

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Financial Statements and
Supplementary Information

For the Years Ended
June 30, 2021 and 2020

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

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June 30, 2021 and 2020

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Jack Lawrence & Company
A Division of Palmetto, Mollo, Molinaro & Passarello, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Luna Park Housing Corporation
Brooklyn, New York

We have audited the accompanying financial statements of Luna Park Housing Corporation which comprise the balance sheet as of June 30, 2021 and 2020, and the related statements of revenues and expenses, changes in fund balances 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 the 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 audit. We conducted our audit 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 of 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 Luna Park Housing Corporation 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 to 24A is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the financial statements as a whole.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

The Company has omitted the estimated remaining lives and replacement costs of the 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 the 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.

Jack Lawrence & Company

A Division of Palmetto, Mollo, Malinara & Passarello, LLP

Melville, New York

November 12, 2021

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Page 3
Exhibit A

Balance Sheet

June 30,

2021

2020

ASSETS

CURRENT ASSETS

1123	Funds Held by Managing Agent - Notes 1,2 - Checking / Money Market	\$ 2,097,888	\$ 1,372,204
1130	Accounts Rec.-Tenant Shareholders & Subsidies-Note 3	3,123,058	1,863,002
1131	Less: Allowance for Doubtful Accounts	(520,587)	(184,789)
	Net Accounts Rec.-Tenant Shareholders & Subsidies	<u>2,602,471</u>	<u>1,678,213</u>
1133	Real Estate Tax Receivable Estimated - Note 4	702,331	5,771
1137	Miscellaneous Receivable	<u>3,569</u>	<u>3,569</u>
	Total Current Assets	<u>5,406,259</u>	<u>3,059,757</u>

DEFERRED CHARGES AND PREPAYMENTS

1240	Unexpired Insurance - Schedule 2	600,359	588,522
1270	Prepaid Real Estate Taxes - Note 4	<u>148,439</u>	<u>481,312</u>
	Total Deferred Charges and Prepayments	<u>748,798</u>	<u>1,069,834</u>

RESERVE FUNDS & RESTRICTED CASH

1320	Capital Repair and Replacement - Note 5	2,600,874	2,000,809
1323	Operating Reserve	<u>1,656,468</u>	<u>1,880,983</u>
	Total Reserve Funds & Restricted Cash	<u>4,257,342</u>	<u>3,881,792</u>

MORTGAGE ESCROW DEPOSITS - NOTE 6

1362	Tax Escrow	2,144,565	1,436,908
1364	Insurance Escrow	1,242,479	1,024,353
1365	Completion "Repair" Escrow - Insurance Proceeds	6	6
1366	Repair Escrow	<u>686,360</u>	<u>689,560</u>
	Total Mortgage Escrow Deposits	<u>4,073,410</u>	<u>3,150,827</u>

FIXED ASSETS - SCHEDULE 3, NOTE 1

1510	Land	1,451,374	1,451,374
1520	Building, Work in Progress, Equipment and Improvements (Net of Accum. Deprec. of \$54,986,341 and \$52,526,224) resectively	<u>71,480,156</u>	<u>72,940,711</u>
	Total Fixed Assets	<u>72,931,530</u>	<u>74,392,085</u>

OTHER ASSETS

1600	Utility Deposits	<u>28,800</u>	<u>28,800</u>
	Total Other Assets	<u>28,800</u>	<u>28,800</u>

	<u>\$ 87,446,139</u>	<u>\$ 85,583,095</u>
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The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

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Exhibit A

Balance Sheet

June 30,

2021

2020

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

2110	Accounts Payable - Schedule 4	\$ 406,895	\$ 382,607
2160	Accrued Payroll and Payroll Taxes Payable	27,863	85,396
2165	Other Liabilities and Exchanges	21,070	21,070
2167	Accrued Mortgage Interest - Note 6	270,297	277,243
2169	Accrued Expenses - Utilities and Other	343,230	284,857
2310	Advance Rent From Tenant Shareholders	343,359	337,207
2430	Current Portion of Mortgage & Loan Amortization	1,378,268	1,292,392
	Total Current Liabilities	2,790,982	2,680,772

DEFERRED CREDITS AND DEPOSITS

	Deferred Commission Income	141,660	0
2330	Apartment Deposits and Security Deposits	326,444	326,444
2331	Equity and Amortization Deposits & Exchanges	941,633	618,513
	Total Deferred Credits and Deposits	1,409,737	944,957

FIXED LIABILITIES - NOTE 6

2410	First Mortgage Note Payable	47,000,000	47,000,000
	Less: Amortization	(7,869,679)	(6,887,813)
	Subtotal	39,130,321	40,112,187
	Less: Amortization Payments Due Within One Year	(1,049,605)	(981,866)
	Total First Mortgage Payable	38,080,716	39,130,321
2420	Second Mortgage Note Payable	13,000,000	13,000,000
	Less: Amortization	(2,002,789)	(1,692,262)
	Subtotal	10,997,211	11,307,738
	Less: Amortization Payments Due Within One Year	(328,664)	(310,527)
	Total Second Mortgage Payable	10,668,547	10,997,211
1260	Deferred Mortgage Costs - Net of Amortization	(717,908)	(755,629)
2421	Subordinate Mortgage Note Payable-HDC	4,933,664	4,933,664
2421B	Subordinate Mortgage Notes Accrued Interest	543,115	493,778
2422	Subordinate Mortgage Payable - Article 8A Loans	13,000,000	13,000,000
	Less: Unreleased Funds	(2,038,138)	(2,229,739)
	Subtotal	10,961,862	10,770,261
	Total Fixed Liabilities	64,469,996	65,569,606
		68,670,715	69,195,335
	Contingencies - Note 11		
	Total Shareholders Equity	18,775,424	16,387,760
		\$ 87,446,139	\$ 85,583,095

