BRIGHTON HOUSE, INC.

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2023 and 2022

BRIGHTON HOUSE, INC.

TABLE OF CONTENTS

Marin &
Montanye LLP
CERTIFIED PUBLIC ACCOUNTANTS

<u>Independent Auditor's Report</u>

To: The Board of Directors and Shareholders of Brighton House, Inc.

Opinion

We have audited the financial statements of Brighton House, Inc., which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, accumulated deficit and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brighton House, Inc. as of June 30, 2023 and 2022, 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 Brighton House, 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 Brighton House, 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.

90 MERRICK AVENUE – SUITE 605, EAST MEADOW, NY 11554-1599 • (516) 625-3700 • (718) 347-8600 • FAX (516) 625-3881
www.marinmontanye.com

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brighton House, 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 Brighton House, 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 14, 2024

Marin & Montanye LLP

BRIGHTON HOUSE, INC. EXHIBIT A

BALANCE SHEETS

As of June 30, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents – Schedule 1 – Operating account	$ 7,048	$ -
– Equity account	133,401	167,096
Receivables:		
Tenant shareholders' arrears – net of allowance for doubtful accounts	45,335	34,396
Commercial arrears	-	2,756
Senior citizen rent increase exemption	11,882	11,125
Section 8 subsidy	20,282	19,239
Mortgage escrow deposits – HDC	69,373	229,572
Prepaid expenses:		
Insurance	141,860	126,739
Real estate taxes	24,199	20,709
TOTAL CURRENT ASSETS	453,380	611,632
FUNDS		
Replacement Reserve – Due from NYC H.D.C. – Schedule 2	230,928	201,155
Reserve account	19,622	19,391
TOTAL FUNDS	250,550	220,546
PROPERTY AND EQUIPMENT		
Land	304,616	304,616
Building	3,309,981	3,309,981
Building improvements and equipment	19,456,653	19,330,786
Exterior renovation	1,447,154	1,447,154
Less: Accumulated depreciation	(7,241,431)	(6,508,000)
NET PROPERTY AND EQUIPMENT	17,276,973	17,884,537
OTHER ASSETS		
Parking security deposits	2,410	2,842
Utility deposit	14,000	14,000
Commercial lease income – FASB ASC 842 adjustment – (Notes 2 and 7)	3,110	-
TOTAL OTHER ASSETS	19,520	16,842
TOTAL ASSETS	$ 18,000,423	$ 18,733,557

See Notes to Financial Statements.

BRIGHTON HOUSE, INC. EXHIBIT A

BALANCE SHEETS

As of June 30, 2023 and 2022

LIABILITIES AND STOCKHOLDERS' DEFICIT

	2023	2022
CURRENT LIABILITIES		
Cash overdraft – Operating account	$ -	$ 5,040
Accounts payable and accrued expenses	71,735	267,651
Accrued mortgage interest	5,125	5,398
Accrued loan interest	1,976	2,223
Prepaid maintenance charges	13,139	8,057
Prepaid commercial charges	14,060	-
STAR exemption payable	60,394	41,012
Due to move-out cooperators within 30 days	139,165	171,780
New York State sales tax payable	141,952	142,513
Mortgage payable – current portion	53,837	50,458
Section 8A Loan – current portion	104,070	100,998
Deferred grant income – Article 8A Loan – current portion	18,182	18,182
Deferred grant income – CDBG Loan – current portion	599,544	594,131
TOTAL CURRENT LIABILITIES	1,223,179	1,407,443
LONG TERM AND OTHER LIABILITIES		
Mortgages payable – (Note 5)	2,918,512	2,968,970
Less: Current portion	(53,837)	(50,458)
Unamortized debt issuance costs – (Note 2)	(4,979)	(5,397)
Section 8A Loan payable – (Note 5)	790,552	891,550
Less: Current portion	(104,070)	(100,998)
Unamortized 8A loan costs – (Note 2)	(7,550)	(8,175)
Article 8A Loan – window replacement – (Note 5)	245,455	263,636
Less: Deferred grant income – current portion	(18,182)	(18,182)
CDBG – DR Loan payable – (Note 5)	15,293,791	15,744,463
Less: Deferred grant income – current portion	(599,544)	(594,131)
Unamortized CDBG – DR loan costs	(80,155)	(95,184)
Security deposits payable:		
Non-resident parking	17,709	16,809
Professional apartments	-	6,115
Applicant deposits payable	44,912	49,296
TOTAL LONG TERM AND OTHER LIABILITIES	18,442,614	19,068,314
TOTAL LIABILITIES	19,665,793	20,475,757
STOCKHOLDERS' DEFICIT		
Capital Stock – Common – Authorized 48,000 shares at $10 par value	480,000	480,000
Paid-in Capital – in excess of par value	952,997	952,997
Accumulated Deficit	(3,098,367)	(3,175,197)
TOTAL STOCKHOLDERS' DEFICIT	(1,665,370)	(1,742,200)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 18,000,423	$ 18,733,557

