KINGSBRIDGE ARMS, INC.

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED SEPTEMBER 30, 2022 and 2021

KINGSBRIDGE ARMS, INC.

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Marin &
Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA
PATRICIA A. PRUSINSKI, CPA

Independent Auditor's Report

To: The Board of Directors and Shareholders of Kingsbridge Arms, Inc.

Opinion

We have audited the financial statements of Kingsbridge Arms, Inc., which comprise the balance sheets as September 30, 2022 and 2021 and the related statements of property and equipment, operations, accumulated deficit and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, except for missing confirmations of certain cash balances, the accompanying financial statements present fairly, in all material respects, the financial position of Kingsbridge Arms, Inc. 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 Kingsbridge Arms, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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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 or 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 Kingsbridge Arms, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Kingsbridge Arms, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Omission of Required Supplementary Information

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

February 16, 2023

Marin & Montanye LLP

KINGSBRIDGE ARMS, INC. EXHIBIT A

BALANCE SHEETS

As of September 30, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash – Operating accounts	$ 158,373	$ 205,781
Mortgage escrow – H.D.C. – Schedule 1	157,823	146,762
Receivables:		
Shareholders' arrears	295,726	283,482
Less: Allowance for doubtful accounts – (Note 4)	(230,978)	(210,576)
SCRIE	5,139	7,985
Prepaid Expenses:		
Insurance	18,528	17,913
Water and sewer charges	68,413	84,113
Real estate taxes	16,552	9,975
TOTAL CURRENT ASSETS	489,576	545,435
FUNDS		
Replacement Reserve Fund – Due from NY HDC – Schedule 2	162,214	194,555
Reserve Fund	16,069	18,819
TOTAL FUNDS	178,283	213,374
PROPERTY AND EQUIPMENT		
Land	112,275	112,275
Building	2,159,365	2,159,365
Building improvements and maintenance equipment	4,650,660	4,512,054
Less: Accumulated depreciation	(3,890,601)	(3,727,423)
NET PROPERTY AND EQUIPMENT	3,031,699	3,056,271
TOTAL ASSETS	$ 3,699,558	$ 3,815,080

See Notes to Financial Statements.

KINGSBRIDGE ARMS, INC. EXHIBIT A

BALANCE SHEETS

As of September 30, 2022 and 2021

LIABILITIES AND STOCKHOLDERS' DEFICIT

	2022	2021
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 728,183	$ 162,700
Mortgage interest currently payable H.D.C.	2,721	2,680
Apartment resale exchange	40,471	52,351
Prepaid occupancy income	13,065	5,602
Mortgage payable – current portion of 1st Mortgage – (Note 5)	27,472	25,748
– current portion of 3rd Mortgage – (Note 5)	62,448	61,212
Deferred article 8A evaporating loan/grant income – current portion	37,697	37,697
TOTAL CURRENT LIABILITIES	912,057	347,990
LONG TERM AND OTHER LIABILITIES		
Housing Development Corp. – 1st Mortgage – (Note 5)	502,267	528,015
Housing Preservation Development – 2nd Mortgage– (Note 5)	1,547,621	1,547,621
Article 8A Loan payable – 3rd Mortgage – (Note 5)	1,322,903	1,384,115
Deferred Article 8A evaporating loan/grant income – 4th Mortgage – (Note 5)	716,233	753,929
Article 8A loan payable – 5th Mortgage – (Note 5)	73,450	73,450
Less: Unamortized debt issuance costs – (Note 2)	(20,909)	(21,837)
Current portion of 1st Mortgage	(27,472)	(25,748)
Current portion of 3rd Mortgage	(62,448)	(61,212)
Current portion of 4th Mortgage	(37,697)	(37,697)
Payroll Protection Program Loan payable – (Note 13)	-	20,670
TOTAL LONG TERM AND OTHER LIABILITIES	4,013,948	4,161,306
TOTAL LIABILITIES	4,926,005	4,509,296
STOCKHOLDERS' DEFICIT		
Capital Stock – Common – Authorized, Issued and Outstanding 10,900 shares at $25 par value	272,500	272,500
Contributed Capital	9,963	9,963
Additional Paid-in-Capital	344,129	344,129
Accumulated Deficit	(1,853,039)	(1,320,808)
TOTAL STOCKHOLDERS' DEFICIT	(1,226,447)	(694,216)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,699,558	$ 3,815,080

See Notes to Financial Statements.

