

Contello Towers #2 Corporation

**Interim Financial Statements and
Supplementary Information**

December 31, 2023 and 2022

Contello Towers #2 Corporation

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Independent Auditor's Review Report

To the Board of Directors
Contello Towers #2 Corporation

Results of Review of Interim Financial Statements

We have reviewed the accompanying financial statements of Contello Towers #2 Corporation, (a New York Corporation), which comprise the Balance Sheets as of December 31, 2023 and 2022, and the related Statements of Revenues and Expenses, Cash Flows and Stockholders' Equity for the six month periods then ended, and the related notes (collectively referred to as the interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial information in order for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of Contello Towers #2 Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

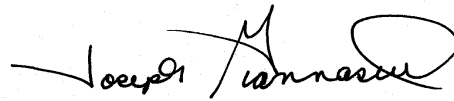
Management's Responsibility to the Interim Financial Statements

Management is responsible for the preparation and fair presentation of the interim financial information 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 interim financial information that is free of material misstatement, whether due to fraud or error.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplemental Information on Future Major Repairs and Replacements on page 19 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with their responses to our inquiries, the basic financial statements, and other knowledge we obtained during our review of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Giannasco", with a stylized flourish at the end.

JOSEPH GIANNASCO CPA, LLC
Certified Public Accountant

Jericho, New York
June 12, 2024

Contello Towers #2 Corporation
Balance Sheets
December 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Tenants' Accounts Receivable	\$ 383,846	\$ 396,431
Other Accounts Receivable	914	5,276
Prepaid Expenses Schedule 1	67,558	85,619
TOTAL CURRENT ASSETS	452,318	487,326
Property and Equipment, Net (Note 5)	7,147,369	6,666,193
Cash - Equity	600,547	692,907
Reserve Funds (Note 4)	529,074	496,990
NCB Captial Improvement Funds (Note 7)	1,973,479	3,263,976
Apartment Deposits - See Contra	251,525	251,525
Settlement Receivable - Rock E. Plumbing (Note 9)	186,662	186,662
Deferred Expenses	28,625	28,625
TOTAL ASSETS	\$ 11,169,599	\$ 12,074,204
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 562,193	\$ 597,465
Building Improvements Payable	-	470,667
Accrued Expenses Schedule 2	40,171	49,513
Mortgage Payable	126,285	123,972
Other Current Liabilities Schedule 3	581,867	643,587
TOTAL CURRENT LIABILITIES	1,310,516	1,885,204
Apartment Deposits	251,525	251,525
MORTGAGE PAYABLE - Long Term - (Less Unamortized Finance Costs - See Note 7)	6,258,632	6,381,339
TOTAL LIABILITIES	7,820,673	8,518,068
STOCKHOLDERS' EQUITY		
Capital Stock - Authorized, Issued and Outstanding		
304,718.6 Shs., \$5 Par Value	1,523,593	1,523,593
Additional Paid-In Capital	7,392,214	7,229,765
Retained Earnings (Deficit)	(5,566,881)	(5,197,222)
TOTAL STOCKHOLDERS' EQUITY	3,348,926	3,556,136
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,169,599	\$ 12,074,204

The accompanying notes to the financial statement are an integral part of the financial statement.

Contello Towers #2 Corporation
Statements of Revenues and Expenses
For the Six Months Ended December 31, 2023 and 2022

		<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Apartments		\$ 1,501,328	\$ 1,501,328
Vacancy Loss		(450)	-
Garages and Parking		36,477	34,375
Surcharges		151,756	90,441
Washing Machine, Dishwasher and Freezer		3,905	3,773
Laundry Commissions		24,000	24,000
Air Conditioner Charges		31,908	31,132
Miscellaneous		<u>6,170</u>	<u>3,001</u>
TOTAL OPERATING REVENUES		<u>1,755,094</u>	<u>1,688,050</u>
OPERATING EXPENSES			
Administrative Expenses	Schedule 4	140,717	172,350
Other Operating Expenses	Schedule 5	845,305	924,485
Maintenance Expenses	Schedule 6	203,467	347,991
Taxes and Insurance	Schedule 7	<u>303,768</u>	<u>270,539</u>
TOTAL OPERATING EXPENSES		<u>1,493,257</u>	<u>1,715,365</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER OPERATING EXPENSES		261,837	(27,315)
OTHER INCOME & EXPENSES			
Interest- Earned from Reserves		16,690	11,335
PPP Loan Forgiveness		-	91,395
Mortgage Interest		(150,177)	(152,543)
Interest on Debt Issuance Costs		<u>(3,213)</u>	<u>(3,213)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE DEPRECIATION		125,137	(80,341)
DEPRECIATION	Schedule 8	<u>116,428</u>	<u>134,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR PERIOD		<u><u>\$ 8,709</u></u>	<u><u>\$ (214,749)</u></u>

The accompanying notes to the financial statement are an integral part of the financial statement.