See Notes to Financial Statements.

BRIGHTON HOUSE, INC. EXHIBIT B

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

For The Years Ended June 30, 2023 and 2022

		2023	2022
INCOME			
Rent Income from Shareholders			
Maintenance charges – apartments (including utilities)		$ 1,063,555	$ 1,063,555
Less: Vacancy loss		(6,817)	(1,616)
Surcharges retained		23,597	19,075
Air conditioners		26,977	27,879
Total Rent Income from Shareholders		1,107,312	1,108,893
Other Income			
Garages		214,828	168,539
Commercial lease income – (Note 7)		16,597	51,671
Commercial lease income – FASB ASC 842 adjustment – (Note 7)		3,110	-
Laundry		7,800	7,800
Late charges and miscellaneous		6,725	5,428
Interest		12,063	8,740
Grant – Article 8A Loan – (Note 5)		18,182	18,182
Grant – CDBG – DR Loan – (Note 5)		599,544	594,131
Total Other Income		878,849	854,491
TOTAL INCOME		1,986,161	1,963,384
COST OF OPERATIONS			
Administrative expenses	Schedule 3	227,442	280,688
Operating expenses	Schedule 4	628,838	561,174
Repairs and maintenance expenses	Schedule 5	96,648	153,731
Shelter rent tax		118,766	110,344
Financial expenses	Schedule 6	89,177	95,333
TOTAL COST OF OPERATIONS		1,160,871	1,201,270
INCOME FROM OPERATIONS BEFORE DEPRECIATION, AMORTIZATION, PPP LOAN INTEREST AND PPP LOAN FORGIVENESS		825,290	762,114
Depreciation: Building improvements, equipment		(733,431)	(711,638)
Amortization: CDBG – DR Loan debt issuance costs		(15,029)	(15,029)
PPP loan interest – (Note 6)		-	(485)
PPP loan forgiveness – (Note 6)		-	49,717
NET INCOME		76,830	84,679
Beginning Accumulated Deficit		(3,175,197)	$ (3,259,876)
Ending Accumulated Deficit		$ (3,098,367)	$ (3,175,197)

See Notes to Financial Statements.

BRIGHTON HOUSE, INC. — EXHIBITS C & D

STATEMENTS OF CASH FLOWS — EXHIBIT C

For The Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 76,830	$ 84,679
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	748,460	726,667
Mortgage and loan interest expense related to amortization of debt issuance costs	1,043	1,044
Deferred grant income	(617,726)	(612,313)
Decrease in parking deposits	432	479
Decrease in receivables	146,534	144,727
Increase in allowance for doubtful accounts	3,684	31,202
Increase in prepaid expenses	(18,611)	(11,027)
Increase (Decrease) in accounts payable and accrued expenses	(29,806)	73,665
Increase (Decrease) in applicant and security deposits payable	(9,599)	675
Increase in FASB ASC 842 adjustment	(3,110)	-
Total Adjustments	221,301	355,119
CASH PROVIDED BY OPERATING ACTIVITIES	298,131	439,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(292,189)	(580,732)
Increase in Replacement Reserve Fund – deposits from operating	(23,408)	(23,408)
– investment earning applied	(6,365)	(1,150)
Decrease in Replacement Reserve Fund – capital improvements	-	168,700
CASH USED BY INVESTING ACTIVITIES	(321,962)	(436,590)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of mortgage principal	(50,458)	(47,291)
Payment of 8A loan principal	(100,998)	(98,017)
Proceeds from CDBG loan	148,871	194,887
Forgiveness of PPP loan	-	(49,232)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,585)	347
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(26,416)	3,555
Cash, cash equivalents and restricted cash at beginning of year	186,487	182,932
Cash, cash equivalents and restricted cash at end of year	$ 160,071	$ 186,487

