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**AGUILAR GARDENS, INC.**

Financial Statements and  
Supplementary Information for the  
Years Ended June 30, 2021 and 2020

# **AGUILAR GARDENS, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of AGUILAR GARDENS, INC., which comprise the balance sheets (with supporting schedules) as of June 30, 2021 and 2020, and the related statements of operations (with supporting schedules), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AGUILAR GARDENS, INC. as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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 of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of 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.

A handwritten signature in cursive script that reads "Richard Mullin, Underhask & Co., LLP".

Plainview, New York  
November 3, 2021

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

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,070,765	\$ 1,039,509
Accounts receivable	192,805	261,075
Prepaid expenses	242,059	240,193
Equity security deposits	313,175	294,199
	<hr/>	<hr/>
Total Current Assets	1,818,804	1,834,976
<b>Reserve Fund: (Note 3)</b>	1,313,668	1,272,196
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	3,132,472	3,107,172
	<hr/>	<hr/>
<b>Property and Improvements: (Notes 2 and 4)</b>		
Land	198,909	198,909
Buildings	4,151,199	4,151,199
Building improvements and equipment	5,712,378	5,605,777
	<hr/>	<hr/>
Total	10,062,486	9,955,885
Accumulated depreciation	(7,469,285)	(7,282,685)
	<hr/>	<hr/>
Net Property and Improvements	2,593,201	2,673,200
	<hr/>	<hr/>
<b>Other Assets:</b>		
Cash - restricted reserve (Notes 2 and 3)	1,292,379	1,292,201
Cash - application deposits	58,907	114,984
Utility deposit	14,205	14,205
Cash - security deposits	-	14,837
	<hr/>	<hr/>
Total Other Assets	1,365,491	1,436,227
	<hr/>	<hr/>
Total Assets	<u><u>\$ 7,091,164</u></u>	<u><u>\$ 7,216,599</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 134,091	\$ 78,795
Due to stockholders - real estate tax abatements	72,483	59,254
Building improvements payable	47,126	19,528
Due to former stockholders - equity and amortization	37,472	48,250
Due to stockholders - oil subsidy	25,480	25,480
Advance maintenance and commercial rent	20,722	40,788
Wages and payroll taxes payable	3,488	13,317
Insurance financing payable	-	138,930
Total Current Liabilities	<u>340,862</u>	<u>424,342</u>
<b>Long-Term and Other Liabilities:</b>		
Application deposits payable	64,950	64,950
Security deposits payable	22,676	22,624
Total Long-Term and Other Liabilities	<u>87,626</u>	<u>87,574</u>
Total Liabilities	<u>428,488</u>	<u>511,916</u>
<b>Stockholders' Equity:</b>		
Common stock - \$10.00 par value, 85,237.6 shares authorized, issued and outstanding	852,376	852,376
Contributed capital - double equity (Note 2)	1,445,923	1,416,119
Retained earnings	4,364,377	4,436,188
Total Stockholders' Equity	<u>6,662,676</u>	<u>6,704,683</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 7,091,164</u></u>	<u><u>\$ 7,216,599</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2021</u>	<u>2020</u>
<b>Cash and Cash Equivalents:</b>		
Operating account	\$ 896,871	\$ 640,738
Working capital accounts	104,427	328,338
Shelter rent and water and sewer escrow - self-controlled	69,467	70,433
Total Cash and Cash Equivalents	<u>\$ 1,070,765</u>	<u>\$ 1,039,509</u>
 <b>Accounts Receivable:</b>		
Maintenance - Apartments (net of allowance for doubtful accounts of \$41,680 in 2021 and \$0 in 2020) (Note 2)	\$ 83,367	\$ 106,692
Due from New York City - Shelter Rent Tax	38,604	7,555
Professional and commercial income (Notes 2 and 6)	37,164	60,245
Due from stockholders - real estate tax abatements	22,764	21,774
Electricity submetering	10,906	10,902
Due from vendor	-	53,907
Total Accounts Receivable	<u>\$ 192,805</u>	<u>\$ 261,075</u>
 <b>Prepaid Expenses:</b>		
Insurance	\$ 190,600	\$ 179,659
Shelter rent tax	34,294	34,657
Fuel	13,884	22,595
Service contracts	3,281	3,282
Total Prepaid Expenses	<u>\$ 242,059</u>	<u>\$ 240,193</u>

The accompanying notes are an integral part of this statement.