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

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Exhibit B

Statement of Revenues and Expenses

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
REVENUES		
Net Carrying Charges	\$ 20,338,359	\$ 20,685,469
Other Revenue	1,671,753	1,929,818
Total Revenues	<u>22,010,112</u>	<u>22,615,287</u>
EXPENSES		
Administrative and Professional	965,587	1,007,270
Utilities	4,956,898	4,398,812
Operating Expenses	2,527,828	2,349,158
Repairs and Maintenance Expenses	3,097,611	4,659,268
Taxes, Insurance and Other Expenses	3,201,732	4,312,326
Financial Expenses	3,369,269	3,450,207
Total Expenses	<u>18,118,925</u>	<u>20,177,041</u>
Excess (Deficiency) of Revenues Over Expenses Before Other Income and (Expenses) and Depreciation	3,891,187	2,438,246
OTHER REVENUES AND (EXPENSES)		
Estimated Provision For Bad Debts - Note 3	(335,798)	(59,100)
Total Other Revenues and (Expenses)	<u>(335,798)</u>	<u>(59,100)</u>
Depreciation	<u>(2,460,117)</u>	<u>(2,539,325)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 1,095,272</u>	<u>\$ (160,179)</u>

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Exhibit C

Statement of Shareholders' Equity (Deficit)

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Common Stock - 458,625 Shares Authorized		
- 458,175 Shares Issued and Outstanding at \$10.00 Par Value	\$ 4,581,750	\$ 4,581,750
Paid in Capital - Mortgage Amortization		
- Balance July 1,	\$ 29,138,250	\$ 27,926,361
- HPD Debt Forgiven	0	0
- Year Ended June 30,	<u>1,292,392</u>	<u>1,211,889</u>
	30,430,642	29,138,250
Paid in Capital - Replacement Reserve		
- Balance July 1,	\$ 8,784,666	\$ 8,775,011
- Interest Earned on Reserves (Net)	<u>1,145</u>	<u>9,655</u>
	8,785,811	8,784,666
Accumulated Deficit - July 1	\$ (26,116,906)	\$ (25,947,072)
Excess (Deficiency) of Revenues Over Expenses For The Year Ended June 30, (Page 5 - Exhibit B)	1,095,272	(160,179)
Interest Earned on Reserves (Net)	<u>(1,145)</u>	<u>(9,655)</u>
Accumulated Deficit - June 30,	<u>(25,022,779)</u>	<u>(26,116,906)</u>
Shareholders' Equity (Deficit) - June 30,	<u>\$ 18,775,424</u>	<u>\$ 16,387,760</u>

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Exhibit D

Statement of Cash Flows

For the Years Ended June 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (Deficiency) of Revenues Over Expenses	\$ 1,095,272	\$ (160,179)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	2,497,838	2,577,047
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(924,258)	(1,287,200)
Prepaid Expenses	321,036	(163,356)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	128,144	(280,900)
Real Estate Taxes Payable	(696,560)	(61,089)
Accrued Expenses and Other Liabilities	142,499	(13,538)
Interest Payable	42,391	42,825
Advance Rents from Tenants	6,152	144,011
Net Cash Provided (Used) by Operating Activities	2,612,514	797,621
CASH FLOWS FROM INVESTING ACTIVITIES		
Accrued Fixed Asset Additions	(103,856)	
Fixed Asset Additions	(999,562)	(201,286)
Net Cash Provided (Used) by Financing Activities	(1,103,418)	(201,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage Amortization Paid	(1,292,392)	(1,211,889)
Capital Contribution - Mortgage Amortization	1,292,392	1,211,889
Increase in 8A Loan Payable	191,601	0
Increase (Decrease) in Deposits	323,120	(36,522)
Net Cash Provided (Used) by Financing Activities	514,721	(36,522)
Net Increase in Cash	2,023,817	559,813
Cash, Restricted Cash, and Equivalents - July 1,	8,404,823	7,845,010
Cash, Restricted Cash, and Equivalents - June 30,	\$ 10,428,640	\$ 8,404,823
Cash, Restricted Cash, and Equivalents, Ending Consists of the Following:		
Funds Held by Managing Agent	\$ 2,097,888	\$ 1,372,204
Capital Repair and Replacement	2,600,874	2,000,809
Operating Reserve	1,656,468	1,880,983
Tax Escrow	2,144,565	1,436,908
Insurance Escrow	1,242,479	1,024,353
Completion "Repair" Escrow - Insurance Proceeds	6	6
Repair Escrow	686,360	689,560
Total	\$ 10,428,640	\$ 8,404,823
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 3,328,157	\$ 3,369,660

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Luna Park Housing Corporation (the Company) is a Mitchell-Lama housing development and contains 1,584 apartments (7,338 residential rooms). The development's books, records and financial reports are maintained and prepared pursuant to the rules and regulations of the governmental supervisory agency, the New York City Department of Housing Preservation and Development (HPD).