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — EXHIBIT D

	2023	2022
Cash paid during the year:		
Interest	$ 88,654	$ 94,802

Non-Cash Investing and Financing Activities:
Additions to property and equipment accrued were $3,451 and $169,773 for the years ended June 30, 2023 and 2022, respectively.

See Notes to Financial Statements.

1. ORGANIZATION

Brighton House, Inc. (the "Corporation") is a limited-profit housing company, organized under the Limited-Profit Housing Companies Law (Article II of the Private Housing and Finance Law). It was completed and began occupancy in November 1968 in the borough of Brooklyn, and contains 192 apartments (763 rental rooms) plus two professional apartments. The primary purpose of the Corporation is to manage the operations of Brighton House, Inc. and maintain the common elements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the statements 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. The building is being depreciated on the straight-line method over a period of 50 years. Other fixed assets are being depreciated on the straight-line method over the estimated useful lives of the assets.

Amortization of Debt Issuance Costs

Costs incurred in obtaining long-term financing, included under mortgages and loans 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 ASC 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.

Adoption of FASB ASC 842

Effective July 1, 2022, the Corporation adopted FASB ASC 842, Leases. The Corporation determines if an arrangement contains a lease at inception based on whether the Corporation has the right to control the asset during the contract period and other facts and circumstances. The Corporation elected to adopt the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification

Under ASC 840, the original lease accounting standard, the Corporation was allowed to disclose their operating leases in the footnotes to financial statements. Under the new standard ASC 842, all leases that are longer than 12 months must be recorded on the balance sheets.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the lessee will exercise the option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Adoption of FASB ASC 842 – (continued)
The Corporation adopted ASC 842 under the effective method approach and elected to adopt the package of practical expedients permitted under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

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 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.

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 June 30, 2023 and 2022.

	2023	2022
Cash – Operating Account	$ 7,048	$ -
Cash – Equity Account	133,401	167,096
Cash – Reserve Funds	19,622	19,391
Total cash, cash equivalents and restricted cash as shown on the statements of cash flows	$ 160,071	$ 186,487

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

As of June 30, 2023, the arrears outstanding from past tenant shareholders totaled $60,197. Since collection of these arrears is uncertain, an allowance for doubtful accounts was established for this amount while reserving the Corporation's right to pursue collection.

5. MORTGAGES AND LOANS PAYABLE

Mortgages
On May 25, 2005, the Corporation paid off its first mortgage held by the New York City Housing Development Corporation ("HDC") and paid off its second mortgage held by the New York City Department of Housing Preservation and Development ("HPD"). The Corporation then set up the following two new mortgages, both of which are held by HDC. As a condition of the refinancing, the Corporation has agreed to be subject to HPD's rules and regulations as a Mitchell-Lama development.

5. MORTGAGES AND LOANS PAYABLE – (continued)

Mortgages – (continued)
The terms of the first mortgage are as follows:

Principal:	$1,499,656
Interest rate:	6.5%
Monthly payment:	$9,479
Maturity date:	Self-liquidating - Matures June 30, 2035.
Prepayment:	The mortgage may be prepaid in whole without penalty at any time after the first fifteen years of the mortgage (i.e. June 1, 2021). 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.

