
10 PARK AVE. TENANTS' CORP.

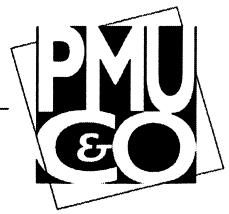
Financial Statements and
Supplementary Information for the
Years Ended December 31, 2022 and 2021

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

10 PARK AVE. TENANTS' CORP.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
10 PARK AVE. TENANTS' CORP.
10 Park Avenue
New York, NY 10016

Opinion

We have audited the accompanying financial statements of 10 PARK AVE. TENANTS' CORP., which comprise the balance sheets (with supporting schedules) as of December 31, 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 10 PARK AVE. TENANTS' CORP. as of December 31, 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 10 PARK AVE. TENANTS' CORP. 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 10 PARK AVE. TENANTS' Corp'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 10 PARK AVE. TENANTS' CORP.'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 10 PARK AVE. TENANTS' CORP.'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, 10 PARK AVE. TENANTS' CORP. has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Plainview, New York
June 6, 2023

10 PARK AVE. TENANTS' CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,624,736	\$ 2,109,337
Accounts receivable	317,270	374,170
Prepaid expenses	79,774	77,358
Total Current Assets	2,021,780	2,560,865
Reserve Fund: (Note 3)	1,456,269	1,341,762
Total Current Assets and Reserve Fund	3,478,049	3,902,627
Property and Improvements: (Notes 2 and 4)		
Land	2,484,089	2,484,089
Building	3,945,233	3,945,233
Building improvements and equipment	12,620,157	11,387,453
Total	19,049,479	17,816,775
Accumulated depreciation	(8,569,803)	(8,150,765)
Net Property and Improvements	10,479,676	9,666,010
Other Assets and Deferred Charges:		
Deferred leasing costs (Note 6)	269,953	290,463
Cash - security deposits	163,952	115,017
Deferred commercial rents (Note 2)	149,055	-
Cash - restricted (Notes 2 and 5)	100,000	-
Good faith deposit (Note 5)	-	250,000
Total Other Assets and Deferred Charges	682,960	655,480
Total Assets	\$ 14,640,685	\$ 14,224,117

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage interest	\$ 26,959	\$ 36,511
Mortgage payable - current portion (Note 5)	147,319	-
Accounts payable and accrued expenses	208,348	311,099
Due to stockholders - real estate tax abatements	190,076	197,501
Building improvements payable	74,851	58,000
Advance maintenance	48,156	42,008
Real estate tax payable	3,860	-
 Total Current Liabilities	 699,569	 645,119
 Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	10,757,402	10,000,000
Unamortized debt issuance costs (Note 2)	(138,899)	(193,469)
 Net Long-Term Debt	 10,618,503	 9,806,531
Security deposits payable	310,952	238,017
 Total Long-Term and Other Liabilities	 10,929,455	 10,044,548
 Total Liabilities	 11,629,024	 10,689,667
 Stockholders' Equity:		
Common stock - \$1.00 par value, 100,000 shares authorized, 83,573 shares issued and outstanding	83,573	83,573
Additional paid-in capital	3,760,159	3,760,159
Accumulated deficit	(832,071)	(309,282)
 Total Stockholders' Equity	 3,011,661	 3,534,450
 Total Liabilities and Stockholders' Equity	 \$ 14,640,685	 \$ 14,224,117

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF DECEMBER 31,

	2022	2021
Cash and Cash Equivalents:		
Operating accounts	\$ 87,396	\$ 259,303
Tax escrow - self-controlled	1,160,162	1,075,265
Working capital account	377,178	774,769
Total Cash and Cash Equivalents	\$ 1,624,736	\$ 2,109,337
Accounts Receivable:		
Commercial income (Notes 2 and 6)	\$ 190,146	\$ 298,336
Maintenance - Apartments (Note 2)	127,124	75,834
Total Accounts Receivable	\$ 317,270	\$ 374,170
Prepaid Expenses:		
Insurance	\$ 75,110	\$ 67,140
Service contract	2,635	2,743
Corporation taxes	2,029	3,854
Real estate tax	-	3,621
Total Prepaid Expenses	\$ 79,774	\$ 77,358