KINGSBRIDGE ARMS, INC.

PROPERTY AND EQUIPMENT

As of September 30, 2022 and 2021

	Cost at beginning of year 10/01/2021	Additions to cost during year	Deductions to cost during year	Cost at end of year 09/30/2022	Depreciation taken prior to current year	Depreciation taken this year	Total Depreciation to end of year 09/30/2022	Annual rate of depreciation
Building	$ 2,159,365	$ -	$ -	$ 2,159,365	$ 2,159,365	$ -0-	$ 2,159,365	fully depreciated
Building improvements and equipment	4,512,054	138,606	-	4,650,660	1,568,058	163,178	1,731,236	various
TOTALS	$ 6,671,419	$ 138,606	$ -	$ 6,810,025	$ 3,727,423	$ 163,178	$ 3,890,601	

See Notes to Financial Statements.

KINGSBRIDGE ARMS, INC. EXHIBIT B

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

For The Years Ended September 30, 2022 and 2021

		2022	2021
INCOME			
Income from Shareholders			
Maintenance charges		$ 1,215,951	$ 1,215,951
Less: Vacancy loss		(108,330)	(27,592)
Surcharges		17,932	68,467
Air conditioners and freezers		7,832	9,144
Total Income from Shareholders		1,133,385	1,265,970
Interest Income			
Interest on investments		5,262	5,346
Other Income			
Laundry room		16,800	16,800
Grant – (Note 5)		37,697	37,697
Miscellaneous		17,195	5,560
Total Other Income		71,692	60,057
TOTAL INCOME		1,210,339	1,331,373
COST OF OPERATIONS			
Administrative and management expenses	Schedule 3	179,641	203,994
Operating expenses	Schedule 4	1,003,461	518,870
Repairs and maintenance expenses	Schedule 5	104,503	112,861
Taxes, insurance and employee benefits	Schedule 6	250,069	241,569
Financial expenses	Schedule 7	62,388	64,864
TOTAL COST OF OPERATIONS		1,600,062	1,142,158
INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION AND PPP LOAN FOREGIVENESS		(389,723)	189,215
Depreciation – building and improvements		(163,178)	(157,851)
Interest expense PPP loan		(285)	-
PPP loan forgiveness – (Note 13)		20,955	-
NET INCOME (LOSS)		(532,231)	31,364
Beginning Accumulated Deficit		(1,320,808)	(1,352,172)
Ending Accumulated Deficit		$ (1,853,039)	$ (1,320,808)

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

EXHIBIT C

For The Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (532,231)	$ 31,364
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	163,178	157,851
Mortgage interest expense related to amortization of debt issuance costs	928	928
Increase in receivables	(9,398)	(83,870)
Increase in allowance for doubtful accounts	20,402	86,566
Decrease in prepaid expenses	8,508	15,034
Article 8A evaporating loan/grant income	(37,697)	(37,698)
Increase in accrued expenses	530,912	20,237
Interest expense on PPP loan	285	-
Forgiveness of PPP loan	(20,955)	-
Interest earned	(1,034)	(1,892)
Total Adjustments	655,129	157,156
CASH PROVIDED BY OPERATING ACTIVITIES	122,898	188,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Reserve Fund – required deposits	(17,200)	(17,200)
Decrease in Reserve Fund	50,575	-
Purchase of property and equipment	(108,410)	(56,126)
CASH USED BY INVESTING ACTIVITIES	(75,035)	(73,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgages payable	(86,960)	(84,133)
CASH USED BY FINANCING ACTIVITIES	(86,960)	(84,133)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(39,097)	31,061
Cash, cash equivalents and restricted cash at beginning of year	371,362	340,301
Cash, cash equivalents and restricted cash at end of year	$ 332,265	$ 371,362

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

EXHIBIT D

	2022	2021
Cash paid during the year:		
Interest	$ 61,419	$ 64,247

Non-Cash Investing and Financing Activities:
Additions to property and equipment accrued was $66,553 and $36,357 for the years ended September 30, 2022 and 2021, respectively.

