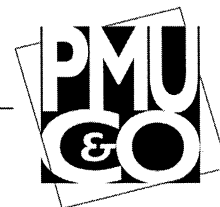

AGUILAR GARDENS, INC.

Financial Statements and
Supplementary Information for the
Years Ended June 30, 2023 and 2022

AGUILAR GARDENS, INC.

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Jayson Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
David V. Agoglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
AGUILAR GARDENS, INC.
156-11 Aguilar Avenue
Flushing, NY 11367

Opinion

We have audited the accompanying financial statements of AGUILAR GARDENS, INC., which comprise the balance sheets (with supporting schedules) as of June 30, 2023 and 2022, and the related statements of revenues and expenses (with supporting schedules), changes in stockholders' equity, 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 AGUILAR GARDENS, 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 AGUILAR GARDENS, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AGUILAR GARDENS, 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

As discussed in Note 2, AGUILAR GARDENS, INC. has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Richard Mullin, Unterlack & Co., LLP

Plainview, New York
December 4, 2023

AGUILAR GARDENS, INC.
BALANCE SHEETS
AS OF JUNE 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 142,607	\$ 317,822
Accounts receivable	290,276	245,649
Prepaid expenses	296,571	245,818
Equity security deposits	488,232	428,507
Total Current Assets	1,217,686	1,237,796
Reserve Fund: (Note 3)	1,520,076	1,636,681
Total Current Assets and Reserve Fund	2,737,762	2,874,477
Property and Improvements: (Notes 2 and 4)		
Land	198,909	198,909
Buildings	4,151,199	4,151,199
Building improvements and equipment	6,402,141	5,943,637
Total	10,752,249	10,293,745
Accumulated depreciation	(7,850,961)	(7,655,487)
Net Property and Improvements	2,901,288	2,638,258
Other Assets:		
Cash - restricted reserve (Notes 2 and 3)	1,233,440	1,405,780
Cash - application deposits	114,643	114,943
Cash - security deposits	14,650	14,770
Total Other Assets	1,362,733	1,535,493
Total Assets	<u>\$ 7,001,783</u>	<u>\$ 7,048,228</u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
BALANCE SHEETS
AS OF JUNE 30,

	<u>2023</u>	<u>2022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Insurance financing payable	\$ 233,261	\$ -
Accounts payable	101,768	97,958
Due to former stockholders - equity and amortization	99,666	82,392
Advance maintenance and commercial rent	14,764	19,797
Wages and payroll taxes payable	8,644	7,568
Building improvements payable	1,653	21,263
Due to stockholders - real estate tax abatements	-	81,921
Due to stockholders - oil subsidy	-	25,480
Total Current Liabilities	<u>459,756</u>	<u>336,379</u>
Other Liabilities:		
Application deposits payable	64,500	64,650
Security deposits payable	22,556	22,676
Total Other Liabilities	<u>87,056</u>	<u>87,326</u>
Total Liabilities	<u>546,812</u>	<u>423,705</u>
Stockholders' Equity:		
Common stock - \$10.00 par value, 85,237.6 shares authorized, issued and outstanding	852,376	852,376
Contributed capital - double equity (Note 2)	1,639,445	1,548,580
Retained earnings	3,963,150	4,223,567
Total Stockholders' Equity	<u>6,454,971</u>	<u>6,624,523</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 7,001,783</u></u>	<u><u>\$ 7,048,228</u></u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF JUNE 30,

