First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Financial Statements

Year Ended June 30, 2022

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Financial Statements

Year Ended June 30, 2022

CONTENTS

Independent Auditor's Report

Board of Directors
First Atlantic Terminal Housing Corporation
Brooklyn, New York

Opinions

We have audited the financial statements of First Atlantic Terminal Housing Corporation (the "Company"), which comprise the balance sheet as of June 30, 2022, and the related statements of profit and loss, accumulated deficit, capital in excess of par value, and cash flows for the year 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 the Company as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Company's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS and *Government 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 GAAS and *Government 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 the Company'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 the Company'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

Management has omitted the 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.

Other Supplementary Information

Management is responsible for the other information included in the financial statements. The other information comprises the related schedules of reserve for replacement and changes in fixed asset accounts but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Sax CPAs LLP

New York, New York
November 30, 2022

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Balance Sheet

June 30, 2022

ASSETS

CURRENT ASSETS		
1130	Tenant/member accounts receivable - net	$ 503,941
1200	Deferred charges and prepayments (Note 6)	143,427
1100T	Total current assets	647,368
RESTRICTED DEPOSITS AND FUNDED RESERVES		
	Deposits held in trust	
1191	Cash in bank, applicants' deposits (Note 1)	56,112
	Total deposits held in trust	56,112
	Funded reserves	
1310	Mortgage escrow account (Note 3)	406,093
1320	Replacement reserve fund (Notes 4, 6, and 11)	2,070,965
1330	Equity deposits (Notes 1 and 7)	192,615
1300T	Total funded reserves	2,669,673
PROPERTY AND EQUIPMENT (Notes 1, 4, 6, and 11)		
1410	Land	123,075
1420	Buildings	11,979,270
1440	Building equipment, portable	183,344
1460	Furnishings	224,952
1470	Maintenance equipment	119,795
1470AT	Building improvements	10,725,169
1400T	Total property and equipment	23,355,605
1495	Accumulated depreciation	11,195,266
1400N	Net property and equipment	12,160,339
1000T	**TOTAL ASSETS**	**$ 15,533,492**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Balance Sheet - *Continued*

June 30, 2022

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
1120	Cash overdraft, operations (Note 1)	$ 18,483
2110	Accounts payable	186,635
2131	Accrued interest payable, mortgage (Note 6)	264,205
2170	Current portion of senior mortgage payable (Note 6)	255,173
2172	Current portion of second mortgage payable (Note 6)	209,195
2190	Sundry current liabilities	127,758
2122T	Total current liabilities	1,061,449
DEPOSITS HELD IN TRUST		
2191	Conditional deposits payable	50,249
2191T	Total deposits held in trust	50,249
NON-INTEREST BEARING, NON NEGOTIABLE		
2310	Debentures payable	30,450
LONG-TERM DEBT (Note 6)		
2320	HDC senior mortgage payable, net of current portion	1,673,268
2324	HDC second subordinate payable, net of current portion	9,956,163
2322	HDC third subordinate payable	2,129,598
2326	HDC fourth subordinate payable	1,672,066
2300T	Total long-term debt	15,431,095
2000T	Total liabilities	16,573,243
STOCKHOLDERS' DEFICIT (Notes 1, 4, and 7)		
	Capital stock, $10 par value per share, authorized 28,025 shares; issued and outstanding 7,105 shares	71,050
	Accumulated deficit	(1,773,978)
	Capital in excess of par value	663,177
4000T	Net stockholders' deficit	(1,039,751)
2040T	**TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT**	**$ 15,533,492**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Profit and Loss

Year Ended June 30, 2022

RENT REVENUE		
5120	Residential apartments carrying charges (Note 8)	$ 3,022,659
5140	Rent revenue (Note 9)	157,602
5170	Garage and parking spaces	57,800
5180	Flexible subsidy revenue (Note 6)	250,667
5194	Retained excess income (Note 5)	63,896
5100T	Total rent revenue	3,552,624
FINANCIAL REVENUE		
5440	Revenue from investments replacement reserve	18,838
5490	Revenue from investments miscellaneous	20
5400T	Total financial revenue	18,858
OTHER REVENUE		
5910	Laundry and vending revenue	21,000
5990	Miscellaneous revenue	160,148
5900T	Total other revenue	181,148
5000T	Total revenue	3,752,630
ADMINISTRATIVE EXPENSES		
6320	Management fee	165,548
6330	Manager or superintendents' salaries	77,149
6340	Legal expense project	54,012
6350	Audit expense	44,000
6351	Professional fees	23,472
6370	Bad debt expense	130,948
6390	Miscellaneous administrative expenses	67,136
6263T	Total administrative expenses	562,265