Contello Towers #2 Corporation
Statements of Cash Flows
For the Six Months Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) Of Revenues		
Over Expenses For Period	\$ 8,709	\$ (214,749)
Adjustments to Reconcile Excess (Deficiency) of Revenue to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	116,428	134,408
PPP Loan Forgiveness	-	(91,395)
Change in Debt Issuance Costs	3,213	3,213
Changes in Assets and Liabilities:		
(Increase) Decrease In -		
Receivables	(102,762)	(83,317)
Prepaid Expenses	(45,014)	104,298
Cash - Equity	71,730	(184,320)
Increase (Decrease) In -		
Accounts Payable	111,917	221,967
Accrued Expenses	(16,884)	(31,274)
Other Current Liabilities	(63,550)	33,911
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	83,787	(107,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(150,053)	(1,036,908)
Building Improvements Payable	(239,164)	139,826
Proceeds from 1st Sale Capital Assessment	99,760	-
Proceeds from Capital Assessment	62,689	-
Funding of Reserves	(124,252)	95,710
Decrease In Capital Improvement Funds	331,363	969,912
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(19,657)	168,540
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments - Mortgage Payable	(64,130)	(61,282)
NET CASH (USED) BY FINANCING ACTIVITIES	(64,130)	(61,282)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ -	\$ -
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 149,928	\$ 152,775

The accompanying notes to the financial statement are an integral part of the financial statement.

Contello Towers #2 Corporation
Statements of Stockholders' Equity
For the Six Months Ended December 31, 2023 and 2022

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT JULY 1, 2023	\$ 1,523,593	\$ 7,229,765	\$ (5,575,590)	\$ 3,177,768
EXCESS OF REVENUES OVER EXPENSES FOR PERIOD	-	-	8,709	8,709
CAPITAL ASSESSMENT	-	62,689	-	62,689
FIRST SALE ADDITIONAL EQUITY	-	99,760	-	99,760
BALANCE AT DECEMBER 31, 2023	<u><u>\$ 1,523,593</u></u>	<u><u>\$ 7,392,214</u></u>	<u><u>\$ (5,566,881)</u></u>	<u><u>\$ 3,348,926</u></u>
BALANCE AT JULY 1, 2022	\$ 1,523,593	\$ 7,229,765	\$ (4,982,473)	\$ 3,770,885
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR PERIOD	-	-	(214,749)	(214,749)
BALANCE AT DECEMBER 31, 2022	<u><u>\$ 1,523,593</u></u>	<u><u>\$ 7,229,765</u></u>	<u><u>\$ (5,197,222)</u></u>	<u><u>\$ 3,556,136</u></u>

The accompanying notes to the financial statement are an integral part of the financial statement.

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

1- COMPANY BACKGROUND

The Company is a Mitchell-Lama cooperative organized under the New York State Private Housing Law. The Company is comprised of 322 dwelling units and is located in Brooklyn, New York. The primary purpose of the Corporation is to provide apartment residences for its low to moderate income shareholders, manage the operations and maintain the common elements.

As a Limited Profit Housing Corporation, the Company is subject to the supervision of the New York City Division of Housing Preservation and Development. Accordingly, their accounts are maintained in accordance with the requirements as set forth in the accounting manual for Limited Profit Housing Companies as published by the New York City Division of Housing Preservation and Development.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Basis of PresentationThe accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Operating results for the six months ended December 31, 2023 are not necessarily indicative of the results that may be expected for the year ended June 30, 2024. These unaudited financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended June 30, 2023.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The more significant management estimates are the useful lives for property and equipment, unamortized finance costs, accrued expenses, and various contingencies. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which are recorded in the period in which they become known.

Cash and Cash Equivalents

Cash equivalents include all highly liquid debt instruments with an original maturity of three months or less. Cash equivalents consist primarily of money market accounts.

Property and Equipment

Property and Equipment are stated at cost. Major renewals and betterments are capitalized; normal maintenance and repairs are charged to operations.