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents:		
Operating accounts	\$ 128,527	\$ 306,414
Shelter rent and water and sewer escrow - self-controlled	14,080	11,408
	<u>142,607</u>	<u>317,822</u>
Total Cash and Cash Equivalents	<u>\$ 142,607</u>	<u>\$ 317,822</u>
 Accounts Receivable:		
Maintenance - Apartments (net of allowance for doubtful accounts of \$62,257 in 2023 and \$41,680 in 2022) (Note 2)	\$ 248,599	\$ 123,617
Due from management (subsequently collected)	18,615	-
Electricity submetering	12,369	14,928
Professional and commercial income (Notes 2 and 5)	10,693	3,451
Due from New York City - Shelter Rent Tax	-	78,546
Due from stockholders - real estate tax abatements	-	25,107
	<u>290,276</u>	<u>245,649</u>
Total Accounts Receivable	<u>\$ 290,276</u>	<u>\$ 245,649</u>
 Prepaid Expenses:		
Insurance	\$ 237,226	\$ 191,596
Fuel	31,381	24,450
Shelter rent tax	27,964	29,772
	<u>296,571</u>	<u>245,818</u>
Total Prepaid Expenses	<u>\$ 296,571</u>	<u>\$ 245,818</u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2023	2022
REVENUES		
Maintenance - Apartments	\$ 1,895,522	\$ 1,895,522
Less: Vacancies	(38,148)	(48,191)
Net Maintenance Income	1,857,374	1,847,331
Electricity submetering income	209,041	192,731
Surcharge income	180,518	147,884
Professional and commercial rent (Note 5)	125,921	137,609
Cable television income	98,469	97,899
Storage and other stockholder income	59,953	47,590
Parking income	44,160	44,160
Laundry income	33,360	33,360
Apartment rental income	21,900	21,900
Total Revenues	2,630,696	2,570,464
EXPENSES		
Administrative expenses	273,708	291,928
Operating expenses	2,045,114	1,868,444
Repairs and maintenance	278,501	210,883
New York City shelter rent tax (Note 7)	141,937	97,235
Total Expenses	2,739,260	2,468,490
(Loss) income from operations before other items and depreciation expense	(108,564)	101,974
Prior year's accrual adjustments	37,365	(22,433)
Interest and dividends	26,833	456
Bad debt expense (Note 2)	(20,576)	-
Special repairs - flood and hurricane	-	(21,450)
Prior years' commercial income	-	(13,155)
(LOSS) INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE	(64,942)	45,392
Depreciation expense	(195,475)	(186,202)
Net Loss For The Year	\$ (260,417)	\$ (140,810)

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Administrative Expenses:		
Management fee and on-site office (Note 10)	\$ 198,000	\$ 198,000
Other administrative	34,136	55,361
Professional fees	30,893	27,260
Telephone and communications	10,679	11,307
	<u>273,708</u>	<u>291,928</u>
Total Administrative Expenses	<u>\$ 273,708</u>	<u>\$ 291,928</u>
 Operating Expenses:		
Utilities		
Gas - heat and fuel	\$ 395,219	\$ 364,557
Electricity and gas	335,043	315,289
Water and sewer	215,620	199,945
	<u>945,882</u>	<u>879,791</u>
Payroll		
Wages	495,053	451,096
Union benefits (Note 6)	181,426	149,761
Payroll taxes	39,340	36,525
Workers' compensation and disability insurance	18,642	33,048
	<u>734,461</u>	<u>670,430</u>
Other		
Insurance	207,002	187,846
Cable television	129,656	101,373
Electricity submetering	15,046	16,134
Permits and miscellaneous operating	13,067	12,870
	<u>364,771</u>	<u>318,223</u>
Total Operating Expenses	<u>\$ 2,045,114</u>	<u>\$ 1,868,444</u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Repairs and Maintenance:		
Materials and supplies	\$ 73,745	\$ 107,926
Painting, plastering, marble cleaning and flooring	66,273	6,034
Boiler, plumbing and water treatment	54,787	32,347
Elevator maintenance and repairs	52,932	35,017
Exterminating	12,823	6,156
Uniforms	5,608	6,639
Intercom, electrical and security	5,588	4,846
Grounds	5,487	4,165
Doors, locks and windows	1,258	-
Equipment repairs and miscellaneous	-	6,120
Compactor and vent cleaning	-	1,633
	<u> </u>	<u> </u>
Total Repairs and Maintenance	<u>\$ 278,501</u>	<u>\$ 210,883</u>
 Depreciation Expense:		
Building improvements and equipment	<u>\$ 195,475</u>	<u>\$ 186,202</u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
COMMON STOCK		
Balance - Beginning of Year	\$ 852,376	\$ 852,376
Transactions during the year	<u>-</u>	<u>-</u>
Balance - June 30,	<u>\$ 852,376</u>	<u>\$ 852,376</u>
 CONTRIBUTED CAPITAL - DOUBLE EQUITY (NOTE 2)		
Balance - Beginning of Year	\$ 1,548,580	\$ 1,445,923
Transactions during the year	<u>90,865</u>	<u>102,657</u>
Balance - June 30,	<u>\$ 1,639,445</u>	<u>\$ 1,548,580</u>
 RETAINED EARNINGS		
Balance - Beginning of Year	\$ 4,223,567	\$ 4,364,377
Net loss for the year	<u>(260,417)</u>	<u>(140,810)</u>
Balance - June 30,	<u>\$ 3,963,150</u>	<u>\$ 4,223,567</u>