**AGUILAR GARDENS, INC.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>		
Maintenance - Apartments	\$ 1,895,522	\$ 1,895,522
Vacancies	(28,350)	(16,752)
Net Maintenance Income	1,867,172	1,878,770
Electricity submetering income	176,064	149,882
Professional and commercial rent (Note 6)	145,784	155,344
Surcharge income	138,479	135,823
Cable TV income	99,105	16,443
Storage and other stockholder income	61,259	75,855
Parking income	44,701	45,419
Laundry income	33,360	33,360
Apartment rental income	21,900	21,900
Total Revenue	<u>2,587,824</u>	<u>2,512,796</u>
<b>COST OF OPERATIONS</b>		
Administrative expenses	274,740	326,943
Operating expenses	1,835,499	1,602,258
Repairs and maintenance	214,562	227,425
New York City shelter rent tax (Note 8)	107,578	109,832
Financial expenses	2,846	2,830
Total Cost of Operations	<u>2,435,225</u>	<u>2,269,288</u>
<b>Income from operations before other items and depreciation expense</b>	152,599	243,508
Marketing fee - Time Warner Cable	39,501	-
Interest and dividends	5,368	15,728
Bad debt expense (Note 2)	(41,680)	-
Prior year's management fees	(33,288)	-
Prior year's accrual adjustments	(6,680)	-
Prior years' commercial income	(1,031)	(46,503)
Prior year's shelter rent tax	-	(6,351)
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE</b>	114,789	206,382
Depreciation expense	(186,600)	(181,681)
Net (Loss) Income For The Year	<u>\$ (71,811)</u>	<u>\$ 24,701</u>

The accompanying notes are an integral part of this statement.



**AGUILAR GARDENS, INC.**  
**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>Administrative Expenses:</b>		
Management fee and on-site office (Note 11)	\$ 185,043	\$ 230,572
Other administrative	40,440	42,772
Professional fees	37,574	41,629
Telephone and communications	11,683	11,970
	<u>274,740</u>	<u>326,943</u>
Total Administrative Expenses	<u>\$ 274,740</u>	<u>\$ 326,943</u>
<b>Operating Expenses:</b>		
Utilities		
Gas - heat and fuel	\$ 312,279	\$ 225,151
Electricity and gas	257,384	238,857
Water and sewer	205,670	213,759
	<u>775,333</u>	<u>677,767</u>
Payroll		
Wages	479,144	484,291
Union benefits (Note 7)	156,046	162,622
Workers' compensation and disability insurance	44,972	46,110
Payroll taxes	33,915	38,348
	<u>714,077</u>	<u>731,371</u>
Other		
Insurance	167,916	153,785
Cable TV	129,937	7,426
Permits and miscellaneous operating	31,553	11,413
Electricity submetering	16,683	20,496
	<u>346,089</u>	<u>193,120</u>
Total Operating Expenses	<u>\$ 1,835,499</u>	<u>\$ 1,602,258</u>

The accompanying notes are an integral part of this statement.

**AGUILAR GARDENS, INC.**  
**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>Repairs and Maintenance:</b>		
Materials and supplies	\$ 94,536	\$ 110,483
Boiler, plumbing and water treatment	48,311	31,103
Elevator maintenance and repairs	30,473	29,534
Uniforms	12,566	13,215
Exterminating	11,895	14,600
Equipment repairs and miscellaneous	6,243	3,739
Intercom, electrical and security	5,018	9,744
Doors, locks and windows	3,934	1,874
Grounds	1,036	-
Compactor and vent cleaning	550	13,133
Total Repairs and Maintenance	<u>\$ 214,562</u>	<u>\$ 227,425</u>
<b>Financial Expenses:</b>		
Other interest	\$ 2,846	\$ -
Loan interest (Note 5)	-	197
Amortization of debt issuance costs (Note 2)	-	2,633
Total Financial Expenses	<u>\$ 2,846</u>	<u>\$ 2,830</u>
<b>Depreciation Expense:</b>		
Building improvements and equipment	<u>\$ 186,600</u>	<u>\$ 181,681</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>2021</u>	<u>2020</u>
<b>COMMON STOCK</b>		
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>
 <b>CONTRIBUTED CAPITAL - DOUBLE EQUITY (NOTE 2)</b>		
Balance - Beginning of Year	\$ 1,416,119	\$ 1,416,119
Transactions during the year	<u>29,804</u>	<u>-</u>
Balance - June 30,	<u>\$ 1,445,923</u>	<u>\$ 1,416,119</u>
 <b>RETAINED EARNINGS</b>		
Balance - Beginning of Year	\$ 4,436,188	\$ 4,411,487
Net (loss) income for the year	<u>(71,811)</u>	<u>24,701</u>
Balance - June 30,	<u>\$ 4,364,377</u>	<u>\$ 4,436,188</u>

The accompanying notes are an integral part of this statement.