See Notes to Financial Statements.

KINGSBRIDGE ARMS, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

1. ORGANIZATION

Kingsbridge Arms, Inc. (the "Corporation"), is a Mitchell-Lama housing cooperative organized under Section 223 (F) of the Private Housing Finance Law, incorporated in the State of New York. The Cooperative consists of nine stories with 104 residential units, a superintendent's apartment and a garage. The primary purpose of the Corporation is to manage the operations of Kingsbridge Arms, Inc. and maintain the common elements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The building is fully depreciated.

Amortization of Debt Issuance Costs

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

Revenue Recognition

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

Shareholder Maintenance-Accounts Receivable

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

3. STATEMENTS OF CASH FLOWS

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that adds to the total of the same amounts as shown on the statements of cash flows as of September 30, 2022 and 2021.

	2022	2021
Cash - Operating Accounts	$ 158,373	$ 205,781
Cash - Escrow Account	157,823	146,762
Cash - Reserve Fund	16,069	18,819
Total cash, cash equivalents and restricted cash as shown on the statements of cash flows	$ 332,265	$ 371,362

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

As of September 30, 2022, the outstanding arrears of certain current shareholders and past shareholders exceeded their equity investments in their apartments by $230,978. Since collection of these arrears is not certain, an allowance for doubtful accounts receivable has been recorded to show the receivables at their net realizable value. Bad debt expense is recorded using the allowance method.

5. MORTGAGES PAYABLE

First and Second Mortgages
On December 29, 2004, the Corporation closed on the following two mortgages with the New York City Housing Development Corporation (“HDC”). As a condition of the mortgages, the Corporation has agreed to be subject to Department of Housing, Preservation and Development’s (“HPD”) rules and regulations as a Mitchell-Lama development. The Corporation is no longer under the direct supervision of HUD.

The terms of the first mortgage are as follows:

Principal:	$781,968
Interest rate	6.5%
Monthly payment	$4,942
Maturity Date	Self-liquidating - Matures January 31, 2035.
Prepayment	The mortgage may be prepaid in whole without penalty commencing on December 1, 2019. Notice of such prepayment must be given within 30 days of the proposed date of payment. Further, the subordinate mortgage must be paid at the same time.

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

Year Ending September 30:	
2023	$ 27,472
2024	29,912
2025	31,275
2026	33,370
2027	35,605
Thereafter	344,633

5. MORTGAGES PAYABLE – (continued)

Interest expense on the first mortgage was $33,603 and $34,868 for the years ended September 30, 2022 and 2021, respectively.

The terms of the second mortgage are as follows:

Principal:	$1,547,621
Interest rate	0.00%
Monthly payment	$0.00
Maturity date	April 30, 2035
Prepayment	The mortgage may be prepaid in whole, or in part, without penalty at any time.

In connection with the refinancing, the Corporation was also given grants by HDC in the total amount of $183,355, which were deposited into the Corporation's reserve for replacement account. Withdrawals from such account must be requested to HDC. The mortgage notes are collateralized by the land and building owned by the Corporation.

8A Loans - Third, Fourth and Fifth Mortgages
On March 30, 2011, the Corporation set up the following two new mortgages, both of which are held by HPD. The loan proceeds can only be used to perform certain HPD approved capital improvements to the premises. The loan proceeds will be disbursed periodically by HPD jointly to the Corporation and the contractors as the work is being performed.