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (260,417)	\$ (140,810)
Adjustments to reconcile net loss to cash (used) by operating activities:		
Depreciation expense	195,475	186,202
(Increase) in accounts receivable	(44,627)	(52,844)
(Increase) in prepaid expenses	(50,753)	(3,759)
(Increase) in equity security deposits	(59,725)	(115,332)
Decrease in utility deposit	-	14,205
Increase (decrease) in accounts payable	3,810	(36,133)
Increase in other current liabilities	139,176	57,513
Net change in application and security deposits transactions	150	(71,106)
Total Adjustments	183,506	(21,254)
Cash (Used) By Operating Activities	(76,911)	(162,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in reserve fund	116,605	(323,013)
(Increase) in building improvements and equipment	(458,504)	(231,259)
(Decrease) in building improvements payable	(19,610)	(25,863)
Cash (Used) By Investing Activities	(361,509)	(580,135)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in contributed capital - double equity	90,865	102,657
Net (decrease) in cash, cash equivalents and restricted cash	(347,555)	(639,542)
Cash, cash equivalents and restricted cash at beginning of year	1,723,602	2,363,144
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1,376,047	\$ 1,723,602
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ -	\$ -
Income taxes paid - net of refunds	\$ -	\$ -

The accompanying notes are an integral part of this statement.

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 1 - ORGANIZATION

AGUILAR GARDENS, INC. (the "Corporation") is a qualified Cooperative Housing Corporation as defined in Section 216(b)(1) of the Internal Revenue Code. The Corporation is a Mitchell-Lama housing entity, which is governed by the New York City Department of Housing Preservation and Development ("HPD"). The Property is located in two buildings at 156-11 Aguilar Avenue and 71-50 Parsons Boulevard, Flushing, New York and contains 256 residential units, six professional units and one rental apartment unit. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Improvements

Property and improvements are stated at cost. The buildings are fully depreciated. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from five to forty years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. Consistent with general practice in New York City, the Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation (with HPD approval) may utilize available cash reserves and/or borrow, increase maintenance, implement special assessments, or delay repairs and replacements until funds are available.

Equity Assessment

Effective March 25, 2008, the Board of Directors, stockholders and HPD approved a "double equity program". In connection with this program, all incoming stockholders are required to pay double the equity and amortization of the outgoing stockholder. These additional funds are deposited into the reserve fund.

Notes to Financial Statements

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Revenue Recognition and Accounts Receivable

In accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, the Corporation recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

Stockholders are subject to monthly maintenance and operating assessments based on their respective share ownership in order to provide funds for the Corporation's operating expenses. Such amounts are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Corporation's performance obligations related to its maintenance and operating assessments are satisfied over time on a daily pro-rata basis. Capital assessments, if any, provide funds for the Corporation's capital improvements and to replenish the reserve fund. The performance obligations related to capital assessments are satisfied when the funds are expended for their designated purpose.

Maintenance and assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the stockholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose assessments are unreasonably delinquent. Any excess assessments at year end are retained by the Corporation for use in future years. The Corporation's accounts receivable are stated at the estimated net realizable value. As of June 30, 2023 and 2022, accounts receivable from stockholders of \$248,599 and \$123,617, respectively, were stated net of an allowance for doubtful accounts of \$62,257 and \$41,680, respectively.

Professional and Commercial Rents and Accounts Receivable

Accounts receivable at the balance sheet date represent past due amounts from professional and commercial tenants. On a regular basis, the Board of Directors evaluates the collectibility of professional and commercial accounts receivable. As of June 30, 2023 and 2022, the Corporation's accounts receivable from professional and commercial tenants were \$10,693 and \$3,451, respectively. Based upon past experience and other factors, the Corporation considers all accounts receivable from professional and commercial tenants as of June 30, 2023 to be collectible. Accordingly, no allowance for doubtful accounts is required. See Note 5 for additional information.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges used for loan amortization and required reserve funding which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes.

