
AGUILAR GARDENS, INC.

Financial Statements and
Supplementary Information for the
Years Ended June 30, 2022 and 2021

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

Opinion

We have audited the accompanying financial statements of AGUILAR GARDENS, INC., which comprise the balance sheets (with supporting schedules) as of June 30, 2022 and 2021, 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 and 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, Unterbach + Co, LLP

Plainview, New York
October 21, 2022

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

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 317,822	\$ 1,070,765
Accounts receivable	245,649	192,805
Prepaid expenses	245,818	242,059
Equity security deposits	428,507	313,175
	<hr/>	<hr/>
Total Current Assets	1,237,796	1,818,804
Reserve Fund: (Note 3)	1,636,681	1,313,668
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	2,874,477	3,132,472
	<hr/>	<hr/>
Property and Improvements: (Notes 2 and 4)		
Land	198,909	198,909
Buildings	4,151,199	4,151,199
Building improvements and equipment	5,943,637	5,712,378
	<hr/>	<hr/>
Total	10,293,745	10,062,486
Accumulated depreciation	(7,655,487)	(7,469,285)
	<hr/>	<hr/>
Net Property and Improvements	2,638,258	2,593,201
	<hr/>	<hr/>
Other Assets:		
Cash - restricted reserve (Notes 2 and 3)	1,405,780	1,292,379
Cash - application deposits	114,943	58,907
Cash - security deposits	14,770	-
Utility deposit	-	14,205
	<hr/>	<hr/>
Total Other Assets	1,535,493	1,365,491
	<hr/>	<hr/>
Total Assets	\$ 7,048,228	\$ 7,091,164
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

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

	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 97,958	\$ 134,091
Due to former stockholders - equity and amortization	82,392	37,472
Due to stockholders - real estate tax abatements	81,921	72,483
Due to stockholders - oil subsidy	25,480	25,480
Building improvements payable	21,263	47,126
Advance maintenance and commercial rent	19,797	20,722
Wages and payroll taxes payable	7,568	3,488
Total Current Liabilities	<u>336,379</u>	<u>340,862</u>
Long-Term and Other Liabilities:		
Application deposits payable	64,650	64,950
Security deposits payable	22,676	22,676
Total Long-Term and Other Liabilities	<u>87,326</u>	<u>87,626</u>
Total Liabilities	<u>423,705</u>	<u>428,488</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)	1,548,580	1,445,923
Retained earnings	4,223,567	4,364,377
Total Stockholders' Equity	<u>6,624,523</u>	<u>6,662,676</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 7,048,228</u></u>	<u><u>\$ 7,091,164</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents:		
Operating accounts	\$ 306,414	\$ 896,871
Shelter rent and water and sewer escrow - self-controlled	11,408	69,467
Working capital accounts	-	104,427
	<u>317,822</u>	<u>1,070,765</u>
Total Cash and Cash Equivalents	<u>\$ 317,822</u>	<u>\$ 1,070,765</u>
 Accounts Receivable:		
Maintenance - Apartments (net of allowance for doubtful accounts of \$41,680 in 2022 and 2021) (Note 2)	\$ 123,617	\$ 83,367
Due from New York City - Shelter Rent Tax	78,546	38,604
Due from stockholders - real estate tax abatements	25,107	22,764
Electricity submetering	14,928	10,906
Professional and commercial income (Notes 2 and 5)	3,451	37,164
	<u>245,649</u>	<u>192,805</u>
Total Accounts Receivable	<u>\$ 245,649</u>	<u>\$ 192,805</u>
 Prepaid Expenses:		
Insurance	\$ 191,596	\$ 190,600
Shelter rent tax	29,772	34,294
Fuel	24,450	13,884
Service contracts	-	3,281
	<u>245,818</u>	<u>242,059</u>
Total Prepaid Expenses	<u>\$ 245,818</u>	<u>\$ 242,059</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,