The terms of the subordinate mortgage are as follows:

Principal:	$1,972,447
Interest rate:	0.00%
Monthly payment:	$0.00
Maturity date:	August 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, which totaled $349,937. The grants were deposited into the Corporation's reserve for replacement account. Withdrawals from such account must be requested by HDC. The Corporation incurred refinancing costs totaling $12,550 for counsel. All other costs associated with the refinancing were paid by HDC.

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

Years Ending June 30:	
2024	$ 53,837
2025	57,443
2026	61,290
2027	65,394
2028	69,774
Thereafter	638,327

Interest expense was $63,433 and $66,617 for the years ended June 30, 2023 and 2022, respectively, which includes amortized debt issuance costs of $418 for each of the years.

8A Loan – First
On June 27, 2005, a loan in the amount of $2,391,795 was made by the City of New York to Brighton House, Inc. pursuant to Article 8A of the New York State Private Housing Finance Law. The interest rate on the outstanding principal balance of the loan is 3% per annum and provides for interest only payments for the first two years and commencing July 1, 2007 monthly installments of principal and interest in the amount of $10,530 until June 1, 2035, the maturity date. At that time, the entire unpaid principal balance and all accrued and unpaid interest shall be due and payable. Costs incurred associated with the closing of the loan were $18,770 and are being amortized over the life of the loan.

5. MORTGAGES AND LOANS PAYABLE – (continued)

8A Loan – First – (continued)
Principal maturities for the loan for the next five years and thereafter are as follows:

Years Ending June 30:	
2024	$ 104,070
2025	107,236
2026	110,497
2027	113,858
2028	117,321
Thereafter	237,570

Interest expense was $25,744 and $28,716, which includes amortized debt issuance costs of $625 and $626 for the years ended June 30, 2023 and 2022, respectively.

Aggregate principal maturities for the first mortgage and 8A loan for the next four and five years, respectively and thereafter are as follows:

Years Ending June 30:	
2024	$ 157,907
2025	164,679
2026	171,787
2027	179,252
2028	187,095
Thereafter	875,897

The mortgage notes and 8A loan are collateralized by the land and building owned by the Corporation.

8A Loan – Second
On June 26, 2008, the Corporation received a loan in the amount of $500,000 pursuant to Article 8A of the New York State Private Housing Finance Law. As long as the Corporation is not in default under the loan, no monthly payments are required. If on June 1, 2035, the maturity date, there is no default under any loan documents, then the entire unpaid principal amount shall be reduced to zero and deemed paid in full. The loan does not bear interest. Disbursements from the loan have been made to pay for window replacements in the building. The capital improvements will be capitalized and depreciated over 27.5 years. The funds will be recognized as income over a period of 27.5 years. As of June 30, 2023 and 2022, grant income of $18,182 was recognized for each year.

5. MORTGAGES AND LOANS PAYABLE – (continued)

CDBG-DR Loan

The terms of the fifth mortgage, which is in the form of a CDBG-DR Fund for which HDC is the servicing unit and which is forgivable and has no debt service agreeing to take back a second mortgage securing said amount, are as follows:

Principal:	$16,575,000
Interest rate:	None
Monthly payment:	None
Term of loan:	Ten years, maturity on October 31, 2028.
Maturity:	Original amount of $16,575,000 will be forgiven.
Provisions:	Additional financing is not permitted absent lender's consent. Corporation continues to be owned and operated as a limited profit housing company. Loan proceeds are to be used solely for the purpose of paying for Super Storm Sandy rehabilitation repairs.
Income recognition:	The proceeds from the loan are escrowed by HDC and as applications for payment regarding approved work are sent, the funds will be released to the contractor performing the work. The capital improvement projects will be capitalized and depreciated over 27.5 years. The funds will be recognized as income over a period of 27.5 years.

The purpose of the loan is to finance the Corporation's rehabilitation, renovation and/or resiliency. Funds are released periodically, as work is completed. As of June 30, 2023, funds totaling $16,575,000 have been released to the Corporation and used toward the cost of a capital improvement project. As of June 30, 2023 and 2022, grant income of $599,544 and $594,131 was recognized, respectively.