Basis of Accounting

The Company's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the period in which they are earned. Expenses and losses are recognized in the period in which they are incurred. Financial statement items are recorded at historical costs and consequently do not necessarily represent current values. Management may be required to make estimates when actual revenues and expenses cannot be determined at the date of the financial statements. Actual results could differ from those estimates.

Fixed Assets

Depreciation on buildings is being computed by the straight-line method over their estimated useful lives at the rate of 2% per annum. Building equipment is being depreciated over estimated useful lives from ten to twenty-seven and one half years. Building costs include the original cost of construction and the cost of subsequent improvements/major betterments that appreciably prolonged the life of the buildings.

Impairment of Long-Lived Assets

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amounts, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2021.

Paid In Capital

Carrying charges representing the amount necessary to pay amortization of the mortgages are treated as a contribution to capital and not income. For the year ended June 30, 2021 and 2020, amortization of \$1,292,392 and \$1,211,889 has been treated as a contribution to paid-in capital. The portion of carrying charges used to fund the replacement reserve is also considered a contribution to capital.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company meets all requirements of a cooperative housing corporation as provided under Section 216 of the Internal Revenue Code. As such its tenant-shareholders are allowed to deduct the company's payments of real estate taxes and interest against their personal taxable income.

Subchapter T

In June 1995 a decision was rendered in United States Tax Court which concluded that a Limited Profit Housing Corporation organized under Article XII of the Public Housing Law of the State of New York is subject to Subchapter T of the Internal Revenue Code.

As such, income which is patronage sourced, i.e., income derived from members, is not subject to taxation. Subchapter T considers interest income on funds which enhance the cooperatives purpose to be patronage sourced (member income). The interest earned on the Company's investments appears to meet this criteria.

Cash, Restricted Cash and Equivalents

For purposes of the statement of cash flows, the Company considers all investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Non-interest bearing accounts are insured but will be subject to the \$250,000 per depositor per bank maximum insurance amount. The Company has not experienced any losses with respect to its bank accounts.

NOTE 2 - FUNDS HELD BY MANAGING AGENT

The operating bank accounts are held by the Managing Agent, for the purpose of depositing carrying charge and other collections and paying the operating expenses of the project.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 3 - ACCOUNTS RECEIVABLE-TENANT SHAREHOLDERS AND SUBSIDIES

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable.

As reflected in Exhibit A, tenant-shareholder and other accounts receivable of \$3,123,058 and \$1,863,002, which consist of residential tenant receivable of \$3,074,932 and \$1,836,628 and commercial tenant receivable of \$48,126 and \$26,374, less uncollectible accounts of \$520,587 and \$184,789 are outstanding as of June 30, 2021 and 2020, respectively.

Uncollectible accounts as of June 30, are arrived at as follows:

	<u>2021</u>	<u>2020</u>
Uncollectible accounts at July 1,	\$ 184,789	\$ 125,689
Less: Recovery / (Write-offs)	0	0
Add: Estimated bad debt provision (adjustment)	<u>335,798</u>	<u>59,100</u>
Uncollectible accounts at June 30,	<u>\$ 520,587</u>	<u>\$ 184,789</u>

To the extent that arrearages are not collected, when tenant-shareholders vacate the development, their equity payments held by the corporation are offset against the arrearage. The above provision for bad debts represents the estimated uncollectible arrears which are in excess of individual tenant-shareholders equity, including their share of mortgage amortization.

NOTE 4 - REAL ESTATE TAXES-ESTIMATED

Pursuant to a resolution adopted by the Board of Estimate on May 12, 1961, the Company was granted a real property tax exemption, except for assessments for local improvements, for a period of 30 (thirty) years. The resolution also provided that during this 30-year period, the Housing Corporation was obligated until June 30, 1993 to remit \$32,348 annually to the City as payments in lieu of taxes (PILOT).

1LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 4 - REAL ESTATE TAXES-ESTIMATED (Continued)

On June 13, 1993, the Council of the City of New York granted a one year extension of the real property tax exemption created pursuant to Article XII of the Public Housing Law, while a newly created tax commission studies real property tax reform.

The Council approved a ten-year phase in from the prior flat rate PILOT to a Shelter-Rent tax commencing July 1, 1994. For fiscal year ending June 30, 1995, the first year following expiration of the PILOT agreement, payments shall be made in an amount equaling the PILOT agreement plus 10% of the difference between the PILOT agreement amount and 10% of the Shelter rent. For years following fiscal year June 30, 1995, each tax year an additional 10% of the difference will be due until June 30, 2004. At that time the corporation shall pay an amount equivalent to 10% of the shelter rent as the term "shelter rent" is defined in Section 33 of the Private Housing Finance Law.