	2022	2021
REVENUES		
Maintenance - Apartments	\$ 1,895,522	\$ 1,895,522
Vacancies	(48,191)	(28,350)
Net Maintenance Income	1,847,331	1,867,172
Electricity submetering income	192,731	176,064
Surcharge income	147,884	138,479
Professional and commercial rent (Note 5)	137,609	145,784
Cable television income	97,899	99,105
Storage and other stockholder income	47,590	61,259
Parking income	44,160	44,701
Laundry income	33,360	33,360
Apartment rental income	21,900	21,900
Total Revenues	2,570,464	2,587,824
EXPENSES		
Administrative expenses	291,928	274,740
Operating expenses	1,868,444	1,835,499
Repairs and maintenance	210,883	214,562
New York City shelter rent tax (Note 7)	97,235	107,578
Financial expenses	-	2,846
Total Expenses	2,468,490	2,435,225
Income from operations before other items and depreciation expense	101,974	152,599
Interest and dividends	456	5,368
Prior year's accrual adjustments	(22,433)	(6,680)
Special repairs - flood and hurricane	(21,450)	-
Prior years' commercial income	(13,155)	(1,031)
Marketing fee - Time Warner Cable	-	39,501
Bad debt expense (Note 2)	-	(41,680)
Prior year's management fees	-	(33,288)
INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE	45,392	114,789
Depreciation expense	(186,202)	(186,600)
Net Loss For The Year	\$ (140,810)	\$ (71,811)

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>2022</u>	<u>2021</u>
Administrative Expenses:		
Management fee and on-site office (Note 10)	\$ 198,000	\$ 185,043
Other administrative	55,361	40,440
Professional fees	27,260	37,574
Telephone and communications	11,307	11,683
	<u> </u>	<u> </u>
Total Administrative Expenses	<u>\$ 291,928</u>	<u>\$ 274,740</u>
Operating Expenses:		
Utilities		
Gas - heat and fuel	\$ 364,557	\$ 312,279
Electricity and gas	315,289	257,384
Water and sewer	199,945	205,670
	<u> </u>	<u> </u>
	879,791	775,333
	<u> </u>	<u> </u>
Payroll		
Wages	451,096	479,144
Union benefits (Note 6)	149,761	156,046
Payroll taxes	36,525	33,915
Workers' compensation and disability insurance	33,048	44,972
	<u> </u>	<u> </u>
	670,430	714,077
	<u> </u>	<u> </u>
Other		
Insurance	187,846	167,916
Cable television	101,373	129,937
Electricity submetering	16,134	16,683
Permits and miscellaneous operating	12,870	31,553
	<u> </u>	<u> </u>
	318,223	346,089
	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$ 1,868,444</u>	<u>\$ 1,835,499</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>2022</u>	<u>2021</u>
Repairs and Maintenance:		
Materials and supplies	\$ 107,926	\$ 94,536
Elevator maintenance and repairs	35,017	30,473
Boiler, plumbing and water treatment	32,347	48,311
Uniforms	6,639	12,566
Exterminating	6,156	11,895
Equipment repairs and miscellaneous	6,120	6,243
Painting, plastering, marble cleaning and flooring	6,034	-
Intercom, electrical and security	4,846	5,018
Grounds	4,165	1,036
Compactor and vent cleaning	1,633	550
Doors, locks and windows	-	3,934
	<u> </u>	<u> </u>
Total Repairs and Maintenance	<u>\$ 210,883</u>	<u>\$ 214,562</u>
Financial Expenses:		
Other interest	<u>\$ -</u>	<u>\$ 2,846</u>
Depreciation Expense:		
Building improvements and equipment	<u>\$ 186,202</u>	<u>\$ 186,600</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>2022</u>	<u>2021</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	\$ 1,445,923	\$ 1,416,119
Transactions during the year	<u>102,657</u>	<u>29,804</u>
Balance - June 30,	<u>\$ 1,548,580</u>	<u>\$ 1,445,923</u>
 RETAINED EARNINGS		
Balance - Beginning of Year	\$ 4,364,377	\$ 4,436,188
Net loss for the year	<u>(140,810)</u>	<u>(71,811)</u>
Balance - June 30,	<u>\$ 4,223,567</u>	<u>\$ 4,364,377</u>