6. PPP LOAN PAYABLE

On March 11, 2021, the Corporation entered into a U.S. Small Business Administration Guaranteed Loan with National Cooperative Bank, N.A. in the principal amount of $49,232 with an interest rate of 1.00% per annum under the Coronavirus Aid Relief and Economic Security Act and Paycheck Protection Program. The Loan was to mature five (5) years from the date of the Loan. In March 2022, the Corporation was granted forgiveness of this loan in the amount of $49,717, which includes the interest expense of $485.

7. COMMERCIAL LEASE

The Corporation has one operating lease, which generates rental income from the tenant and operating cash flows for the Corporation. The tenant lease generally has a lease term of varying years, with one or more renewal options available upon expiration of the initial lease term. Contractual rent increases for the renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than the fair value of the rent at the date of renewal.

The commercial lease is classified as an operating lease in accordance with the provisions of Financial Accounting Standards Board ("FASB") ASC 842 which requires the recognition of scheduled rent increases and deferred rent concessions, if any, on a straight-line basis over the lease term.

7. COMMERCIAL LEASE – (continued)

The Corporation had entered into non-cancellable lease agreements with two professional tenants with lease terms ranging from 2-5 years. Both professional tenants vacated the commercial space effective January 2022. An additional lease was entered into with Verizon Wireless for the rental of the roof top for an initial term of five years effective May 2015 with the option to renew for five additional five-year terms.

The commercial lease income totaled $19,707 and $51,671 for the years ended June 30, 2023 and 2022, respectively.

The Corporation's operating lease is disclosed in the aggregate due to its consistent nature as commercial lease. As of June 30, 2023, the undiscounted cash flows to be received from lease payments on operating lease on an annual basis for the next five years and thereafter are as follows:

Years Ending June 30:	
2024	$ 16,928
2025	17,267
2026	17,612
2027	17,964
2028	18,324
Thereafter	246,735

8. TAX ABATEMENT

The Corporation has been granted an 80% abatement on the assessed value of the corporate property, and a corresponding 80% abatement of real estate taxes due, providing such abatement shall not result in real estate taxes being reduced to less than 10% of annual shelter rent.

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.

The Corporation's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate $230,928 at June 30, 2023, are held in separate accounts and are generally not available for operating purposes. Any releases from these reserves must be approved by the governing body.

10. UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement is effective April 21, 2022 and will expire on April 20, 2026. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During the years ended June 30, 2023 and 2022, the Corporation contributed $91,247 and $72,686 respectively, to the Plan of which $20,085 and $15,129 respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

Contributions to the Building Service 32BJ Pension Fund, Employer Identification Number 13-1879376, (Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The 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 "yellow" for the plan year ended June 30, 2023. The Fund is considered to be in endangered status for the plan year beginning July 1, 2022 and its actuary has determined that the Plan is expected to emerge from endangered status within the statuary timeframe. A Rehabilitation Plan aimed at restoring the Fund's financial health has been adopted. This recovery is projected to be achievable through contribution increases (which were implemented in the last round of collective bargaining). Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined. The Corporation has no intention of withdrawing from the Plan.

11. CONTRACTUAL OBLIGATIONS

During the year ended June 30, 2020, the Corporation entered into a contract with Otis Elevator Company for door lock monitoring for a total cost of $37,600. As of June 30, 2022, this contract has been paid.

During the year ended June 30, 2018, the Corporation entered into a contract with Allcon Contracting Corp. for Super Storm Sandy renovations for a total cost of $14,887,116. As of June 30, 2023, this contract has been paid.

During the year ended June 30, 2016, the Corporation entered into contracts with Purcell Architects for the Build It Back Resiliency Program for a total cost of $641,260. As of June 30, 2023, payments of $614,765 have been made on the contract.

12. INCOME TAXES

Under the Tax Cuts and Jobs Act 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 2018 can continue to be used to offset 100% of taxable income.

For the year ended June 30, 2022, the Corporation has net income but due to net operating loss carryforwards is not liable for Federal tax. The Corporation is a limited profit housing company and therefore is not subject to State or City tax. Current tax expense is $-0-. 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.