The terms of the third mortgage are as follows:

Principal:	$1,942,633
Interest rate	2.0%
Monthly payment	Payments of interest only shall be made monthly on the sums advanced commencing on the first day of the first month following the initial advance and every calendar month thereafter up to and including April 1, 2012. Thereafter, commencing on May 1, 2012, monthly payments of principal and interest totaling $7,361 shall be made until the Maturity Date.
Maturity date	Self-liquidating - Matures on March 1, 2041
Prepayment	Prohibited

As of September 30, 2022, funds totaling $1,925,214 were drawn on the third mortgage and distributed to contractors involved with capital improvements contracts.

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

Year Ending September 30:	
2023	$ 62,448
2024	63,708
2025	64,994
2026	66,306
2027	67,644
Thereafter	997,803

5. MORTGAGES PAYABLE – (continued)

Interest expense on the third mortgage was $28,051 and $29,262 for the years ended September 30, 2022 and 2021, respectively, which includes amortized debt issuance costs of $928 for each of the years.

The terms of the fourth mortgage are as follows:

Principal:	$1,046,033
Interest rate	0.0%
Payment	None. Balance of $1,036,653 will be forgiven.
Maturity date	March 1, 2041
Terms regarding forgiveness:	Compliance with its obligations under the loan documents. The funds were used for HPD approved capital improvements to the premises.
Income recognition:	The proceeds from the loan were escrowed by HPD and as applications were sent for payment regarding approved capital improvements, the funds were released to the contractor performing the work. The capital improvements will be capitalized and depreciated over 27.5 years. The funds will be recognized over a period of 27.5 years, or approximately $37,698 per year.

As of September 30, 2022, drawdowns totaling $716,233 were made on the fourth mortgage of which the full amount was distributed to contractors involved with the capital improvements contracts. The mortgage notes are collateralized by the land and building owned by the Corporation.

On June 28, 2017, the Corporation closed on a fifth mortgage with HPD in the amount of $3,714,590. The proceeds can only be used to perform the parking garage restoration. The interest rate is 1% with payments of interest only through June 1, 2019. Thereafter, commencing July 1, 2019, monthly payments of principal and interest in the sum of $12,680 shall be made until the maturity date. The term is for 30 years with amortization based on 28 years. As of September 30, 2022, drawdowns totaling $73,450 were made on the fifth mortgage of which the total amount was distributed to Romo Construction for the garage restoration project. In April 2018, this contract was terminated. Thus, principal payments have not been made in 2022 and 2021, respectively. Currently, the work involved with the garage restoration is out for re-bid and the dollar amount of the work cannot be determined

Interest expense on the fifth mortgage was $734 for each of the years ended September 30, 2022 and 2021

Aggregate maturities of the aforementioned loans for the next five years and thereafter are as follows:

Year Ending September 30:	
2023	$ 89,920
2024	93,620
2025	96,269
2026	99,676
2027	103,249
Thereafter	1,342,436

6. VIOLATIONS

In April 1993, the Corporation was cited for two violations of the Administrative Code of the City of New York due to an alleged failure to maintain cracked and falling concrete ceilings at various areas of the second and third levels of the garage, and for permitting repair work to have been done therein without a permit and without Buildings Department approval of the work completed. The Corporation entered into stipulations whereby the violations were admitted; a penalty of $350 per violation was imposed and an extension of time to bring the garage into compliance was granted. The extension expired August 19, 1993 and the Corporation could be cited for further violations and greater penalties until the work is performed to correct the structural problems in the garage. Upon information and belief, the Corporation has closed the garage from any use until such repairs are made. We are unable to render an opinion as to the final outcome of this matter.

In March 2022, the Corporation hired Total NY Construction Corporation to install sidewalk shed and fencing around the perimeter of the façade which was deemed unsafe by the NYC Department of Buildings. The total cost for this emergency bridging work was $118,187. As of September 30, 2022, $72,053 was paid and invoices totaling $46,134 were accrued. The Corporation has not received estimates for the Local Law 11 façade work as of yet

7. UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ North and are covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement expires on March 14, 2023. The Corporation made contributions to the Plan based on the number of months worked by each employee covered under the union contract. During the years ended September 30, 2022 and 2021, the Corporation contributed $72,775 and $54,190, respectively, to the Plan of which $14,933 and $10,780, respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

Contributions to the Building Service 32BJ North Pension Fund, Employer Identification Number 13-1819138, (Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risk of participating in a multiemployer pension plan is different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Corporation chooses to stop participating in its multiemployer pension plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" are at least 80% funded. As of the date of issuance of these financial statements, the Fund's most recently available certified zone status was "green" for the 2020 Plan Year. The Fund is considered to be in the green zone for the plan year beginning January 1, 2021 and ended December 31, 2021. The Corporation has no intention of withdrawing from the Plan.