Statements of Cash Flows

The Corporation considers all highly liquid investments (not allocated to the reserve fund) with a maturity of three months or less at the date of purchase to be cash equivalents.

In accordance with Accounting Standards Update 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18"), the Corporation includes restricted cash and restricted cash equivalents with cash and cash equivalents in the beginning and end of period total amounts shown in the Statements of Cash Flows.

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Cash Flows (continued)

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within the Balance Sheets that sum to the total of the same such amounts in the Statements of Cash Flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 142,607	\$ 317,822
Cash - restricted reserve fund (Note 3)	<u>1,233,440</u>	<u>1,405,780</u>
Balance - June 30,	<u>\$ 1,376,047</u>	<u>\$ 1,723,602</u>

Note 3 - RESERVE FUND AND RESTRICTED RESERVE FUND

Reserve Fund

During the years ended June 30, 2023 and 2022, the following transactions have taken place in the Corporation's reserve fund.

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 1,636,681	\$ 1,313,668
Transfers from equity account	29,500	31,945
Interest and dividends - net of bank charges	3,895	(480)
Transfers (to) from operations	(150,000)	329,236
Transfers (to) restricted reserve - reserve funding*	<u>-</u>	<u>(37,688)</u>
Balance - June 30,	1,520,076	1,636,681
Due (to) restricted reserve fund - reserve funding**	(56,532)	(56,532)
Reserve fund available at June 30,	<u>\$ 1,463,844</u>	<u>\$ 1,580,149</u>

The reserve fund is held as follows:

JPMorgan Chase Bank - Checking Account	\$ 1,336,825	\$ 1,307,625
JPMorgan Chase Bank - Money Market Account	<u>183,251</u>	<u>329,056</u>
Balance - June 30,	<u>\$ 1,520,076</u>	<u>\$ 1,636,681</u>

* During the year ended June 30, 2022, the Corporation transferred \$37,688 (\$4,711 per month) of funds from the reserve fund to the restricted reserve fund, representing eight months of the required monthly reserve funding for the year ended June 30, 2021.

** As of June 30, 2022, \$56,532 (\$4,711 per month) of funds were due to the restricted reserve fund representing the monthly reserve funding for the year ended June 30, 2020.

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 3 - RESERVE FUND AND RESTRICTED RESERVE FUND (continued)

Restricted Reserve Fund

HPD requires the Corporation to make monthly transfers of \$4,711 (\$56,532 per annum) into the restricted reserve fund. Such funds may be used for capital improvements and other projects as approved by HPD.

During the years ended June 30, 2023 and 2022, the following transactions have taken place in the Corporation's restricted reserve fund.

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 1,405,780	\$ 1,292,379
Monthly reserve funding	56,532	56,532
Interest and dividends - net of bank charges	22,338	337
Transfer (to) operating	(251,210)	-
Transfers from reserve - reserve funding 6/30/21*	-	37,688
Monthly reserve funding year ending 6/30/21*	<u>-</u>	<u>18,844</u>
Balance - June 30,	1,233,440	1,405,780
Due from reserve fund - reserve funding**	<u>56,532</u>	<u>56,532</u>
Restricted reserve fund available at June 30,	<u>\$ 1,289,972</u>	<u>\$ 1,462,312</u>

The restricted reserve fund is held in a JPMorgan Chase Bank savings account.

* During the year ended June 30, 2022, the Corporation transferred \$37,688 from the reserve fund and \$18,844 from the operating account to the restricted reserve fund to meet the required HPD monthly reserve funding for the year ended June 30, 2021.

** As of June 30, 2022, \$56,532 (\$4,711 per month) of funds representing the required monthly reserve funding for the year ended June 30, 2020 were due from the reserve fund.

Note 4 - PROPERTY AND IMPROVEMENTS

During the years ended June 30, 2023 and 2022, the Corporation capitalized the following building improvements and equipment.