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

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the year	\$ (71,811)	\$ 24,701
<b>Adjustments to reconcile net (loss) income to cash provided by operating activities:</b>		
Depreciation expense	186,600	181,681
Amortization of debt issuance costs	-	2,632
Decrease (increase) in accounts receivable	68,270	(13,178)
(Increase) in prepaid expenses	(1,866)	(33,970)
(Increase) decrease in equity security deposits	(18,976)	68,948
Increase (decrease) in accounts payable	55,296	(84,341)
(Decrease) increase in other current liabilities	(166,374)	48,382
Net change in application and security deposits transactions	70,966	(17,732)
Total Adjustments	193,916	152,422
Cash Provided By Operating Activities	122,105	177,123
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in reserve fund	(41,472)	(414,755)
(Increase) in building improvements and equipment	(106,601)	(116,050)
Increase in building improvements payable	27,598	14,628
Cash (Used) By Investing Activities	(120,475)	(516,177)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of loan payable	-	(79,054)
Increase in contributed capital - double equity	29,804	-
Cash Provided (Used) By Financing Activities	29,804	(79,054)
Net increase (decrease) in cash, cash equivalents and restricted cash	31,434	(418,108)
Cash, cash equivalents and restricted cash at beginning of year	2,331,710	2,749,818
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 2,363,144</u>	<u>\$ 2,331,710</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 2,846	\$ 263
Income taxes paid - net of refunds	\$ -	\$ -

The accompanying notes are an integral part of this statement.

# **AGUILAR GARDENS, INC.**

## **Notes to Financial Statements**

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### **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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Reclassification of Accounts**

Certain accounts in the financial statements for the year ended June 30, 2020 have been reclassified to conform to the report presentation for the year ended June 30, 2021. Such reclassifications had no effect on the previously reported net income for the year.

#### **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**

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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. During the year ended June 30, 2021, the Corporation recognized \$41,680 of current and prior year's maintenance and other stockholder charges related to two residential units as a bad debt expense. As of June 30, 2021 and 2020, the Corporation's accounts receivable were stated at the estimated net realizable value. As of June 30, 2021 and 2020, accounts receivable from stockholders of \$83,367 and \$106,692, respectively, were stated net of an allowance for doubtful accounts of \$41,680 and \$0, 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, 2021 and 2020, the Corporation's accounts receivable from professional and commercial tenants were \$37,164 and \$60,245. Based upon past experience and other factors, the Corporation considers all accounts receivable from professional and commercial tenants as of June 30, 2021 to be collectible. Accordingly, no allowance for doubtful accounts is required. See Note 6 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.

**Statement 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.

Effective July 1, 2020, the Corporation adopted Accounting Standards Update 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires that the Corporation change the presentation of restricted cash in the Statements of Cash Flows. Under the new method, ASU 2016-18 requires that entities include 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

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

#### Statement of Cash Flows (continued)

The retrospective transition method was applied to each period presented. 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,070,765	\$ 1,039,509
Cash - restricted reserve fund (Note 3)	<u>1,292,379</u>	<u>1,292,201</u>
Balance - June 30,	<u>\$ 2,363,144</u>	<u>\$ 2,331,710</u>

### Note 3 - RESERVE FUND, RESTRICTED RESERVE FUND AND SUBSEQUENT EVENTS

#### Reserve Fund

During the years ended June 30, 2021 and 2020, the following transactions have taken place in the Corporation's reserve fund.