As of June 30, 2023, the Corporation has a total NOL of $838,026. Of this total, $692,925 will expire in various years through 2037. The remaining NOL of $145,101 generated from taxable losses subsequent to the year ending June 30, 2018 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.

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

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2024, 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

Independent Accountant's Report
On Supplementary and Prospective Information

To: The Board of Directors and Shareholders of Brighton House, Inc.

We have audited the financial statements of Brighton House, Inc. as of and for the years ended June 30, 2023 and 2022, and our report thereon dated February 14, 2024, 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 Brighton House, Inc. for the year ended June 30, 2024, 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 Brighton House, Inc. and are not intended to be and should not be used by anyone other than these specified parties.

February 14, 2024 for Historical Statements

Marin & Montanye LLP

December 12, 2023 for Forecasted Statements

90 MERRICK AVENUE – SUITE 605, EAST MEADOW, NY 11554-1599 • (516) 625-3700 • (718) 347-8600 • FAX (516) 625-3881
www.marinmontanye.com

BRIGHTON HOUSE, INC.

SUPPORTING SCHEDULES – BALANCE SHEETS

As of June 30, 2023 and 2022

	2023	2022
SCHEDULE OF CASH ACCOUNTS	Schedule 1	
Cash – Operating account	$ 7,048	$ -
Cash – Equity account	133,401	167,096
TOTAL CASH ACCOUNTS	$ 140,449	$ 167,096
REPLACEMENT RESERVE REQUIREMENT – H.D.C.	Schedule 2	
Balance – July 1,	$ 201,155	$ 345,297
Add: Investment earnings applied	6,365	1,150
Allocation – at $1,950.67 monthly	23,408	23,408
Less: Capital improvements	-	(168,700)
Balance – June 30,	$ 230,928	$ 201,155
Consisting of:		
Investments – Due from NYC H.D.C.	$ 230,928	$ 201,155
TOTAL REPLACEMENT RESERVE REQUIREMENT – H.D.C.	$ 230,928	$ 201,155

See Accountant's Report.

BRIGHTON HOUSE, INC.

SUPPORTING SCHEDULES – OPERATING EXPENSES

For The Years Ended June 30, 2023 and 2022

	2023	2022
ADMINISTRATIVE EXPENSES	Schedule 3	
Management fee	$ 35,758	$ 34,383
Professional fees	26,085	22,011
Telephone	6,333	6,099
Miscellaneous administrative	17,212	34,042
Insurance	137,120	124,913
Consulting	1,250	26,340
Bad debt	3,684	32,900
TOTAL ADMINISTRATIVE EXPENSES	$ 227,442	$ 280,688
OPERATING EXPENSES	Schedule 4	
Gas and fuel oil – heating	$ 161,888	$ 135,520
Electricity and gas – cooking	33,889	33,635
Water and sewer charges	72,999	69,733
Payroll	188,492	173,368
Payroll taxes	15,441	14,284
Payroll insurance	6,250	11,865
Employee benefits	91,247	72,686
Uniforms	954	475
Permits, violations and miscellaneous operating	57,678	49,608
TOTAL OPERATING EXPENSES	$ 628,838	$ 561,174
REPAIRS AND MAINTENANCE EXPENSES	Schedule 5	
Exterminating	$ 1,497	$ 5,885
Building and janitorial supplies	10,249	19,942
Elevator maintenance contract and repairs	25,304	46,894
Plumbing, heating and air conditioning	16,247	15,340
General repairs and maintenance – (net of tenant chargebacks)	43,351	65,670
TOTAL REPAIRS AND MAINTENANCE EXPENSES	$ 96,648	$ 153,731
FINANCIAL EXPENSES	Schedule 6	
Mortgage interest: 1st H.D.C. – (includes amortized debt issuance costs)	$ 63,433	$ 66,617
Section 8A Loan interest – (includes amortized debt issuance costs)	25,744	28,716
TOTAL FINANCIAL EXPENSES	$ 89,177	$ 95,333

See Accountant's Report.