8. INCOME TAXES

The Corporation is subject to Federal taxes based on net income. The Corporation is a limited profit housing company and is exempt from New York State and City taxes.

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

As of September 30, 2022, the Corporation had a total NOL of $770,688. The NOL of $770,688 will expire in various years through 2035. Any future generated NOL does not expire under present tax law. It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore no deferred tax assets have been recognized.

For the year ended September 30, 2022, the Corporation has net income, but due to permanent timing differences and available net operating loss carryforwards is not liable for Federal tax. Current tax expense is $-0-.

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

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation may have the right to borrow, utilize available cash, increase maintenance charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Accumulated funds, which aggregate approximately $162,214, as of September 30, 2022 are generally not available for operating purposes. Any releases from these reserves must be approved by HDC. For the year ended September 30, 2022, $50,575 was released from the Reserve Fund.

10. CONTRIBUTIONS TO CAPITAL

The Corporation treats special assessments used for the acquisition of capital improvements and maintenance charges used for amortization of mortgage principal as contributions to capital for tax purposes only.

For the years ended September 30, 2022 and 2021, Paid-in Capital for tax purposes is:

	2022	2021
Mortgages amortization	$ 86,960	$ 84,133

11. COMMITMENTS

In 2017, the Corporation entered into a contract with the Romo Construction Corp. for the garage restoration in the amount of $3,372,900. In April 2018, this contract was terminated and as of September 30, 2021, the Corporation paid $73,450 for work done on this contract.

Currently the work involved with the garage restoration is out for re-bid and the dollar amount of the work cannot be determined at this time.

12. COVID-19 CORONAVIRUS

In early 2020, the COVID-19 virus spread in the United States. As a result, this may cause the Corporation to experience disruptions that could severely impact its ability to carry out its activities. The impact of the outbreak of the COVID-19 virus continues to rapidly evolve. The extent to which the COVID-19 virus may impact the Corporation will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Due to any unknown factors that may come to light if this virus outbreak and any associated protective or preventative measures expand, as of the date of the auditor's report, the Corporation cannot reasonably estimate the impact to its activities, revenues, financial conditions or results of operations, however, such impact could be significantly negative.

13. PAYROLL PROTECTION PROGRAM LOAN

On May 4, 2020, the Corporation entered into a U.S. Small Business Administration Guaranteed Loan in the amount of $20,670 with an interest rate of 1.00% per annum under the Coronavirus Aid Relief, Economic Security Act and Paycheck Protection Program. The Loan will mature two (2) years from the date of the Loan. The Borrower may repay this Loan, in whole or in part, at any time without premium or penalty. Borrower may be entitled to the forgiveness of some or all of the Loan, pursuant to the Paycheck Protection Program. To apply for forgiveness, Borrower must comply with the related provisions of the Cares Act. As of September 30, 2022 , the entire principal of $20,670 plus $285 in interest was forgiven.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2023, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.

Marin &
Montanye LLP

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD B. MONTANYE, CPA
PATRICIA A. PRUSINSKI, CPA

Independent Accountant's Report
On Supplementary and Prospective Information

To: The Board of Directors and Shareholders of Kingsbridge Arms, Inc.

We have audited the financial statements of Kingsbridge Arms, Inc. as of and for the years ended September 30, 2022 and 2021, and our report thereon dated February 16, 2023, which expressed an unmodified opinion on those financial statements, appears on Pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supporting Schedules and Comparative Schedule of Income and Expenditures - Budget and Historical are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

February 16, 2023 for Historical Statements

January 6, 2023 for Forecasted Statements

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KINGSBRIDGE ARMS, INC.