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Profit and Loss - *Continued*

Year Ended June 30, 2022

UTILITIES EXPENSES		
6420	Fuel	$ 140,758
6450	Electricity	361,138
6451	Water	217,349
6452	Gas	19,856
6400T	Total utilities expenses	739,101
MAINTENANCE EXPENSES		
6510	Payroll	281,643
6515	Supplies	52,391
6520	Contracts, net of insurance recovery	271,433
6530	Security contract	172,093
6500T	Total maintenance expenses	777,560
TAXES AND INSURANCE		
6710	Real estate taxes (Note 10)	261,367
6711	Payroll taxes	33,967
6720	Property and liability insurance	102,718
6723	Health insurance and other employee benefits	125,153
6700T	Total taxes and insurance	523,205
FINANCIAL EXPENSES		
6820	Interest on mortgages payable (Note 6)	665,927
6800T	Total financial expenses	665,927
6000T	**TOTAL COST OF OPERATIONS BEFORE DEPRECIATION AND AMORTIZATION**	3,268,058
5060T	**INCOME BEFORE DEPRECIATION AND AMORTIZATION**	**484,572**
DEPRECIATION AND AMORTIZATION		
6600	Depreciation expense (Note 1)	369,469
6610	Amortization expense (Note 1)	6,647
	Total depreciation and amortization	376,116
3250	**Net income**	**$ 108,456**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Accumulated Deficit

Year Ended June 30, 2022

BALANCE, *beginning of year*	$ (1,882,434)
Net income	108,456
BALANCE, *end of year*	**$ (1,773,978)**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Capital in Excess of Par Value

Year Ended June 30, 2022

BALANCE, ***beginning of year***	$	673,242
Current year distributions, net		(10,065)
BALANCE, ***end of year***	**$**	**663,177**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Cash Flows

Year Ended June 30, 2022

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Rental receipts	$ 2,905,743
Interest receipts	18,858
Total receipts	2,924,601
Administrative	319,568
Management fee	165,548
Utilities	739,101
Salaries and wages	358,792
Operating and maintenance	285,635
Real estate taxes	261,367
Property insurance	102,718
Health insurance and other employee benefits	125,153
Miscellaneous taxes and insurance	40,941
Total disbursements	2,398,823
	525,778
CASH FLOWS USED FOR INVESTING ACTIVITIES	
Additions to property and equipment	(1,908,562)
Net withdrawals from the mortgage escrow account	(79,066)
Net contribution to the reserve for replacement account	1,832,937
	(154,691)
CASH FLOWS USED FOR FINANCING ACTIVITIES	
Mortgage principal payments	(432,318)
Deferred mortgage costs	(6,647)
Net distributions from equity	(10,065)
	(449,030)
Net decrease in cash, cash equivalents, and restricted cash	**(77,943)**
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, *beginning of year*	308,187
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, *end of year*	**$ 230,244**

See accompanying Notes to Financial Statements.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC-REF/CON

Statement of Cash Flows - *Continued*

Year Ended June 30, 2022

ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	$	108,456
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization expense		376,116
Tenants/member accounts receivable		(34,574)
Deferred charges and prepayments		(6,974)
Accounts payable		21,105
Sundry current liabilities		8,029
Accrued interest payable		53,620
Net cash provided by operating activities	**$**	**525,778**

See accompanying Notes to Financial Statements.

Note 1 - Organization and Summary of Significant Accounting Policies

a. Business Organization

First Atlantic Terminal Housing Corporation (the "Company") is a New York City aided, limited profit housing corporation which developed a project in the Atlantic Terminal Urban Renewal Area of Brooklyn, New York, consisting of 202 residential units. The construction, development, and operation of the property is supervised by the New York City Department of Housing Preservation and Development ("HPD"), the New York City Housing Development Corporation ("HDC") pursuant to a regulatory agreement, and the U.S. Department of Housing and Urban Development ("HUD") under its Section 236(e)(2) decoupled interest reduction payments program and is subject to the Private Housing Finance Law of the State of New York.

b. Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with the HUD guidelines.