Depreciation is provided by charges to operations over the estimated useful lives of the property and equipment involved, principally on the straight-line method. The estimated useful lives are as follows:

Building	20-50 Years
Building Equipment - Fixed	10-20 Years
Miscellaneous Fixed Assets	5-10 Years

Basis of Accounting

The Company prepares its books on the accrual basis of accounting whereby revenue and related costs are recognized in the period in which the revenue is earned, or the cost incurred.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment at the facility level annually or if events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the assets compared to their carrying value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value, based on discounted estimated future cash flows.

Fair Value of Financial Instruments

The Company has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with FASB ASC 820-10 (formerly SFAS No. 157), "Disclosures about Fair Value of Financial Instruments." Management of the Company believes that the fair value of financial instruments, consisting of cash, accounts receivable, accounts payable, and accrued liabilities, approximates carrying value due to the immediate or short-term maturity associated with these instruments and that the notes payable are carried at fair value in that they carry interest rates that are comparable to similar instruments with similar maturities.

Revenue Recognition

Accounting Standards Update (ASU) No. 2014-09 In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company believes that its revenue transactions are not within the scope of Topic 606 because their revenue transactions are not with customers but with owners who elect a board to represent them and have voting rights. Accordingly, the Company has concluded that Topic 606 is not applicable to these financial statements.

3- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash investments and accounts receivable. The Company has interest bearing deposits with various financial institutions which exceed federally insured limits. These institutions are insured by the Federal Deposit Insurance Corporation to a maximum amount of \$250,000. At December 31, 2023, the Company's uninsured cash balance totaled \$3,979,369. Of the accounts receivable balance outstanding as of December 31, 2023 and 2022, 100% is owed from the Company shareholders. No charges receivable as of December 31, 2023 were considered uncollectible.

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

4- RESERVE FUNDS

The Company, pursuant to a directive issued by the City of New York Department of Housing Preservation and Development (HPD), was required to establish a Reserve fund for future major repairs and replacements. This account is currently required to be funded by proceeds from the first sale equity assessment (See Note 8). Any funds drawn from the reserves are subject to approval from HPD. Reserve balances as of December 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cash - Capital One	\$ 156,078	\$ 123,994
Due from Operations	<u>372,996</u>	<u>372,996</u>
	<u><u>\$ 529,074</u></u>	<u><u>\$ 496,990</u></u>

5- PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, the Company had the following property and equipment:

	<u>2023</u>	<u>2022</u>
Land	\$ 261,938	\$ 261,938
Building	8,089,312	8,089,312
Building Equipment - Fixed	720,686	720,686
Furniture & Fixtures	67,257	67,257
Maintenance Equipment	1,668,594	1,668,594
Miscellaneous Fixed Assets	340,659	340,659
Work in Process	<u>6,006,645</u>	<u>5,286,971</u>
Total Property and Equipment	17,155,091	16,435,417
Less: Accumulated Depreciation	<u>10,007,722</u>	<u>9,769,224</u>
Net Property and Equipment	<u><u>\$ 7,147,369</u></u>	<u><u>\$ 6,666,193</u></u>

Fixed asset additions for the periods ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Façade	<u>\$ 120,058</u>	<u>\$ 1,036,908</u>
Total Additions for the Period	<u><u>\$ 120,058</u></u>	<u><u>\$ 1,036,908</u></u>

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

6- DUE TO SHAREHOLDERS - REAL ESTATE TAX CREDITS

As the Company pays its quarterly real estate taxes for the 2023/2024 year, it avails itself of the credits on a quarterly basis. As of December 31, 2023, the Company had returned all tax credits in its possession. It is the intention of the Company to pass through these credits ratably to the shareholders as has been done in the past.

7- MORTGAGE PAYABLE - NCB

On February 11, 2020, the Company refinanced its previously existing mortgage with HDC for a mortgage with National Cooperative Bank N.A. (NCB) in the amount of \$7,000,000. The mortgage has an interest rate of 4.55%, which approximates the effective interest rate, and a term of 30 years. Monthly payments of \$35,676.24 commenced April 1, 2020. The Company was required to fund a collateral security account with NCB in the sum of \$5,000,000 for future capital repairs and improvements. These funds have been classified as a non-current asset on the Balance Sheet.

Costs incurred in completing the mortgage agreement with HDC have been capitalized. The costs of the debt are being amortized to interest expense over the term of the debt using the straight-line method. In accordance with ASU 2015-03, the unamortized amount is presented as a reduction of long-term debt on the balance sheet.