SUPPORTING SCHEDULES – BALANCE SHEETS

As of September 30, 2022 and 2021

	2022	2021
ANALYSIS OF MORTGAGE ESCROW ACCOUNT WITH NEW YORK CITY HOUSING DEVELOPMENT CORPORATION	Schedule 1	
Real estate taxes	$ 79,639	$ 84,297
Water and sewer charges	78,184	62,465
TOTAL MORTGAGE ESCROW ACCOUNT	$ 157,823	$ 146,762
REPLACEMENT RESERVE FUND REQUIREMENT	Schedule 2	
Balance – October 1,	$ 194,555	$ 175,463
Plus: Interest earned and reinvested	1,034	1,892
Allocation $1,433 monthly effective March 2006	17,200	17,200
Less: Released from reserve fund for capital improvements	(50,575)	-
NET REPLACEMENT RESERVE FUND REQUIREMENT	$ 162,214	$ 194,555

REPLACEMENT RESERVE – Due from NY HDC

Consisting of:

	2022	2021
Investments: U.S. Government Obligations	$ 162,214	$ 194,555
TOTAL REPLACEMENT RESERVE	$ 162,214	$ 194,555

See Accountant's Report.

KINGSBRIDGE ARMS, INC.

SUPPORTING SCHEDULES – OPERATING EXPENSES

For The Years Ended September 30, 2022 and 2021

	2022	2021
ADMINISTRATIVE AND MANAGEMENT EXPENSES	Schedule 3	
Telephone	$ 6,313	$ 3,500
Management fee	45,000	45,000
Professional fees	71,328	23,459
Consultant	10,815	50
Miscellaneous administrative	25,784	45,419
Bad debt	20,401	86,566
TOTAL ADMINISTRATIVE AND MANAGEMENT EXPENSES	$ 179,641	$ 203,994

	2022	2021
OPERATING EXPENSES	Schedule 4	
Payroll	$ 158,299	$ 130,337
Water and sewer charges	107,168	110,199
Electricity and gas	158,777	138,159
Gas heat	272,321	60,000
Gas heat-prior years	213,700	-
Security	75,595	77,991
Permits and licenses	17,601	2,184
TOTAL OPERATING EXPENSES	$ 1,003,461	$ 518,870

	2022	2021
REPAIRS AND MAINTENANCE EXPENSES	Schedule 5	
Supplies	$ 16,449	$ 35,807
Uniforms	947	613
Exterminating	2,858	2,177
Elevator	13,877	1,109
General repairs and maintenance	5,377	36,390
Plumbing	36,704	19,272
Boiler	28,291	15,043
Grounds	-	2,450
TOTAL REPAIRS AND MAINTENANCE EXPENSES	$ 104,503	$ 112,861

See Accountant's Report.

KINGSBRIDGE ARMS, INC.

SUPPORTING SCHEDULES – OPERATING EXPENSES

For The Years Ended September 30, 2022 and 2021

	2022	2021
TAXES, INSURANCE AND EMPLOYEE BENEFITS	Schedule 6	
New York City shelter rent	$ 85,504	$ 86,360
Payroll taxes	13,193	10,955
Insurance	78,597	90,064
Employee benefits	72,775	54,190
TOTAL TAXES, INSURANCE AND EMPLOYEE BENEFITS	$ 250,069	$ 241,569
FINANCIAL EXPENSES	Schedule 7	
Interest on mortgage payable – 1st mortgage	$ 33,603	$ 34,868
Interest on mortgage payable – 3rd mortgage – (includes amortized debt issuance costs)	28,051	29,262
Interest on mortgage payable – 5th mortgage	734	734
TOTAL FINANCIAL EXPENSES	$ 62,388	$ 64,864

See Accountant's Report.