Current real estate taxes and the corresponding liabilities are recorded on an estimated shelter rent basis. The shelter rent formula includes electric, gas, fuel, and water and sewer expenses in the computation. Pending finalization of a complete review and certification by HPD, the estimated real estate taxes and the corresponding liabilities are subject to change.

The Company received a Temporary Certificate of Eligibility for the J-51 program, for capital improvements made to the buildings, commencing July 1, 2012. The temporary J-51 abatement was \$226,975 annually. On October 20, 2020, the Company received the final Certificate of Eligibility, which included a revised annual abatement of \$487,880. Since the J-51 abatement commenced July 1, 2012, New York City Department of Finance issued credits for the prior period differences and applied them to the 7/1/2021-6/30/2022 tax period.

The estimated shelter rent expense for the period 7/1/20-6/30/21 is \$1,701,594, which is calculated as follows:

Estimated Shelter Rent	\$ 17,015,935	
10% of Estimated Shelter Rent	1,701,594	
Less PILOT Amount	0	\$ 1,701,594
100% of Difference		1,701,594
Add: PILOT Amount		0
Estimated Shelter Rent Tax		\$ 1,701,594

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 4 - REAL ESTATE TAXES-ESTIMATED (Continued)

Real estate taxes payable-estimated at June 30, 2021 is computed as follows:

	7/1/2020 - 6/30/2021	7/1/2019 - 6/30/2020
Est. Cumulative Payable/(Receivable)-Beginning	\$ (5,771)	\$ 55,318
Shelter Rent Tax Expense-Actual/Est.	1,701,594	1,801,770
J-51 Abatement	(787,563)	(39,199)
	914,031	1,762,571
Less: Applicable Payments	(1,610,591)	(1,823,660)
Current (Overpayment) / Underpayment	(696,560)	(61,089)
Estimated Cumulative Payable/(Receivable)-Ending	\$ (702,331)	\$ (5,771)

NOTE 5 - RESERVE FUNDS

Reserve Fund - Mitchell-Lama Reserve Requirements

HPD requires the establishment of a capital repair and replacement reserve account. Based on HPD Rules and Regulations, the required annual reserve funding is \$300 per dwelling unit in equal monthly installments. If the account balance does not equal or exceed the greater of \$1,000 per dwelling unit or 25% of the housing company's rent roll the housing company must deposit 3% of its rent roll on a monthly basis.

The Commissioner of HPD issued a rent order on June 8, 2012. According to the approved budgets, the total reserve requirement is \$300,000 for the year beginning July 1, 2014. On July 16, 2015 the Commission of HPD issued a rent order which approved budget had a reserve requirement effective August 1, 2015 and 2016 of \$610,504 and \$628,819, respectively.

During the years ended June 30, 2021 and 2020 reserve funding was \$600,000 and \$600,000, respectively.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 6 - MORTGAGE NOTE AND NOTES PAYABLE

Multifamily Note - First Mortgage Note Payable

On June 28, 2010 the Company borrowed \$47,000,000 from Wells Fargo Bank, National Association. The loan requires fixed self-amortizing monthly payments of \$302,969 including interest at 6.69% per annum commencing August 1, 2010 over a period of 30 years, and is due July 1, 2040.

Multifamily Note - Second Mortgage Note Payable

The Company borrowed \$13,000,000 from Wells Fargo Bank, National Association on August 23, 2013. The loan requires fixed self amortizing monthly payments of \$78,827 including interest at 5.69% per annum from October 1, 2013 through July 1, 2040. The terms of the note require the imposition of a prepayment penalty for early payments of principal for periods up to 3-months prior to the maturity date.

Principal repayments due for the next five years and thereafter under the First and Second Mortgage Notes payable are as follows:

Years Ending June 30,

2022	\$ 1,378,268
2023	1,469,877
2024	1,567,603
2025	1,671,855
2026	1,783,073
2027 and thereafter	<u>42,256,856</u>
	<u>\$ 50,127,532</u>

Subordinate Notes

NYC "HDC" Subordinate Mortgage - \$4,933,664

The Company refinanced its' existing first and subordinate mortgages on June 28, 2010. A new subordinate mortgage in the amount of \$4,933,664 was entered into with New York City Housing Development Corporation (HDC). This loan is for a period of 30 years and bears interest at 1% per annum with no monthly payments required. Interest will accrue and is due upon maturity. If on its thirtieth anniversary there is no default under the Regulatory Agreement and the Mortgage, then the unpaid principal amount shall be reduced to zero and deemed paid.

As of June 30, 2021, accrued interest on the subordinate mortgage is \$ 543,115.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 6 - MORTGAGE NOTE AND NOTES PAYABLE (Continued)

Proceeds from the Subordinate Mortgage were applied as follows:

Prior 1 st Mortgage balance due	\$ 3,623,635
Prior 1 st Mortgage balance due	1,296,720
Interest (Prior 1 st Mortgage & Subordinate Note 6/28/10-6/30/10)	<u>13,309</u>
Total "HDC" Subordinate Mortgage	<u>\$ 4,933,664</u>

Subordinate Note Payable - The City of New York - \$9,000,000 Article 8-A Loan

This Note for \$9,000,000 was entered into on June 28, 2010 with HPD. This loan, which is for a period of 20 years and thereby due June 28, 2030, bears interest at 1% per annum with no monthly debt service payments required. Interest shall accrue until maturity. If on the maturity date the premises have been operated in full compliance with the provisions of Article II of the New York State Private Housing Finance Law, and the Regulatory Agreement, and there is no default under the loan documents, then the entire principal amount and accrued interest shall be forgiven.