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

Years Ended June 30, 2023, 2022 (Historical) and Year Ending June 30, 2024 (Forecasted)

	2022/2023		2021/2022	2023/2024
	Budget Unaudited	Actual	Actual	Forecast
INCOME				
Maintenance charges – apartments (including utilities)	$ 1,063,555	$ 1,063,555	$ 1,063,555	$ 1,063,555
Less: Vacancy loss	(4,000)	(6,817)	(1,616)	(4,200)
Surcharge retained	26,400	23,597	19,075	24,000
Air conditioners	27,600	26,977	27,879	27,600
Garages	211,200	214,828	168,539	219,600
Professional tenant leases	-	-	35,400	-
Antenna lease	16,600	16,597	16,271	16,900
Laundry	7,800	7,800	7,800	7,800
Late charges and miscellaneous	5,600	6,725	5,428	6,100
TOTAL INCOME **(1)**	1,354,755	1,353,262	1,342,331	1,361,355
EXPENDITURES				
Administrative				
Management fee	35,800	35,758	34,383	35,800
Professional fees	22,000	26,085	22,011	26,300
Telephone	6,400	6,333	6,099	6,500
Miscellaneous administrative	36,700	17,212	34,042	30,600
Insurance	135,600	137,120	124,913	152,500
Consulting	17,500	1,250	26,340	14,400
Bad debt	-	3,684	32,900	-
Operating				
Gas and fuel oil – heating	149,100	161,888	135,520	189,400
Electricity and gas – cooking	37,400	33,889	33,635	38,400
Water and sewer charges	73,100	72,999	69,733	76,200
Payroll	178,600	188,492	173,368	194,200
Payroll taxes	16,100	15,441	14,284	17,500
Payroll insurance	12,000	6,250	11,865	6,900
Employee benefits	92,700	91,247	72,686	95,400
Uniforms	-	954	475	1,000
Permits and miscellaneous operating	41,200	57,678	49,608	50,900
Repairs and Maintenance				
Exterminating	3,000	1,497	5,885	1,700
Building and janitorial supplies	24,500	10,249	19,942	17,900
Elevator maintenance contract and repairs	25,600	25,304	46,894	25,600
Plumbing, heating and air conditioning	25,900	16,247	15,340	18,400
General repairs and maintenance – (net of tenant chargebacks)	52,000	43,351	65,670	47,500
Financial				
Mortgage payments: 1st H.D.C. **(2)**	113,746	113,473	113,490	113,746
Section 8A loan principal and interest **(2)**	126,363	126,117	126,107	126,363
Transfers to Reserve Fund for Replacements	23,408	23,408	23,408	23,408
Shelter rent tax	105,900	118,766	110,344	119,100
TOTAL EXPENDITURES	1,354,617	1,334,692	1,368,942	1,429,717
SURPLUS (DEFICIT) FROM OPERATIONS	$ 138	$ 18,570	$ (26,611)	$ (68,362)

(1) Does not include commercial lease income – FASB ASC 842 adjustment.
(2) Does not include amortized debt issuance costs.

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

BRIGHTON HOUSE, INC.

YEAR ENDING JUNE 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

NOTE A: The financial forecast presents, to the best of management's knowledge and belief, the Company's expected results of operations for the forecast period. Accordingly, the forecast reflects its judgment, as of December 12, 2023, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein, are those that management believes are significant to the forecast. There will usually be differences between 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 Taxes – The Corporation is subject to Federal income tax based on net income. The Corporation is a limited profit housing company and is not subject to State or City tax.

NOTE D: Revenue – Maintenance charges have been computed based on $88,630 per month. Commercial rent and escalations are calculated based on current lease terms.

NOTE E: Expenses – Payroll expense is based on the current union contract. Real estate taxes are computed based on shelter rent calculations. Insurance reflects current rates in force. The actual results may be higher.

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

1. Mortgage Payable – Monthly payments of $9,479 representing payments of principal and interest at a rate of 6.5% per annum.

2. 8A Loan – Monthly payments of $10,530 representing payments of principal and interest at a rate of 3% per annum.