	<u>2023</u>	<u>2022</u>
Intercom system	\$ 251,210	\$ -
Plumbing upgrades	179,876	68,798
Facade restoration	19,933	50,322
Security DVR system	4,763	-
Hallway renovation - consulting	2,722	3,433
Apartment renovations	-	91,580
Parking lot expansion	-	10,725
Handicap access ramp	<u>-</u>	<u>6,401</u>
Total	<u>\$ 458,504</u>	<u>\$ 231,259</u>

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 5 - **PROFESSIONAL AND COMMERCIAL RENT**

As of June 30, 2023, the Corporation was the lessor under four professional and commercial leases, with expiration dates ranging from March 31, 2024 to September 30, 2029. During the years ended June 30, 2023 and 2022, the Corporation recorded professional and commercial rent of \$125,921 and \$137,609, respectively.

Note 6 - **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 expires 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 \$181,426 and \$149,761, respectively, to the Plan of which \$40,170 and \$35,731, 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 risks of participating in a multiemployer pension plan are different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Corporation chooses to stop participating in its multiemployer pension plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

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 July 1, 2022, the Fund's most recently available certified zone status was "yellow". The Fund is considered to be in "endangered status" for the plan year beginning July 1, 2022. However, its actuary has determined that the Fund is expected to meet its funding goals in the future.

As part of the Fund's efforts to improve its funding situation, the Trustees of the Fund previously adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Inc. and the SEIU Local 32BJ. The current union agreement (the "2022 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2023, the contribution rate was \$130.75 per week per employee. Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined and normally will not be calculated without a withdrawal from the Plan. The Corporation has no intention of withdrawing from the Plan.

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 7 - REAL ESTATE TAX

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

The Corporation is currently the recipient of a real estate tax abatement under the New York City Tax and Incentive and Abatement Program (referred to as the J-51 Program). The tax abatement, which was received during October 2013, will reduce shelter rent tax by \$73,671 per annum for 10.8 years. Future benefits from the abatement will accrue as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2024	\$ 73,671
2025	3,684

Note 8 - INCOME TAXES

In accordance with ASC 740, *Income Taxes*, the Corporation is required to disclose and recognize any material tax provisions resulting from uncertain tax positions.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, a Cooperative is required to classify its income and expenses as patronage or non-patronage sourced. Income is patronage sourced if it is derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the Cooperative's principal business activity, and thus facilitates the accomplishment of the Cooperative's business purpose. Income from non-patronage sources in excess of allocable expenses may be subject to tax. The Corporation believes that all of its income is effectively patronage sourced and if this position is subjected to examination and settlement by a taxing authority, there will not be a significant change in the Corporation's financial position or results of operations.

For the year ended June 30, 2023, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of June 30, 2023, the Corporation had approximately \$277,700 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through the year ending June 30, 2035, and approximately \$338,700 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are limited to 80% of the Corporation's taxable income in any one tax period. Since the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

The Corporation is organized as a Mitchell-Lama housing cooperative which is exempt from New York State Franchise Tax and New York City General Corporation tax.

The Corporation's tax returns for all years since the year ended June 30, 2020 remain open to examination. There are currently no tax examinations in progress.

AGUILAR GARDENS, INC.

Notes to Financial Statements

Note 9 - **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Corporation's primary asset is a 256 unit apartment development. The Corporation's operations are concentrated in the multifamily real estate market, which is a heavily regulated environment subject to the administrative directives, rules and regulations of HPD. Such administrative directives, rules and regulations are subject to change by HPD. Changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 10 - **MANAGEMENT SERVICES**

Commencing March 1, 2021, Metro Management Development, Inc. was engaged to provide managerial services to the Corporation.

During the years ended June 30, 2023 and 2022, the Corporation paid management fees of \$198,000 per annum. The management fee for the years ended June 30, 2023 and 2022 includes the cost of the property's on-site management office.

Note 11 - **CONCENTRATION OF CREDIT RISK**

The Corporation maintains its cash in bank deposits at financial institutions which, at times, may exceed federally insured limits. As of June 30, 2023, the Corporation held approximately \$3,294,100 of cash in excess of federally insured limits. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

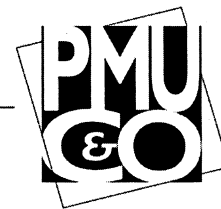
Note 12 - **CLAIMS OR LITIGATION**

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation at June 30, 2023 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 13 - **DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through December 4, 2023, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



Jayson Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
David V. Agoglia, CPA

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To the Board of Directors and Stockholders of
AGUILAR GARDENS, INC.
156-11 Aguilar Avenue
Flushing, NY 11367

Our report on our audits of the basic financial statements of AGUILAR GARDENS, INC. for the years ended June 30, 2023 and 2022 appears on Pages 1 and 2, and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Comparative Schedule of Revenues and Expenditures - Budget, Historical and Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Prisand, Mellina, Unterlack & Co., LLP

Plainview, New York
December 4, 2023 for Historical Statements
September 26, 2023 for Forecast

AGUILAR GARDENS, INC.