The accompanying notes are an integral part of this statement.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (140,810)	\$ (71,811)
Adjustments to reconcile net loss to cash (used) provided by operating activities:		
Depreciation expense	186,202	186,600
(Increase) decrease in accounts receivable	(52,844)	68,270
(Increase) in prepaid expenses	(3,759)	(1,866)
(Increase) in equity security deposits	(115,332)	(18,976)
Decrease in utility deposit	14,205	-
(Decrease) increase in accounts payable	(36,133)	55,296
Increase (decrease) in other current liabilities	57,513	(166,374)
Net change in application and security deposits transactions	(71,106)	70,966
Total Adjustments	(21,254)	193,916
Cash (Used) Provided By Operating Activities	(162,064)	122,105
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in reserve fund	(323,013)	(41,472)
(Increase) in building improvements and equipment	(231,259)	(106,601)
(Decrease) increase in building improvements payable	(25,863)	27,598
Cash (Used) By Investing Activities	(580,135)	(120,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in contributed capital - double equity	102,657	29,804
Net (decrease) increase in cash, cash equivalents and restricted cash	(639,542)	31,434
Cash, cash equivalents and restricted cash at beginning of year	2,363,144	2,331,710
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1,723,602	\$ 2,363,144
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ -	\$ 2,846
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. 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, 2022 and 2021, the Corporation's accounts receivable were stated at the estimated net realizable value. As of June 30, 2022 and 2021, accounts receivable from stockholders of \$123,617 and \$83,367, respectively, were stated net of an allowance for doubtful accounts of \$41,680 per annum.

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, 2022 and 2021, the Corporation's accounts receivable from professional and commercial tenants were \$3,451 and \$37,164. Based upon past experience and other factors, the Corporation considers all accounts receivable from professional and commercial tenants as of June 30, 2022 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 317,822	\$ 1,070,765
Cash - restricted reserve fund (Note 3)	<u>1,405,780</u>	<u>1,292,379</u>
Balance - June 30,	<u>\$ 1,723,602</u>	<u>\$ 2,363,144</u>

Note 3 - RESERVE FUND AND RESTRICTED RESERVE FUND

Reserve Fund

During the years ended June 30, 2022 and 2021, the following transactions have taken place in the Corporation's reserve fund.

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 1,313,668	\$ 1,272,196
Transfers from operations	329,236	-
Transfers from equity account	31,945	-
Transfers (to) restricted reserve - reserve funding*	(37,688)	-
Interest and dividends - net of bank charges	(480)	3,784
Monthly reserve funding	<u>-</u>	<u>37,688</u>
Balance - June 30,	1,636,681	1,313,668
Due (to) restricted reserve fund - reserve funding**	(56,532)	(94,220)
Reserve fund available at June 30,	<u>\$ 1,580,149</u>	<u>\$ 1,219,448</u>
The reserve fund is held as follows:		
JPMorgan Chase Bank - Checking Account	\$ 1,307,625	\$ 1,313,668
JPMorgan Chase Bank - Money Market Account	<u>329,056</u>	<u>-</u>
Balance - June 30,	<u>\$ 1,636,681</u>	<u>\$ 1,313,668</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, 2022 and 2021, the following transactions have taken place in the Corporation's restricted reserve fund.

	<u>2022</u>	<u>2021</u>
Balance - Beginning of Year	\$ 1,292,379	\$ 1,292,201
Monthly reserve funding year ending 6/30/22	56,532	-
Transfers from reserve - reserve funding 6/30/21*	37,688	-
Monthly reserve funding year ending 6/30/21*	18,844	-
Interest and dividends - net of bank charges	<u>337</u>	<u>178</u>
Balance - June 30,	1,405,780	1,292,379
Due from reserve fund - reserve funding**	56,532	94,220
Due from operating account	<u>-</u>	<u>18,844</u>
Restricted reserve fund available at June 30,	<u>\$ 1,462,312</u>	<u>\$ 1,405,443</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, 2022 and 2021, the Corporation capitalized the following building improvements and equipment.