c. Financial Statement Presentation

The accompanying financial statements have been prepared on a basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company, as of June 30, 2022, had a working capital deficiency of $414,081 and a stockholders' deficit of $1,773,978. The continuation of the Company in its present form is dependent upon future profitability and/or additional equity or debt financing, which occurred in May of 2018. HPD and HUD have approved a maintenance increase that will alleviate the Company's cash flow deficiencies over time and meet its financial obligations in the coming year (Note 8).

d. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

As of June 30, 2022 , the Company had approximately $1,024,833 of allowance for doubtful accounts reserved against outstanding tenant collections.

e. Cash, Cash Equivalents, and Restricted Cash

The Company considers all non-restricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash consists of cash amounts designated to a restricted reserve for future repairs and replacements. See Note 6 for additional information.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Cash, Cash Equivalents, and Restricted Cash - Continued

Cash, cash equivalents, and restricted cash is comprised of the following as of June 30, 2022:

Cash overdraft, operations	$	(18,483)
Cash in bank, applicants' deposits		56,112
Equity deposits		192,615
Total cash, cash equivalents, and restricted cash shown in the the statement of cash flows	$	230,244

f. Property and Equipment

Property and equipment are stated at purchased cost. The costs of significant betterments are capitalized, whereas maintenance and repairs are charged to operations as incurred. Depreciation is provided on both the straight-line and accelerated methods over the estimated useful lives of the respective assets and is the same as that used for federal income tax purposes.

The Company reviews its long-lived assets used in operations for impairment when there is an event, or a change in circumstances that indicates impairment in value. The Company records impairment losses and reduces carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on property held for use, the Company reduces its carrying cost to fair value. For property held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the year ended June 30, 2022, no impairment losses were recognized. Management does not believe that the value of its property is impaired as of June 30, 2022.

g. Management Fee

The Company has entered into a management agreement with Metro Management. As of June 30, 2022, the Company incurred fees of $165,548 pertaining to management services.

h. Deferred Financing Costs

Costs incurred in connection with financing are being amortized over 30 years.

i. Revenue Recognition

Maintenance and rental income are recognized on an accrual basis when due from stockholders and tenants.

j. Corporation Taxes

The Company is subject to federal taxation pursuant to Subchapter T of the Internal Revenue Code and pays taxes on all income.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

j. Corporation Taxes - Continued

Pursuant to Internal Revenue Service Rulings and court decisions, the amount of maintenance paid by tenant-cooperators under proprietary leases, which is used for mortgage amortization and capital improvements, is deemed to be additional paid-in capital, whereas such items are recognized as revenue for financial reporting purposes. This accounting practice results in a permanent difference between financial and tax reporting revenue. For the year ended June 30, 2022, contributions to additional paid-in capital for income tax purposes amounted to $432,318.

The Company has net operating loss carryforwards of approximately $212,363 for federal income tax purposes as of June 30, 2022, that expire at various times through 2041 and are subject to certain limitations and statutory expiration periods. Because the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been reflected in the accompanying financial statements.

When income tax returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subjected to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Company's tax positions and concluded that the Company had taken no material uncertain tax positions that required adjustment in its financial statements.

The Company's federal income tax returns are subject to examination by taxing authorities.

k. Subsequent Events

The Company has evaluated subsequent events for potential recognition or disclosure through November 30, 2022, the date the financial statements were available to be issued.

Note 2 - Rent Assistance Program Subsidy

Certain of the tenant-cooperators are eligible under HUD's Section 8 Program for assistance in paying their carrying charges, whereby these tenant-cooperators pay 30% of their adjusted income for carrying charges, and HUD pays the remainder of the established carrying charges for their apartments. The program is administered by, and assistance is provided by HPD and the New York City Housing Authority.

Note 3 - Mortgage Escrow Account

The Company has established a mortgage escrow account under the control of the HDC. Deposits are made to this account to cover real estate taxes, property insurance, and water and sewer charges. HDC pays interest on these deposits quarterly at the statutory interest rate.

Note 4 - Replacement Reserve Fund

The mortgage agreements require the Company to maintain a replacement reserve fund. Annual contributions to this fund are computed at four-tenths of 1% of the estimated replacement cost of the property, or $23,600 per annum. At the time of the original refinancing, $70,800 was required to be accumulated in this fund and was provided in full by New York City. This amount is included in capital in excess of par value on the attached balance sheet.

Note 4 - Replacement Reserve Fund - Continued

The fund is administered by the HDC. All interest earned is available for operating expenses. Withdrawals from the fund for capital improvements are subject to HDC approval.