Subordinate Note Payable - The City of New York - \$4,000,000 Article 8-A Loan

This Note for \$4,000,000 was entered into on June 28, 2013 with HPD. This loan, which is for a period of 20 years and thereby due June 28, 2033, bears interest at 1% per annum with no monthly debt service payments required.

Interest shall accrue until maturity. If on the maturity date the premises have been operated in full compliance with the provisions of Article II of the New York State Private Housing Finance Law, and the Regulatory Agreement, and there is no default under the loan documents, then the entire principal amount and accrued interest shall be forgiven.

Repair Escrow

In connection with obtaining the second mortgage loan a Repair Reserve Fund of \$700,350 was established to fund the performance of specific repairs identified in the Repair Schedule of Work. The funds are to be released upon evidence of completion of the work via submission of a Repair Disbursement Request. At June 30, 2021 there remains \$686,360 in the fund.

LUNA PARK HOUSING CORPORATION
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Notes to Financial Statements

June 30, 2021 and 2020

NOTE 7 - CARRYING CHARGE INCREASE

On July 16, 2015 HPD approved a three year rent increase. In accordance with the Commissioner's Order, the three stage increase will be implemented as follows:

- 3.0% per room per month effective August 1, 2015
- 3.0% per room per month effective August 1, 2016
- 3.0% per room per month effective August 1, 2017

Accordingly, effective August 1, 2015 the rent per rental room per month increased from \$224.71 to \$231.45, and then to \$238.39 and \$245.55 on the above indicated dates.

NOTE 8 - MANAGEMENT FEE

The management fee formula for all HPD supervised developments is based on a monthly fixed fee. Metro Management Development Inc. was retained as Managing Agent for the period commencing October 1, 2015 through June 30, 2017 at the HPD approved monthly rate of \$30,000. This contract has been extended to June 30, 2020 and June 30, 2021 at the HPD approved monthly rate of \$31,992 and \$32,632, respectively.

NOTE 9 - SURCHARGE INCOME

HPD requires all tenant-shareholders to file income affidavits by April 30 of each year. Based upon these income affidavits, a tenant shareholder may be subject to a surcharge if his/her adjusted income is above a prescribed limit as set forth by HPD. If a tenant-shareholder fails to file an income affidavit, that tenant-shareholder is subject to a 50% surcharge of his/her monthly carrying charge. For the year ended June 30, 2021 surcharge income and non-recertification penalties totals \$280,373.

LUNA PARK HOUSING CORPORATION
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Notes to Financial Statements

June 30, 2021 and 2020

NOTE 10 - COMMERCIAL LEASES

Space	Expiration Date	Current Annual Amount	Next Base Rent Increase
Laundry (License Agreement)	12/1/2023	\$ 138,000	-
Dvora, Inc.	10/31/2023	\$ 41,606	11/1/2022
21st Century Ideas Inc	6/30/2024	\$ 16,888	7/1/2022
Nextel of New York (1)	-	\$ 33,376	6/1/2022
NY Assoc. of Holocaust Survivors	8/31/2024	\$ 6,753	-
Wolfson's Martial Arts Inc.	5/31/2026	\$ 18,725	-
SK Salon & Spa	12/31/2025	\$ 15,706	1/1/2022
NY Fire Dept (1)	-	\$ 4,512	-
Genandi Rabinovich	9/30/2022	\$ 9,870	-
The Center for Artistic Development	7/31/2023	\$ 14,400	-
Pro Squad, Inc (1)	7/31/2020	\$ 13,464	-
EKM Corp	11/30/2022	\$ 13,200	-
KA Way, Inc.	11/30/2022	\$ 9,600	-
Gekon Construction	1/31/2026	\$ 16,800	2/1/2024

(1) Billings are month to month pending negotiation of agreement.

NOTE 11 - MULTIEMPLOYER UNION PENSION PLAN

The Company 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 participation in a multiemployer plan differ from those of a single-employer plan in the following respects: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if the Company 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.

LUNA PARK HOUSING CORPORATION
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Notes to Financial Statements

June 30, 2021 and 2020

NOTE 11 - MULTIEMPLOYER UNION PENSION PLAN (Continued)

For the years ended June 30, 2021 and 2020, the Company's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32BJ Pension Fund ("Plan")
Plan Employer Identification Number: 13-1879376
Plan Number: 001
Collective Bargaining Agreement Expiration Date: April 20, 2022
Pension Protection Act Zone Status:
 Year Beginning July 1, 2019 - Red (less than 65% funded)
 Year Beginning July 1, 2020 - Red (less than 65% funded)
Funding Improvement Plan/Rehabilitation Plan Status: Implemented
Surcharges Paid to Plan: None
Company Contributions:
 Year Ended June 30, 2021 \$264,416
 Year Ended June 30, 2020 \$224,229

The information provided above is from the Plan's most current annual report for the year ended June 30, 2020. The Pension Protection Act Zone Status is the most recent zone status available, was provided to the Company by the Plan, and is certified by the Plan's actuary. The Company's contributions to the Plan are less than 5% of all employers' 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, 2021 and 2020. In addition, under the Collective Bargaining Agreement ("Agreement") certain retired employees are eligible for health benefits as defined in the Agreement.