Total Debt Issuance Costs	\$ 192,752
Less: Accumulated Amortization	24,954
Net Debt Issuance Costs	<u>\$ 167,798</u>

Principal Payments over the next five years are as follows:

	Gross Principal	Less: Interest on Debt Issuance Costs	Net Principal
December 31, 2024	\$ 132,711	\$ 6,426	\$ 126,285
December 31, 2025	138,877	6,426	132,451
December 31, 2026	145,329	6,426	138,903
December 31, 2027	152,082	6,426	145,656
December 31, 2028	159,147	6,426	152,721
Thereafter	<u>5,824,569</u>	<u>135,668</u>	<u>5,688,901</u>
Total	<u>\$ 6,552,715</u>	<u>\$ 167,798</u>	<u>\$ 6,384,917</u>

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

7- MORTGAGE PAYABLE - NCB - (Continued)

Presentation of the Mortgage payable on the financial statement as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Mortgage Payable	\$ 6,552,715	\$ 6,679,535
Less: Unamortized Debt Costs	<u>167,798</u>	<u>174,224</u>
	6,384,917	6,505,311
Less: Current Portion	<u>126,285</u>	<u>123,972</u>
Net Mortgage Payable	<u>\$ 6,258,632</u>	<u>\$ 6,381,339</u>

8- MAINTENANCE AND FIRST SALE CAPITAL ASSESSMENT

Tenant-shareholders are subject to monthly assessments to provide funds for the Company's operating expenses, future capital acquisitions and major repairs and replacements. Tenant-shareholder receivables at the balance sheet date are stated at the amounts expected to be collected from outstanding maintenance fees due from tenant-shareholders. The Company's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose assessments are delinquent. Any excess assessments at the period end are retained by the Company for use in succeeding periods.

On January 23, 2014, as per approval of HPD, a capital assessment on each apartment equal to an additional one hundred (100%) of the sellers' equity will be charged at the time the apartment is first sold. The additional equity is to be deposited separately into the Company's replacement reserve account and used for major capital improvements. The assessment was made effective February 24, 2014.

9- COMMITMENTS AND CONTINGENCIES

Shelter Rent Tax

The New York City Board of Estimate has granted a real estate tax abatement to the Company equal to 80% of assessed valuation provided that such abatement shall not result in a tax that will be less than 10% of the annual shelter rent. In accordance with established procedures, the City of New York is to determine annually whether the real estate tax is to be based on the shelter rent formula or on the tax calculated on 20% of assessed valuation. As additional bills are received from the City of New York for real estate taxes, they are promptly paid and reflected as an item of expenses.

Lawsuit

The Company filed a lawsuit against Rock E. Small Plumbing and Heating Corp., Errol C. Small and Errol Brown (the "Contractor"). The Company retained the Contractor to perform a steam pipe replacement project at the Company's premises. The Company's lawsuit against the Contractor alleged various breaches and misrepresentations by the Contractor due to the Contractor's failure to perform the work according to the terms of the contract. The court granted the Company judgment in the sum of \$186,662. The judgment is subject to collection.

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

9- COMMITMENTS AND CONTINGENCIES - (Continued)

Façade

On February 25, 2021, the Company entered into a contract with POFI Construction Corp perform façade and balcony work in compliance with Local Law 11. The original amount of the contract was \$4,165,491. Change orders brought the total contract price to \$5,221,685 as of the report date. Additional engineering costs will also be capitalized.

10- COMPENSATED ABSENCES

Employees of the Company are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

11- INCOME TAXES

The Company's year-end for tax purposes is December 31. The Company has available, for income tax purposes, net operating loss carryforwards in the approximate amount of \$2,381,259, of which losses through 2017 will expire at various periods through 2037. Due to legislation passed by the Tax Cuts and Jobs Act of 2017, losses generated in years beginning after December 31, 2017, may now be carried forward indefinitely but are limited to offsetting 80% of taxable income.

Because the Company does not anticipate significant taxable income in future periods, the deferred tax asset accounts have been fully reserved in the accompanying financial statements. In evaluating the Company's ability to recover its deferred income tax assets the company considers all available positive and negative evidence, including operating results, ongoing tax planning and forecasts of future taxable income. The valuation allowance will reduce the provision for income taxes if and when recognized.

The Company files its income tax returns in the U.S. Federal Jurisdiction. Since the Company is part of the New York City Housing Development Corporation Mitchell-Lama Program, it is exempt from New York State and New York City Tax. The Company's federal income tax returns for the last three years remain open to examination.