Note 5 - Excess Income

The Company received implied approval from HUD to retain defined excess income through September 30, 2022, for the purpose of offsetting operating shortfalls. The funds received are to be deposited into the Company's operating account on a monthly basis.

Note 6 - Mortgages Payable

The property is encumbered by a first mortgage with HDC in the original principal amount of $6,882,575. The mortgage note provides for monthly debt service payments of $10,403 (based on a 30-year amortization) to be applied to interest at the rate of 6.5%, and the balance to amortization of principal to June 30, 2048, after giving effect to amended interest rate reduction payments referred to below. In addition, the mortgage documents provide for monthly reserve fund payments in the amount of $1,967. The Company is also required to make monthly escrow payments to HDC for real estate taxes, water and sewer charges, and insurance as may be required.

The Company entered into an agreement for interest reduction payments with HDC and HUD which provides for a variable annual interest reduction subsidy not to exceed $535,900, resulting in constant monthly debt service payments over the life of the first mortgage of $10,403, through June 30, 2048, when the mortgage will be fully amortized.

In connection with the agreement referred to above, the Company received a non-refundable grant from HDC of $729,460, which was deposited in the replacement reserve fund. This fund was assigned to Fannie Mae with disbursements to be made for capital improvements as well as routine maintenance and operating expenses of the project, upon approval of HDC. The reserve fund currently comprises insured money market funds bearing interest ranging from 0.2% to 1.90% per year.

Principal payments on the senior mortgage are as follows:

For the years ending June 30,	
2023	$ 255,173
2024	272,263
2025	290,497
2026	225,748
2027	66,904
Thereafter	854,701
	1,965,286
Deferred mortgage costs net of amortization of $78,491 at June 30, 2022	36,845
Adjusted mortgage note payable	$ 1,928,441

Note 6 - Mortgages Payable - Continued

On May 22, 2018, the property became encumbered by the second mortgage loan, also with HDC, in the original principal amount of $10,985,000. The mortgage provides for monthly payments of $56,314 to be applied to interest at the fixed rate of 4.60% per annum and the balance to principal (self-amortizing mortgage) through the maturity date, May 31, 2048, when the principal balance is due. Interest will continue to be due on any unpaid balance of this note, after the maturity date. In connection with the loan, the Company incurred expenses aggregating $84,060. In addition, funds of $9,538,218 were transferred to HDC to be held in the reserve account for capital projects. As of June 30, 2022, the reserve account balance is $2,070,965 and is included in the replacement reserve fund on the accompanying balance sheet.

Current principal payments pending the restructuring are as follows:

For the years ending June 30,	
2023	$ 209,195
2024	219,023
2025	229,314
2026	240,087
2027	251,367
Thereafter	9,088,990
	10,237,976
Deferred mortgage costs net of amortization of $11,442 at June 30, 2022	72,618
Adjusted mortgage note payable	$ 10,165,358

The property is also encumbered by a third mortgage, also with HDC, in the original principal amount of $2,129,598. This mortgage is non-interest bearing and is due, in whole, 90 days after the maturity date of the first mortgage (October 1, 2036).

On January 29, 2002, the Company entered into a 30-year term loan secured by a third mortgage on the property with New York City through HPD under Article 8-A of the New York Private Housing Finance Law (fourth mortgage). The loan provided for advances, under a building loan contract, to a maximum amount of $2,278,316. Interest only, at 3% per year, was payable monthly for the first two years through January 2004. Thereafter, monthly debt service payments of $10,031 were required (including interest at 3% per year) to fully amortize the loan balance by January 28, 2032.

New York City, through HPD, agreed to defer all payments of principal and late charges on the Article 8-A Loan until a pending restructuring of the Company's financing has been completed with the HDC. New York City has agreed that, beginning June 1, 2015, no interest will accrue on the Article 8-A Loan pending the Company's financial restructuring. During such period, the Article 8-A Loan was effectively a non-interest-bearing loan. In May 2018, in connection with the refinancing of the second mortgage loan, HPD agreed to assign the loan to HDC. In connection with the assignment, HDC agreed to defer all payments of principal and accrued interest (at 3%) through and including the due date of the loan of May 31, 2048.

Note 7 - Stockholders' Deficit

HUD accepted the board of directors' resolutions to increase the individual equity accounts of each stockholder from $500 to $3,500, in part, by converting the security deposit accounts to equity. In addition, an amount equal to $10 per month of each stockholder's approved maintenance charges will be converted to equity until the individual stockholder's equity aggregates $3,500. The resolutions were implemented in fiscal 2006. These monies are to be used only for capital purposes.