NOTE 12 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Company has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The Company is subject to HPD regulations for establishing a reserve fund (see Note 5). When funds are required to meet future needs for major repairs and replacements, the Company, subject to HPD approval, could consider borrowing, increasing maintenance assessments and/or special assessments, or delaying repairs and replacements until funds are available. The effect on future assessments if any, for funding these needs, has not been determined.

LUNA PARK HOUSING CORPORATION
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Notes to Financial Statements

June 30, 2021 and 2020

NOTE 13 - INCOME TAXES

Federal tax net operating loss carry forwards approximating \$22,000,000 are available at June 30, 2021 to offset future taxable income and under current tax law do not expire. As recognition of future tax benefits are uncertain it is the Company's policy to record a valuation allowance equal to 100% of any deferred tax asset.

The Company has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities have been recorded.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination. Management has determined that as of June 30, 2021 there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. There are currently no audits in progress for any tax periods. The tax returns filed for the years 2017 through 2019 are open to examination by the taxing authorities.

NOTE 14 - CONTINGENCIES

Legal Actions

Various actions and/or lawsuits submitted to the Company's insurance carriers are pending. No determination can be made as to any possible loss to the Company in excess of insurance policy limits. Accordingly, the financial statements do not reflect any adjustments which may result from this uncertainty.

In addition, the Company's counsel has indicated that two former Board members of the Company and a former site employee have been indicted following an investigation by the Kings County District Attorney for, among other things, fraud and grand larceny relating to their association with the Company. The wrongdoing uncovered thus far appears to be confined to the granting of succession rights to apartments at Luna Park Housing Company. The investigation by the District Attorney is ongoing. As a result of the above investigation, a freeze has been put on apartment resales.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 14 - CONTINGENCIES (Continued)

Economic Environment

The development and spread of the coronavirus (COVID-19) has caused significant volatility on the economy. There is significant uncertainty of its impact on business disruptions and resulting economic implications. The extent of these consequences on the Company's operational and financial performance will depend on developments, including the duration and spread of the outbreak, and its impact on the Company's tenants, employees and vendors, which are uncertain and cannot be determined at this time.

NOTE 15 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred through the date of the independent auditor's report for possible disclosure and recognition in the financial statements.

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

Supplementary Information

LUNA PARK HOUSING CORPORATION
(A Cooperative Housing Corporation)

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Schedule 1

Supplemental Schedule of Certain Income and Expenses

For the Years Ended June 30,

	2021	2020
Carrying Charges		
5100 Apartments (Including Utilities) - Note 7	\$ 21,599,114	\$ 21,599,114
Less: Portion Applicable to Mortgage Amortization - Note 1	(1,292,392)	(1,211,889)
	20,306,722	20,387,225
5120 Vacancies, Allowances and Adjustments	(248,736)	(3,599)
5150 Surcharges - Note 9	280,373	301,843
Net Carrying Charges	\$ 20,338,359	\$ 20,685,469
 Other Revenue		
5130 Parking Income	\$ 691,705	\$ 691,320
5120 Air Conditioning Income	514,505	512,455
5140 Commercial Rent (Net of Vacancy Loss) - Note 10	210,800	217,651
5400 Interest Income	69,615	83,591
5909 Non Rental Charges to Tenant Shareholders	16,818	271,756
5910 Laundry Income - Note 10	138,000	138,000
5911 Administrative Fee	2,250	0
5992 Miscellaneous Non Tenant Income	28,060	15,045
Total Other Revenue	\$ 1,671,753	\$ 1,929,818
 Administrative and Professional		
6213 Telephone	\$ 3,561	\$ 3,955
6220 Management Fee - Note 8	391,586	383,908
6250 Legal and Dispossess Fees	189,544	305,642
6260 Accounting Fee	51,300	51,300
6270 Consulting Fees	227,271	162,890
6290 Miscellaneous Administrative Expenses	102,325	99,575
Total Administrative and Professional	\$ 965,587	\$ 1,007,270
 Utilities		
6341 Water & Sewer	\$ 1,661,501	\$ 1,661,500
6343 Electricity	1,872,227	1,695,860
6344 Gas	1,056,302	1,003,929
6345 Oil	366,868	37,523
Total Utilities	\$ 4,956,898	\$ 4,398,812