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 1,272,196	\$ 857,014
Monthly reserve funding	37,688	56,532
Interest and dividends - net of bank charges	3,784	11,302
Transfer from operations - prior years' double equity contributions*	<u>-</u>	<u>347,348</u>
Balance - June 30,	1,313,668	1,272,196
Due (to) restricted reserve fund	( <u>94,220</u> )	( <u>56,532</u> )
Reserve fund available at June 30,	<u>\$ 1,219,448</u>	<u>\$ 1,215,664</u>
The reserve fund is held as follows:		
JPMorgan Chase Bank - Commercial Checking Account	\$ 1,313,668	\$ -
Signature Bank - Commercial Money Market Accounts	<u>-</u>	<u>1,272,196</u>
Balance - June 30,	<u>\$ 1,313,668</u>	<u>\$ 1,272,196</u>

\* During the year ended June 30, 2020, the Corporation transferred \$347,348 of funds into the reserve fund, which represented prior years' double equity contributions that were originally deposited into the Corporation's operating account.

# AGUILAR GARDENS, INC.

## Notes to Financial Statements

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### Note 3 - RESERVE FUND, RESTRICTED RESERVE FUND AND SUBSEQUENT EVENTS (continued)

#### Restricted Reserve Fund and Subsequent Events

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, 2021 and 2020, the following transactions have taken place in the Corporation's restricted reserve fund.

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 1,292,201	\$ 1,291,741
Interest and dividends - net of bank charges	<u>178</u>	<u>460</u>
Balance - June 30,	1,292,379	1,292,201
Due from reserve fund	94,220	56,532
Due from operating account	<u>18,844</u>	<u>-</u>
Restricted reserve fund available at June 30,	<u>\$ 1,405,443</u>	<u>\$ 1,348,733</u>

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

Subsequent to year end, during September 2021, the Corporation transferred \$94,220 from the reserve fund to the restricted reserve fund and \$18,844 from the operating account to the restricted reserve fund.

### Note 4 - PROPERTY AND IMPROVEMENTS

During the years ended June 30, 2021 and 2020, the Corporation capitalized the following building improvements and equipment.

	<u>2021</u>	<u>2020</u>
Facade restoration	\$ 33,889	\$ 29,934
Plumbing upgrades	31,320	-
Apartment renovations	22,248	-
Elevator upgrades	11,144	-
Handicap access ramp	8,000	-
Balconies restoration	-	48,998
Security system	-	31,568
Parking lot expansion - consulting	<u>-</u>	<u>5,550</u>
Total	<u>\$ 106,601</u>	<u>\$ 116,050</u>



**Notes to Financial Statements**

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**Note 5 - FORMER LOAN PAYABLE**

The Corporation previously had a \$1,290,000 unsecured loan with Amalgamated Bank. This loan was processed under an agreement between Amalgamated Bank and the New York State Energy Research and Development Authority ("NYSERDA") with respect to participation in a lump sum interest rate reduction program. The loan required monthly payments of \$11,301, applied first to interest at a rate of 1% per annum with the balance as a reduction of principal based on a ten-year amortization schedule. During December 2019, the Corporation paid the final installment on the former loan payable.

**Note 6 - PROFESSIONAL AND COMMERCIAL RENT**

As of June 30, 2021, the Corporation was the lessor under four professional and commercial leases, with expiration dates ranging from March 31, 2022 to September 30, 2029. During the year ended June 30, 2021, the Corporation recorded professional and commercial rent of \$145,784.

As of June 30, 2021, the aforementioned rental income did not include one commercial unit which was vacant during the current year.

**Note 7 - 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, 2022. 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, 2021 and 2020, the Corporation contributed \$156,046 and \$162,622, respectively, to the Plan of which \$32,607 and \$36,207, 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, 2020, the Fund's most recently available certified zone status was "red". The Fund is considered to be in critical status for the plan year beginning July 1, 2020 and its actuary has determined that the Fund has an accumulated funding deficiency in its current plan year.

As part of the Fund's efforts to achieve yellow and/or green funding status, the Trustees of the Fund adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Incorporated and the SEIU Local 32BJ. The current union agreement (the "2018 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2021, the contribution rate was \$122.75 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

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#### Note 8 - 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>
2022 - 2024	\$ 73,671 per annum
2025	3,684

#### Note 9 - 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, 2021, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of June 30, 2021, 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 \$31,800 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are fully deductible against taxable income for the years ending June 30, 2020 and 2021 and are thereafter limited to 80% of the 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, 2018 remain open to examination. There are currently no tax examinations in progress.

## **AGUILAR GARDENS, INC.**

### **Notes to Financial Statements**

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#### **Note 10 - 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 11 - MANAGEMENT SERVICES**

Multifamily Management Services provided managerial services to the Corporation through February 28, 2021. Commencing March 1, 2021, Metro Management Development, Inc. was engaged to provide managerial services to the Corporation.