12- EFFECTS OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized the outbreak of new strain of coronavirus disease, known as COVID-19, as a global pandemic and recommended containment and mitigation measures.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. The CARES Act provides aid to small businesses through programs administered by the Small Business Administration ("SBA"). The CARES Act, among other things, includes provisions relating to payroll tax credits and deferrals, net operating loss carryback periods, alternative minimum tax credits and technical corrections to tax depreciation methods for qualified improvement property.

Contello Towers #2 Corporation
Notes to Financial Statements
December 31, 2023 and 2022

12- EFFECTS OF COVID-19 PANDEMIC - *(Continued)*

On May 18, 2021, the Company closed on a government subsidized loan with Capital One Bank in the amount of \$91,395 with a term of 5 years. Under the PPP the Company applied for and received full forgiveness of the loan. PPP loan forgiveness is not a taxable event.

COVID-19 and its variants continue to create significant uncertainty and the full extent of the impact will depend on numerous evolving factors that the Company can neither predict nor control, including the pandemic's duration and severity and the governmental, business, and individual responses to it.

13- DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition through June 12, 2024, which is the date the financial statements were available to be issued.



Joseph Giannasco CPA, LLC

Certified Public Accountant

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Independent Auditors' Review Report on Supplementary Information

To the Board of Directors
Contello Towers #2 Corporation

We have reviewed the accompanying financial statements of Contello Towers #2 Corporation as of and for the six months ended December 31, 2023 and 2022, and our report thereon dated June 12, 2024, appears on Page 1 and 2. The accompanying Supporting Schedules and Modified Schedules of Income and Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Respectfully submitted,

JOSEPH GIANNASCO CPA, LLC
Certified Public Accountant

Jericho, New York
June 12, 2024

Contello Towers #2 Corporation
Schedules of Assets and Liabilities
For the Six Months Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
PREPAID EXPENSES	<u>Schedule 1</u>	
Insurance	\$ 67,558	\$ 85,619
TOTAL PREPAID EXPENSES	<u>\$ 67,558</u>	<u>\$ 85,619</u>
ACCRUED EXPENSES	<u>Schedule 2</u>	
Utility Expenses	\$ 9,745	\$ 18,606
Payroll Taxes	855	855
Salaries	4,725	4,725
Mortgage Interest	24,846	25,327
TOTAL ACCRUED EXPENSES	<u>\$ 40,171</u>	<u>\$ 49,513</u>
OTHER CURRENT LIABILITIES	<u>Schedule 3</u>	
Prepaid Carrying Charges	\$ 54,628	\$ 53,551
Equity Exchange	149,406	132,933
Miscellaneous	4,837	4,837
Due To Shareholders	-	79,270
Due to Reserve Account	372,996	372,996
TOTAL OTHER CURRENT LIABILITIES	<u>\$ 581,867</u>	<u>\$ 643,587</u>

See independent auditor's review report on supplementary information.

Contello Towers #2 Corporation
Schedules of Expenses
For the Six Months Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ADMINISTRATIVE EXPENSES	<u>Schedule 4</u>	
Managing Agent's Fees	\$ 52,184	\$ 70,092
Legal Fees	37,736	27,862
Accounting	20,236	12,608
Professional Fees	6,988	30,780
Telephone	9,004	(9,408)
Miscellaneous Administrative Expenses	<u>14,569</u>	<u>40,416</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 140,717</u></u>	<u><u>\$ 172,350</u></u>
OTHER OPERATING EXPENSES	<u>Schedule 5</u>	
Payroll	\$ 214,085	\$ 177,743
Exterminating	8,411	9,020
Fuel	163,364	255,981
Electricity	239,754	249,189
Water and Sewer	159,412	164,084
Gas	11,460	12,044
Miscellaneous Operating Expenses	6,276	8,166
Security	<u>42,543</u>	<u>48,258</u>
TOTAL OTHER OPERATING EXPENSES	<u><u>\$ 845,305</u></u>	<u><u>\$ 924,485</u></u>
MAINTENANCE EXPENSES	<u>Schedule 6</u>	
Supplies	\$ 19,640	\$ 22,581
Elevator Maintenance	42,483	29,364
Uniforms	870	2,977
Grounds Maintenance and Supplies	11,974	25,950
Repairs - General	67,590	258,278
Repairs - Electrical	2,150	1,980
Repairs - Plumbing	49,618	40,396
Repairs - HVAC	9,142	15,675
Insurance Reimbursements	<u>-</u>	<u>(49,210)</u>
TOTAL MAINTENANCE EXPENSES	<u><u>\$ 203,467</u></u>	<u><u>\$ 347,991</u></u>

See independent auditor's review report on supplementary information.