During September 2012, the stockholders adopted a resolution approving a first sale capital assessment in the amount of $3,500 per apartment.

Note 8 - Maintenance Charges

There was no maintenance increase in the fiscal year 2022.

Note 9 - Rent Revenue

The current lease agreements with nine tenants typically provide for monthly payments for one year aggregating approximately $158,000.

Note 10 - Real Estate Taxes

The Company pays real estate taxes under a "shelter-rent tax" program, paying (10%) of the balance of its rental income less its utility expenses. Under the terms of the mortgage refinancing agreement, the Company will continue in this program for all of its real property for the remainder of the life of the first mortgage. New York City has certified the shelter rent tax through the year ended June 30, 2022.

Note 11 - Future Major Repairs and Replacements

The refinancing agreement requires that funds be accumulated for future major repairs and replacements (Note 4).

The Company 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. The Board has also not developed a plan to fund those needs. When funds are needed, the Company plans to borrow, use reserve funds, increase maintenance charges, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

Note 12 - Commitments and Contingencies

The Company maintains cash balances at several financial institutions located in New York. Accounts at these institutions are insured up to certain limits, established by the Federal Deposit Insurance Corporation ("FDIC"). At times, the Company has bank deposits in excess of amounts insured by the FDIC.

Note 13 - Compensation - Retirement Benefits - Multiemployer Plan

The Company contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal.

The Company's participation in this plan for the annual period ended June 30, 2022 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2022 and 2021 is for the plan's year end at June 30, 2021 and 2020 , respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. There have been no significant changes that affect the comparability of 2022 and 2021 contributions.

The Company was not listed in its plan's Form 5500 since it did not provide more than 5% of the total contributions for the following plan and plan years.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Company Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2022	2021		2022	2021		
Local 32BJ	13-1879376	Red as of 7/1/2022	Red as of 7/1/2021	Implemented	$ 25,393	$ 20,807	No	4/20/2026

Note 14 - Risks and Uncertainty

The Company's continuing operations could be affected by the recent and ongoing outbreak of the coronavirus ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The COVID-19 and the actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical location in which the Company operates. COVID-19 is still impacting the region in which the Company operates, and there remains uncertainty regarding the future impact on the Company.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC - REF/CON

Supplementary Information - Schedule of Reserve for Replacement

Year Ended June 30, 2022

Balance, July 1, 2021	$ 3,903,902
Payments into reserve	23,600
Building improvements and disbursements	(1,869,181)
Interest income	12,644
	$ 2,070,965

Analysis	
Insured money market funds (interest ranging from 0.01% to .02 % per year)	**$ 2,070,965**

See Independent Auditor's Report.

First Atlantic Terminal Housing Corporation
FHA Project #012-11105 HDC - REF/CON

Supplementary Information - Schedule of Changes in Fixed Asset Accounts

Year Ended June 30, 2022

	Total	Land	Buildings	Building Equipment Portable	Maintenance Equipment	Furnishings	Building Improvements
Cost							
Beginning of year	$ 21,447,043	$ 123,075	$ 11,979,270	$ 183,344	$ 119,795	$ 211,511	$ 8,830,048
Additions	1,908,562	-	-	-	-	13,441	1,895,121
End of year	23,355,605	123,075	11,979,270	183,344	119,795	224,952	10,725,169
Accumulated depreciation							
Beginning of year	10,825,797	-	9,057,249	183,344	112,003	211,511	1,261,690
Current year	369,469	-	-	-	-	672	368,797
End of year	11,195,266	-	9,057,249	183,344	112,003	212,183	1,630,487
Remaining cost to be recovered	**$ 12,160,339**	**$ 123,075**	**$ 2,922,021**	**$ -**	**$ 7,792**	**$ 12,769**	**$ 9,094,682**

See Independent Auditor's Report.

**Report on Internal Control over Financial Reporting and on
Compliance and other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
First Atlantic Terminal Housing Corporation
Brooklyn, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of First Atlantic Terminal Housing Corporation (the "Company"), which comprise the balance sheet as of June 30, 2022, and the related statements of profit and loss, accumulated deficit, capital in excess of par value, and cash flows for the year then ended, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by Those Charged with Governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sax CPAs LLP

New York, New York
November 30, 2022