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Schedule I

Supplemental Schedule of Certain Income and Expenses

For the Years Ended June 30,

	2021	2020
Operating Expenses		
6301 Superintendents' Salaries	\$ 178,643	\$ 204,786
6310 Janitorial Payroll	1,344,010	1,174,851
6311 Janitorial Supplies	12,638	29,412
6322 Exterminating	55,616	81,698
6330 Guard Service Contract	839,384	840,142
6390 Miscellaneous	97,537	18,269
Total Operating Expenses	\$ 2,527,828	\$ 2,349,158
Repairs and Maintenance Expenses		
6405 Maintenance Payroll	\$ 1,031,732	\$ 849,471
6406 Maintenance Payroll - Boiler	338,497	291,728
6421 Materials and Supplies	554,745	484,417
6422 Repair and Maintenance Contracts	959,907	2,782,345
6430 Elevator - Maintenance Repairs	212,730	251,307
Total Repairs and Maintenance Expenses	\$ 3,097,611	\$ 4,659,268
Taxes, Insurance and Other Expenses		
6610 Real Estate Tax Estimated - Note 4 (1)	\$ 345,011	\$ 1,762,571
6620 Payroll Taxes	224,036	205,358
6660 Insurance - Schedule 2	1,356,571	1,324,908
6680 Employee Benefits - Note 13	1,276,114	1,019,489
Total Taxes, Insurance and Other Expenses	\$ 3,201,732	\$ 4,312,326
Financial Expenses		
6710 Interest on Mortgage(s) - Note 6	\$ 3,319,932	\$ 3,400,870
6720 Interest on Loan(s) - Note 6	49,337	49,337
Total Financial Expenses	\$ 3,369,269	\$ 3,450,207

(1) 2020 includes an adjustment for prior years of \$1,923.

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Schedule of Insurance
For the Year Ended June 30, 2021

Company	Policy Number	Type/Description	Amount/Limits	Term	Annual Premium	Prepaid Insurance July 1, 2020	Additions July 1, 2020 - June 30, 2021	Expense July 1, 2020 - June 30, 2021	Prepaid Insurance June 30, 2021
PROPERTY COVERAGE									
FEDERAL INSURANCE CO.	7955954502	BUILDING	\$320,329,689	01/15/20-01/15/21	\$ 414,150	\$224,351	\$0	\$224,331	\$0
FEDERAL INSURANCE CO.	7955954503	RENTAL COVERAGE EARTHQUAKE CONTENTS	\$16,760,913 \$5,000,000 \$300,000	01/15/21-01/15/22	\$ 497,119	0	497,119	227,846	269,273
GENERAL LIABILITY									
MARKEL INSURANCE CO.	3C40539-0	GENERAL AGGREGATE	\$2,000,000	08/16/19-08/16/20	\$ 448,077	56,010	0	56,010	0
MARKEL INSURANCE CO.	3C40539-0	EACH OCCURRENCE	\$1,000,000	08/16/20-08/16/21	\$ 443,108	0	443,108	387,720	55,389
EMPLOYEE BENEFITS LIABILITY									
UMBRELLA/ EXCESS LIABILITY									
TRAVELERS PROP. CAS.CO.	ZUP15T1017615NF-4095	UMBRELLA	\$100,000	01/15/20-08/16/20	\$ 107,833	23,107	0	23,107	0
TRAVELERS PROP. CAS.CO.	ZUP15T1017615NF-4095	UMBRELLA	\$100,000	08/16/20-08/16/21	\$ 96,135	0	51,352	40,348	11,004
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	01/15/20-01/15/21	\$ 20,660	11,191	0	11,191	0
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	01/15/21-01/15/22	\$ 22,224	0	22,224	10,186	12,038
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	03/25/20-03/25/21	\$ 30,990	23,243	0	23,243	0
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	03/25/21-03/25/22	\$ 33,336	0	33,336	8,334	25,002
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	07/11/19-07/11/20	\$ 25,038	1,043	0	1,043	0
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	07/11/20-07/11/21	\$ 31,240	31,240	0	29,938	1,302
SELECTIVE INSURANCE CO.	VARIOUS	FLOOD	\$350,000	07/11/21-07/11/22	\$ 39,023	0	39,023	0	39,023
LEXINGTON INSURANCE CO.	VARIOUS	EXCESS FLOOD	\$4,000,020	06/28/20-06/28/21	\$ 69,594	69,594	70,540	69,594	0
LEXINGTON INSURANCE CO.	VARIOUS	EXCESS FLOOD	\$4,000,020	06/28/21-06/28/22	\$ 70,540	0	0	0	70,540
PHILADELPHIA INDEMNITY	PHSD591358	MANAGEMENT LIABILITY	\$3,000,000	01/15/20-01/15/21	\$ 22,249	12,052	0	12,052	0
PHILADELPHIA INDEMNITY	PHSD591358	MANAGEMENT LIABILITY	\$3,000,000	01/15/21-01/15/22	\$ 30,343	0	30,343	13,907	16,436
HISCOX INSURANCE CO. INC.	UC24351169.20	CRIME	\$6,000,000	01/15/20-01/15/21	\$ 16,078	8,709	0	8,709	0
HISCOX INSURANCE CO. INC.	UC24351169.20	CRIME	\$6,000,000	01/15/21-01/15/22	\$ 16,078	0	16,078	7,369	8,709
GREAT AMERICAN INS. CO.	XSCI6709080600	EXCESS CRIME	\$7,000,000	01/15/20-01/15/21	\$ 15,661	8,483	0	8,483	0
GREAT AMERICAN INS. CO.	XSCI6709080600	EXCESS CRIME	\$7,000,000	01/15/21-01/15/22	\$ 16,535	0	16,535	7,579	8,956
LLOYDS OF LONDON	UCS267787917	CYBER E&O	\$1,000,000	01/15/20-01/15/21	\$ 6,010	3,255	0	3,255	0
LLOYDS OF LONDON	UCS267787917	CYBER E&O	\$1,000,000	01/15/21-01/15/22	\$ 6,010	0	6,010	2,755	3,255
INDIAN HARBOR INS. CO.	PEC002795101	ENVIRONMENTAL	\$2,000,000	01/15/20-01/15/21	\$ 31,761	17,204	0	17,204	0
INDIAN HARBOR INS. CO.	PEC002795102	ENVIRONMENTAL	\$2,000,000	01/15/20-01/15/21	\$ 33,694	0	33,694	15,445	18,251
THE HARTFORD	10UEZE6760	COMMERCIAL AUTO	\$1,000,000	08/07/19-08/07/20	\$ 2,725	227	0	227	0
THE HARTFORD	10UEZE6760	COMMERCIAL AUTO	\$1,000,000	08/07/20-08/07/21	\$ 4,505	4,505	0	4,130	375
LLOYDS OF LONDON	UCI4357337.20	ERISA	\$3,000,000	01/15/20-01/15/21	\$ 100	54	0	54	0
LLOYDS OF LONDON	UCI4357337.20	ERISA	\$3,000,000	01/15/21-01/15/22	\$ 104	0	104	48	56
STATE INSURANCE FUND	WCO352333	WORKER'S COMPENSATION	STATUTORY	03/29/20-03/29/21	\$ 114,047	85,535	0	85,535	0
STATE INSURANCE FUND	WCO352333	WORKER'S COMPENSATION	SAFETY GROUP FEE	03/29/20-03/29/21	\$ 11,651	8,738	0	8,738	0
STATE INSURANCE FUND	WCO352333	WORKER'S COMPENSATION	STATUTORY	03/29/21-03/29/22	\$ 70,704	0	70,704	17,676	53,028
STATE INSURANCE FUND	946024-7	WORKER'S COMPENSATION	SAFETY GROUP FEE	03/29/21-03/29/22	\$ 10,295	0	10,295	2,574	7,721
STATE INSURANCE FUND	946024-7	WORKER'S COMPENSATION	AUDIT	03/29/20-03/29/21	\$ 27,943	0	27,943	27,943	0
						\$588,522	\$1,368,408	\$1,356,371	\$600,359