Contello Towers #2 Corporation
Schedules of Expenses - *(Continued)*
For the Six Months Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
TAXES AND INSURANCE	<u>Schedule 7</u>	
Payroll Taxes	\$ 17,205	\$ 13,815
Real Estate Tax	133,373	107,120
Insurance	114,439	98,109
Union Welfare and Pension	<u>38,751</u>	<u>51,495</u>
TOTAL TAXES AND INSURANCE	<u><u>\$ 303,768</u></u>	<u><u>\$ 270,539</u></u>
DEPRECIATION	<u>Schedule 8</u>	
Building	\$ 48,558	\$ 52,324
Building Fixed	55,117	68,259
Furniture and Fixtures	1,140	1,017
Miscellaneous Fixed Assets	<u>11,613</u>	<u>12,808</u>
TOTAL DEPRECIATION	<u><u>\$ 116,428</u></u>	<u><u>\$ 134,408</u></u>

See independent auditor's review report on supplementary information.

Contello Towers #2 Corporation
Modified Schedules of Income and Expenses
For the Six Months Ended December 31, 2023 and 2022

	2023	2022
RENT INCOME		
Apartments	\$ 1,501,328	\$ 1,501,328
Mortgage Amortization	(64,130)	(61,282)
Less: Vacancy Loss	(450)	-
Parking	36,477	34,375
Surcharges	151,756	90,441
TOTAL RENT INCOME	1,624,981	1,564,862
SERVICE INCOME		
Appliance Charges	35,813	34,905
Laundry Commissions	24,000	24,000
Miscellaneous Tenant Charges	6,170	3,001
TOTAL SERVICE INCOME	65,983	61,906
OTHER INCOME		
Interest	16,690	11,335
TOTAL OTHER INCOME	16,690	11,335
TOTAL INCOME	1,707,654	1,638,103
EXPENSES		
Managing Agent's Fees	52,184	70,092
Professional Fees	64,960	71,250
Miscellaneous Administrative Expenses	23,573	31,008
Payroll	214,085	177,743
Fuel	163,364	255,981
Electricity	239,754	249,189
Water and Sewer	159,412	164,084
Gas	11,460	12,044
Supplies	19,640	22,581
Protection Service	42,543	48,258
Miscellaneous Operating Expenses	27,531	46,113
Repairs	128,500	267,119
Elevator Maintenance	42,483	29,364
Payroll Taxes	17,205	13,815
Real Estate Tax	133,373	107,120
Insurance	114,439	98,109
Union Welfare and Pension	38,751	51,495
Mortgage Interest	150,177	152,543
Reserve Provisions	124,252	-
Operating Expenses Funded by Reserves	-	(95,710)
TOTAL EXPENSES	1,767,686	1,772,198
OPERATING (DEFICIT) SURPLUS	(60,032)	(134,095)

See independent auditor's review report on supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

CONTELLO TOWERS #2 CORPORATION
PHYSICAL NEEDS ASSESSMENT

Improvement	Estimated Replacement Cost - Short Term(\$)	Estimated Replacement Cost - Reserve Period (\$)	Estimated Annual Utility Cost Savings (\$/yr)	Potential Health Benefit (yes/no)	Urgency
					A: Critical B: Short Term (<12 months) C: Long term (1 to 15 years)
Site - Total Short Term	\$ 125,000.00	\$ 120,788.87	\$ -	Yes	B/C
Building Envelope - Total Short Term	\$ 3,369,166.00	\$ 2,935,780.00	\$ -	Yes	B/C
Interior Common Space - Total Short Term	\$ 260,608.00	\$ 190,116.00	\$ -	Yes	B/C
Apartments - Total Short Term	\$ -	\$ -	\$ -	Yes	B/C
Building Systems - Total Short Term	\$ 171,650.00	\$ 169,720.00	\$ -	Yes	B/C
Environmental - Total Short Term	\$ 80,500.00	\$ -	\$ -	Yes	B
Scope and Prelim. Cost Estimates - Total Short	\$ 3,336,800.00	\$ -	\$ -	Yes	B/C
IMPROVEMENTS - TOTAL	\$ 7,343,724.00	\$ 3,416,404.87	\$ -	Yes	B/C