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

	For The Year		Prior Year	Next Year
	July 1, 2022 - June 30, 2023		July 1, 2021 - June 30, 2022	July 1, 2023 - June 30, 2024
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUES				
Maintenance - Apartments	\$ 1,895,500	\$ 1,895,522	\$ 1,895,522	\$ 1,895,500
Less: Vacancies	(20,000)	(38,148)	(48,191)	(40,000)
Electricity submetering income	240,000	209,041	192,731	220,000
Surcharge income	150,000	180,518	147,884	180,000
Professional and commercial rent	140,000	125,921	137,609	120,000
Cable television income	100,000	98,469	97,899	98,500
Storage and other stockholder income	60,000	59,953	47,590	60,000
Parking income	45,000	44,160	44,160	45,000
Laundry income	33,500	33,360	33,360	33,500
Apartment rental income	22,000	21,900	21,900	22,000
TOTAL REVENUES	2,666,000	2,630,696	2,570,464	2,634,500
EXPENDITURES				
Management fee and on-site office	200,000	198,000	198,000	200,000
Other administrative and telephone	60,000	44,815	66,668	50,000
Professional fees	30,000	30,893	27,260	34,000
Gas - heat and fuel	400,000	395,219	364,557	430,000
Electricity and gas	330,000	335,043	315,289	350,000
Water and sewer	220,000	215,620	199,945	233,000
Wages and related costs	700,000	734,461	670,430	770,000
Insurance	200,000	207,002	187,846	260,000
Cable television	130,000	129,656	101,373	130,000
Electricity submetering	16,000	15,046	16,134	16,000
Permits, miscellaneous operating and other interest	15,000	13,067	12,870	17,000
Repairs and maintenance	230,000	278,501	210,883	250,000
New York City shelter rent tax	110,000	141,937	97,235	150,000
Reserve funding	57,000	56,532	56,532	57,000
TOTAL EXPENDITURES	2,698,000	2,795,792	2,525,022	2,947,000
Budgeted Deficit	<u>\$ (32,000)</u>			<u>\$ (312,500)</u>
OPERATING (DEFICIT) SURPLUS		(165,096)	45,442	
Reserve funding		56,532	56,532	
Prior year's accrual adjustments		37,365	(22,433)	
Interest and dividends		26,833	456	
Bad debt expense		(20,576)	-	
Special repairs - flood and hurricane		-	(21,450)	
Prior years' commercial income		-	(13,155)	
(LOSS) INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE		<u>\$ (64,942)</u>	<u>\$ 45,392</u>	

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

AGUILAR GARDENS, INC.

Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending June 30, 2024

The operating budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, the forecast reflects management's judgment as of September 26, 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 forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FORECAST ASSUMPTIONS

Revenues

Maintenance is based on \$157,958 per month, which reflects the same level as in the previous year. Vacancies have been forecast based on historical experience. Electricity submetering and cable television income are based on current experience. Professional and commercial rent is based on current lease terms. Laundry income is based on a contract. Other fees and income are based on historical experience or contracts.

Expenditures

Management fees reflect the current management agreement with Metro Management Development, Inc. The annual management fee reflects the inclusion of costs related to the property's on-site management office. Payroll expenses and benefits are based on a union contract and anticipated staffing requirements. Utilities are based on rates set by the appropriate regulatory agencies. Gas - heat and fuel reflects recent experience regarding consumption and price. New York City shelter rent real estate tax is computed based on 10% of defined revenues less utility expenses. Repairs and maintenance is based on historical experience and expected maintenance requirements. Insurance reflects anticipated renewal premiums. Reserve funding is based on an agreement with the New York City Department of Housing Preservation and Development. Other expenses are based on historical experience or contracts.

Income Tax

The Corporation is subject to Federal income tax based on net taxable income. The Corporation is not subject to New York State Franchise tax or New York City General Corporation tax.