KINGSBRIDGE ARMS, INC. — EXHIBIT E

COMPARATIVE SCHEDULE OF INCOME AND EXPENDITURES - BUDGET, HISTORICAL AND FORECAST

Years Ended September 30, 2022, 2021 (Historical) and Year Ending September 30, 2023 (Forecasted)

	2022		2021	2023
	Budget Unaudited	Actual	Actual	Forecast
INCOME				
Maintenance charges	$ 1,215,900	$ 1,215,951	$ 1,215,951	$ 1,215,950
Less: Vacancy loss	(21,356)	(108,330)	(27,592)	(100,000)
Air conditioners and freezers	10,000	7,832	9,144	8,000
Laundry room	16,800	16,800	16,800	16,800
Interest on investments	5,500	5,262	5,346	5,500
Miscellaneous	20,000	17,195	5,560	20,000
Surcharges	65,000	17,932	68,467	18,000
TOTAL INCOME	1,311,844	1,172,642	1,293,676	1,184,250
EXPENDITURES				
Administrative				
Management fee	45,000	45,000	45,000	45,000
Professional fees	20,400	71,328	23,459	40,600
Telephone	3,900	6,313	3,500	6,500
Consultant	1,000	10,815	50	12,000
Bad debt	-	20,401	86,566	-
Miscellaneous administrative	15,000	25,784	45,419	30,000
Operating				
Utilities	171,900	644,798 **(2)**	198,159	450,000
Payroll	131,800	158,299	130,337	165,000
Security	80,000	75,595	77,991	80,000
Union benefits	60,000	72,775	54,190	75,000
Water and sewer charges	110,200	107,168	110,199	120,000
Exterminating	2,300	2,858	2,177	3,000
Permits and licenses	3,000	17,601	2,184	3,000
Maintenance				
Supplies	28,800	16,449	35,807	20,000
Boiler	12,300	28,291	15,043	25,000
General repairs and maintenance	43,800	6,324	37,003	35,000
Grounds	4,600	-	2,450	4,500
Plumbing	6,900	36,704	19,272	35,000
Elevator	12,000	13,877	1,109	15,000
Taxes and Other				
New York City Shelter Rent	90,000	85,504	86,360	90,000
Payroll taxes	11,900	13,193	10,955	14,000
Insurance	91,200	78,597	90,064	92,000
Mortgage amortization and interest – first	59,172	59,351	59,000	59,500
Mortgage amortization and interest – third **(1)**	88,233	88,335	88,335	88,233
Mortgage amortization and interest – fifth	734	734	734	734
Allocation for reserves	17,200	17,200	17,200	17,200
TOTAL EXPENDITURES	1,111,339	1,703,294	1,242,563	1,526,267
SURPLUS (DEFICIT) FROM OPERATIONS	$ 200,505	$ (530,652)	$ 51,113	$ (342,017)

(1) Excludes amortized debt issuance costs.
(2) Includes prior years billing of $213,700.

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

KINGSBRIDGE ARMS, INC.

YEAR ENDING SEPTEMBER 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

NOTE A: The financial forecasts present, to the best of management's knowledge and belief, the company's expected results of operations for the forecast periods. Accordingly, the forecasts reflect its judgment, as of January 6, 2023, the date of these forecasts, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

NOTE B: Basis of Accounting - The accompanying forecast is presented using the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.

NOTE C: Income Tax - The Corporation is subject to Federal income tax based on net income. The Corporation is a limited profit housing company and is exempt from New York State and City taxes.

NOTE D: Revenue - Maintenance charges have been computed based on $101,321 per month.

NOTE E: Expenses - Payroll expense is based on the current contract with a 3% increase. Utility increases are due to increases in rates set by the appropriate regulatory agencies. Real estate taxes are computed based on shelter rent.

NOTE F: Debt - The accompanying forecast assumes the following debt:

1. Mortgage Payable - first - Monthly payments of $4,942 representing payments of principal and interest at a rate of 6.5% per annum.

2. Mortgage Payable - third - Monthly payments of $7,361 representing payments of principal and interest at a rate of 2% per annum.

3. Mortgage Payable - fifth - Monthly payments of interest only at a rate of 1% per annum.