	<u>71,545</u>	<u>27,423</u>	<u>37,000</u>
Total Income	<u>5,953,900</u>	<u>6,108,945</u>	<u>5,581,257</u>	<u>6,536,700</u>
Total Expenditures	<u>6,090,000</u>	<u>6,190,912</u>	<u>5,901,799</u>	<u>6,527,400</u>
SURPLUS OR (DEFICIT)	<u>\$ (136,100)</u>	<u>\$ (81,967)</u>	<u>\$ (320,542)</u>	<u>\$ 9,300</u>

VILLAGE EAST TOWERS, INC.
WORKING CAPITAL FLOW STATEMENT OF
INCOME AND EXPENDITURES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2023 AND JUNE 30, 2022

	Budget (unaudited) 6/30/2023	Actual 6/30/2023	Actual 6/30/2022	Budget (unaudited) 6/30/2024
Expenditures				
Administrative				
Management fee	\$ 254,600	\$ 270,049	\$ 259,664	\$ 270,000
Legal	85,000	71,246	85,071	85,000
Accounting	30,000	26,796	26,796	30,000
Office and administrative	90,150	92,523	151,781	146,600
Operating				
Steam	657,700	644,855	638,577	450,000
Electricity	514,300	629,423	499,326	638,000
Co-gen gas	61,600	123,370	60,801	252,500
Cooking gas	40,000	22,877	37,883	30,000
Payroll	799,100	891,098	783,474	901,300
Pension and welfare	359,600	392,928	310,607	409,900
Water meter charges	497,100	451,542	478,137	462,500
Security services	471,800	466,472	465,703	475,000
Maintenance				
Repairs and maintenance	757,450	614,468	786,493	722,600
Taxes and Insurance				
New York City real estate tax	407,900	308,791	312,225	387,000
Payroll taxes	63,300	72,237	63,671	74,100
Insurance	455,500	572,376	442,205	715,500
Financial expense				
Interest and Amortization	314,500	314,143	314,172	314,500
Interest and amortization on second mortgage	73,400	73,323	73,329	73,400
Allocation for reserve funds	<u>157,000</u>	<u>152,395</u>	<u>111,884</u>	<u>89,500</u>
Total Expenditures	\$ <u>6,090,000</u>	\$ <u>6,190,912</u>	\$ <u>5,901,799</u>	\$ <u>6,527,400</u>

VILLAGE EAST TOWERS, INC.
REPORT ON SUPPLEMENTARY & PROSPECTIVE INFORMATION
JUNE 30, 2023 AND JUNE 30, 2022

This budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, this forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The comparative historical information for 2023 and 2022 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FORECAST ASSUMPTIONS (UNAUDITED)

The budget for the year ending June 30, 2024, includes the following assumptions:

- a) Carrying charges and utility charges are based upon New York City HPD's most recent rent increase order (Note 7).
- b) Utilities reflect consumption based on historical usage and increase in market rates.
- c) The Corporation's labor union contract with Local 32B-32J covers all employees. Labor costs and union benefits are projected based upon the applicable contract rates.
- d) Repairs and maintenance are based upon historical experience and projected maintenance requirements.
- e) Real estate taxes are based upon shelter rent.
- f) Mortgage and loan payments are based on the applicable terms of the loan documents (Note 8).