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Land, Building and Building Equipment

For the Year Ended June 30, 2021

ITEM	Cost as of 7/1/2020	Additions	Cost as of 6/30/2021	Depreciation Taken 7/1/2020	Depreciation Taken This Period	Total Depreciation to 6/30/2021	Net Book Value	Annual Method of Depreciation
Land	\$ 1,451,374	\$ 0	\$ 1,451,374	\$ 0	\$ 0	\$ 0	\$ 1,451,374	Not Depreciable
Building	23,207,009	0	23,207,009	23,207,009	0	23,207,009	0	2. % per annum
Exterior Building Improvements	79,356,514	624,863	79,981,377	10,691,579	2,024,686	12,716,265	67,265,112	
Building Impr. & Eqpt.	22,903,412	374,699	23,278,111	18,627,636	435,431	19,063,067	4,215,044	Various
	\$ 126,918,309	\$ 999,562	\$ 127,917,871	\$ 52,526,224	\$ 2,460,117	\$ 54,986,341	\$ 72,931,530	
Steam Line Replacement Project	\$ 325,865							
Chimney Replacement (WIP)	298,998							
Hooper Doors Contract Project	217,600							
Replace Condensate Return	103,856							
Concrete Replacement (WIP)	25,800							
Laundry Room Sprinkler	14,460							
Parking Gate Access Control (WIP)	12,983							
Total	\$ 999,562							

LUNA PARK HOUSING CORPORATION
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Accounts Payable

June 30, 2021

Employee Benefits	\$ 108,669
Improvements	103,856
Architect, Engineer & Consultants	52,295
Repairs - Heating & Plumbing	39,845
Legal Fees	28,635
Repairs & Maintenance - Supplies	24,716
Elevator	12,130
Insurance	10,606
Exterminating	8,329
Repairs & Maintenance	6,559
Accounting	5,650
Administrative	5,605
	<u>\$ 406,895</u>

The accompanying notes are an integral part of these financial statements.

LUNA PARK HOUSING CORPORATION
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Accounts Payable

June 30, 2020

Employee Benefits	\$ 94,032
Repairs - Heating & Plumbing	56,729
Elevator	49,104
Repairs & Maintenance - Supplies	46,912
Utilities	45,313
Legal Fees	39,372
Repairs & Maintenance	10,728
Insurance	10,606
Exterminating	8,819
Security	8,343
Accounting	5,575
Architect, Engineer & Consultants	4,550
Administrative	2,524
	<u>\$ 382,607</u>

The accompanying notes are an integral part of these financial statements.