	<u>2022</u>	<u>2021</u>
Apartment renovations	\$ 91,580	\$ 22,248
Plumbing upgrades	68,798	31,320
Facade restoration	50,322	33,889
Parking lot expansion	10,725	-
Handicap access ramp	6,401	8,000
Security system	3,433	-
Elevator upgrades	<u>-</u>	<u>11,144</u>
Total	<u>\$ 231,259</u>	<u>\$ 106,601</u>

Notes to Financial Statements

Note 5 - PROFESSIONAL AND COMMERCIAL RENT

As of June 30, 2022, 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 year ended June 30, 2022, the Corporation recorded professional and commercial rent of \$137,609.

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, 2022 and 2021, the Corporation contributed \$149,761 and \$156,046, respectively, to the Plan of which \$35,731 and \$32,607, 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, 2021, the Fund's most recently available certified zone status was "yellow". However, the Fund is considered to be in "critical status" for the plan year beginning July 1, 2021 since its actuary has determined that the Fund will have a funding deficiency in its current plan year.

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, 2022, the contribution rate was \$126.75 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 June 30,</u>	<u>Amount</u>
2023 - 2024	\$ 73,671 per annum
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, 2022, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of June 30, 2022, 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 \$141,300 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, 2019 remain open to examination. There are currently no tax examinations in progress.

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

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, 2022 and 2021, the Corporation paid management fees of \$198,000 and \$185,043, respectively. The management fee for the years ended June 30, 2022 and 2021 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, 2022, the Corporation held approximately \$3,729,500 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 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, 2022 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 - 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 14 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 21, 2022, 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, 2022 and 2021 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, 2023, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of 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
October 21, 2022 for Historical Statements
September 1, 2022 for Forecast

AGUILAR GARDENS, INC.

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

	For The Year		Prior Year	Next Year
	July 1, 2021 - June 30, 2022		July 1, 2020 - June 30, 2021	July 1, 2022 - June 30, 2023
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUES				
Maintenance - Apartments	\$ 1,895,500	\$ 1,895,522	\$ 1,895,522	\$ 1,895,500
Vacancies	(20,000)	(48,191)	(28,350)	(20,000)
Electricity submetering income	170,000	192,731	176,064	240,000
Surcharge income	135,000	147,884	138,479	150,000
Professional and commercial rent	152,500	137,609	145,784	140,000
Cable television income	100,000	97,899	99,105	100,000
Storage and other stockholder income	80,000	47,590	61,259	60,000
Parking income	45,500	44,160	44,701	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	2,614,000	2,570,464	2,587,824	2,666,000
EXPENDITURES				
Management fee and on-site office	200,000	198,000	185,043	200,000
Other administrative and telephone	60,000	66,668	52,123	60,000
Professional fees	50,000	27,260	37,574	30,000
Gas - heat and fuel	300,000	364,557	312,279	400,000
Electricity and gas	270,000	315,289	257,384	330,000
Water and sewer	222,000	199,945	205,670	220,000
Wages and related costs	760,000	670,430	714,077	700,000
Insurance	180,000	187,846	167,916	200,000
Cable television	130,000	101,373	129,937	130,000
Electricity submetering	18,000	16,134	16,683	16,000
Permits, miscellaneous operating and other interest	15,000	12,870	31,553	15,000
Repairs and maintenance	210,000	210,883	214,562	230,000
New York City shelter rent tax	110,000	97,235	107,578	110,000
Other interest	-	-	2,846	-
Reserve funding	57,000	56,532	37,688	57,000
TOTAL EXPENDITURES	2,582,000	2,525,022	2,472,913	2,698,000
Budgeted Surplus (Deficit)	<u>\$ 32,000</u>			<u>\$ (32,000)</u>
OPERATING SURPLUS		45,442	114,911	
Reserve funding		56,532	37,688	
Interest and dividends		456	5,368	
Prior year's accrual adjustments		(22,433)	(6,680)	
Special repairs - flood and hurricane		(21,450)	-	
Prior years' commercial income		(13,155)	(1,031)	
Marketing fee - Time Warner Cable		-	39,501	
Bad debt expense		-	(41,680)	
Prior year's management fees		-	(33,288)	
INCOME FROM OPERATIONS BEFORE DEPRECIATION EXPENSE		<u>\$ 45,392</u>	<u>\$ 114,789</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, 2023

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, 2022, 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 charges have been computed 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. 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.