During the years ended June 30, 2021 and 2020, the Corporation paid management fees of \$185,043 and \$230,572, respectively. The management fee for the years ended June 30, 2021 and 2020 includes the cost of the property's on-site management office.

#### **Note 12 - 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, 2021, the Corporation held approximately \$3,399,500 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 13 - 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, 2021 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 14 - CONTINGENCIES**

During March 2020, a worldwide pandemic emerged which is known as the Coronavirus ("COVID-19"). COVID-19 has caused the New York metropolitan area to significantly curtail its economic and social activities. As of the date of issuance of the accompanying financial statements, the financial and operational impacts of COVID-19 on the Corporation, its stockholders and professional and commercial tenants were uncertain and cannot be reasonably estimated.

#### **Note 15 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 3, 2021, 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. Agolia, 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, 2021 and 2020 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 Revenue 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, 2022, 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  
November 3, 2021 for Historical Statements  
September 1, 2021 for Forecast

**AGUILAR GARDENS, INC.**

**Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast**

	For The Year		Prior Year	Next Year
	July 1, 2020 - June 30, 2021		July 1, 2019 -	July 1, 2021 -
			June 30, 2020	June 30, 2022
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Apartments	\$ 1,895,500	\$ 1,895,522	\$ 1,895,522	\$ 1,895,500
Vacancies	(20,000)	(28,350)	(16,752)	(20,000)
Electricity submetering income	163,000	176,064	149,882	170,000
Professional and commercial rent	157,000	145,784	155,344	152,500
Surcharge income	121,500	138,479	135,823	135,000
Cable TV income	120,000	99,105	16,443	100,000
Storage and other stockholder income	80,000	61,259	75,855	80,000
Parking income	45,500	44,701	45,419	45,500
Laundry income	33,500	33,360	33,360	33,500
Apartment rental income	22,000	21,900	21,900	22,000
<b>TOTAL REVENUE</b>	<b>2,618,000</b>	<b>2,587,824</b>	<b>2,512,796</b>	<b>2,614,000</b>
<b>EXPENDITURES</b>				
Management fee and on-site office	234,500	185,043	230,572	200,000
Other administrative and telephone	60,000	52,123	54,742	60,000
Professional fees	50,000	37,574	41,629	50,000
Gas - heat and fuel	255,000	312,279	225,151	300,000
Electricity and gas	260,000	257,384	238,857	270,000
Water and sewer	225,000	205,670	213,759	222,000
Wages and related costs	792,800	714,077	731,371	760,000
Insurance	163,000	167,916	153,785	180,000
Cable TV	120,000	129,937	7,426	130,000
Permits, miscellaneous operating and other interest	10,000	31,553	11,413	15,000
Electricity submetering	21,000	16,683	20,496	18,000
Repairs and maintenance	200,000	214,562	227,425	210,000
New York City shelter rent tax	110,000	107,578	109,832	110,000
Other interest	-	2,846	-	-
Loan interest and amortization	-	-	79,251	-
Reserve funding	57,000	37,688	56,532	57,000
<b>TOTAL EXPENDITURES</b>	<b>2,558,300</b>	<b>2,472,913</b>	<b>2,402,241</b>	<b>2,582,000</b>
<b>Budgeted Surplus</b>	<b>\$ 59,700</b>			<b>\$ 32,000</b>
<b>OPERATING SURPLUS</b>		114,911	110,555	
Reserve funding		37,688	56,532	
Marketing fee - Time Warner Cable		39,501	-	
Interest and dividends		5,368	15,728	
Bad debt expense		(41,680)	-	
Prior year's management fees		(33,288)	-	
Prior year's accrual adjustments		(6,680)	-	
Prior years' commercial income		(1,031)	(46,503)	
Loan amortization		-	79,054	
Prior year's shelter rent tax		-	(6,351)	
Amortization of debt issuance costs		-	(2,633)	
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE</b>		<b>\$ 114,789</b>	<b>\$ 206,382</b>	

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, 2022**

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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 1, 2021, 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**

##### **Revenue**

Maintenance charges have been computed based on \$157,960 per month, which reflects the same level as in the previous year. Vacancies have been forecast based on historical experience. Electricity submetering and cable TV 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.

##### **Expenses**

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. Shelter rent real estate tax is computed based on 10% of defined revenue 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.