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
REVENUES		
Maintenance - Apartments	\$ 4,888,820	\$ 4,888,820
Commercial income (Note 6)	675,897	574,442
Less: Bad debt expense - commercial income (Note 6)	(158,249)	-
Operating assessments (Note 7)	634,807	656,578
Sublet, storage, late charges and miscellaneous	213,045	208,553
Laundry income	35,950	34,200
Interest and dividends	20,567	3,855
Total Revenues	6,310,837	6,366,448
EXPENSES		
Administrative expenses	509,375	354,265
Operating expenses	2,298,622	2,188,239
Repairs and maintenance	309,247	286,135
Taxes	2,880,369	2,842,326
Financial expenses	545,521	446,141
Total Expenses	6,543,134	6,117,106
Operating (loss) income before other items and depreciation and amortization	(232,297)	249,342
Commercial rents - straight line adjustment (Note 2)	149,055	-
Forgiveness of Paycheck Protection Program loan (Note 11)	-	257,041
OPERATING (LOSS) INCOME BEFORE DEPRECIATION AND AMORTIZATION	(83,242)	506,383
Depreciation and amortization	(439,547)	(453,183)
Net (Loss) Income For The Year	\$ (522,789)	\$ 53,200

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
Administrative Expenses:		
Professional fees	\$ 296,425	\$ 174,762
Other administrative and telephone	112,445	74,294
Management fee	100,505	104,659
Legal fees - real estate tax reduction	-	550
Total Administrative Expenses	\$ 509,375	\$ 354,265
Operating Expenses:		
Utilities		
Steam - heat	\$ 344,022	\$ 320,087
Water and sewer	185,066	178,926
Electricity and gas	53,757	51,013
	582,845	550,026
Payroll		
Wages	1,056,386	1,027,895
Union benefits (Note 8)	395,462	381,269
Payroll taxes	83,947	81,783
Workers' compensation and disability insurance	34,180	21,251
	1,569,975	1,512,198
Other		
Insurance	140,153	121,155
Permits and miscellaneous operating	5,649	4,860
	145,802	126,015
Total Operating Expenses	\$ 2,298,622	\$ 2,188,239

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
SUPPORTING SCHEDULES - STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
Repairs and Maintenance:		
Elevator contract and repairs	\$ 76,203	\$ 52,920
Plumbing and heating	59,564	80,941
Painting, plastering and flooring	47,633	57,465
Water treatment	36,723	10,950
Materials and supplies	30,555	22,866
Doors, locks and windows	18,537	23,726
Exterminating	14,458	11,748
Grounds and plants	13,104	7,657
Uniforms	10,905	11,199
Equipment, compactor and other repairs	1,198	4,328
Electrical and intercom	367	-
Exterior repairs	-	2,335
 Total Repairs and Maintenance	 \$ 309,247	 \$ 286,135
 Taxes:		
New York City real estate tax (Note 9)	\$ 2,864,250	\$ 2,830,722
Corporation taxes (Note 10)	16,119	11,604
 Total Taxes	 \$ 2,880,369	 \$ 2,842,326
 Financial Expenses:		
Mortgage interest (Note 5)	\$ 340,790	\$ 429,889
Amortization of debt issuance costs (Note 2)	204,731	16,252
 Total Financial Expenses	 \$ 545,521	 \$ 446,141
 Depreciation and Amortization:		
Building	\$ 78,905	\$ 78,905
Building improvements and equipment	340,133	361,939
Amortization of deferred leasing commissions	20,509	12,339
 Total Depreciation and Amortization	 \$ 439,547	 \$ 453,183

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
COMMON STOCK		
Balance - January 1,	\$ 83,573	\$ 83,573
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u><u>\$ 83,573</u></u>	<u><u>\$ 83,573</u></u>
ADDITIONAL PAID-IN CAPITAL		
Balance - January 1,	\$ 3,760,159	\$ 3,760,159
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u><u>\$ 3,760,159</u></u>	<u><u>\$ 3,760,159</u></u>
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (309,282)	\$ (362,482)
Net (loss) income for the year	<u>(522,789)</u>	<u>53,200</u>
Balance - December 31,	<u><u>\$ (832,071)</u></u>	<u><u>\$ (309,282)</u></u>

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the year	\$ (522,789)	\$ 53,200
Adjustments to reconcile net (loss) income to cash (used) provided by operating activities:		
Depreciation and amortization expense	439,547	453,183
Amortization of debt issuance costs	204,731	16,252
Forgiveness of Paycheck Protection Program loan	-	(257,041)
Decrease (increase) in accounts receivable	56,900	(153,254)
(Increase) decrease in prepaid expenses	(2,416)	11,905
(Increase) in deferred leasing costs	-	(218,256)
(Increase) in deferred commercial rents	(149,055)	-
(Decrease) increase in accounts payable and other current liabilities	(109,719)	112,168
Net change in security deposits transactions	24,000	123,000
Total Adjustments	463,988	87,957
Cash (Used) Provided By Operating Activities	(58,801)	141,157
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in reserve fund	(114,507)	744,402
(Increase) in building improvements and equipment	(1,232,704)	(494,062)
Increase in building improvements payable	16,851	40,916
Cash (Used) Provided By Investing Activities	(1,330,360)	291,256
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in good faith deposit	250,000	(250,000)
Proceeds from new mortgage payable	11,000,000	-
Repayment of former mortgage payable	(10,000,000)	-
Amortization of mortgage payable	(95,279)	-
(Increase) in unamortized debt issuance costs	(150,161)	-
Proceeds from Paycheck Protection Program loan	-	257,041
Cash Provided By Financing Activities	1,004,560	7,041
Net (decrease) increase in cash, cash equivalents and restricted cash	(384,601)	439,454
Cash, cash equivalents and restricted cash at beginning of year	2,109,337	1,669,883
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1,724,736	\$ 2,109,337
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 350,342	\$ 429,889
Income taxes paid - net of refunds	\$ 14,294	\$ 13,196

The accompanying notes are an integral part of this statement.

10 PARK AVE. TENANTS' CORP.

Notes to Financial Statements

Note 1 - ORGANIZATION

10 PARK AVE. TENANTS' CORP. (the "Corporation") was incorporated in New York State on July 7, 1972. The Corporation is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code. The Property is located at 10 Park Avenue, New York, New York and contains 268 residential apartments, one residential manager's apartment, and several commercial and professional spaces. 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 building is depreciated on the straight-line method over an estimated life of fifty years. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from seven to twenty-seven and one-half 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 has the right to utilize available cash reserves and/or borrow, increase maintenance, implement special assessments, or delay repairs and replacements until funds are available.

Debt Issuance Costs

In accordance with FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs related to a recognized debt liability are required to be presented in the accompanying balance sheets as a direct deduction from the carrying amount of the debt liability. Debt issuance costs are being amortized over the life of the related debt obligation on the straight-line basis. The amortization of debt issuance costs is reported as a financial expense in the Statements of Revenues and Expenses.

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.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Accounts Receivable (continued)

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. As of December 31, 2022 and 2021, the Corporation's accounts receivable from stockholders were \$127,124 and \$75,834, respectively. Based upon past experience and other factors, the Corporation considers all residential accounts receivable at December 31, 2022 to be collectible. Accordingly, no allowance for doubtful accounts is required.

Commercial Income and Accounts Receivable

Effective January 1, 2022, the Corporation adopted ASU No. 2016-02, *Leases* (Topic 842). In accordance with Topic 842, the Corporation has classified its commercial leases as operating leases and recognizes commercial revenues on the straight-line basis over the term of each lease. Any difference between the straight-line rents and the rents received is recorded as deferred revenue. Under ASU No. 2018-11, *Leases* (Topic 842), the Corporation adopted a transition method in which it initially applied the new standard as of the adoption date versus at the beginning of the earliest financial statement period presented and recognized a cumulative-effect adjustment as of the beginning of the transition period. The Corporation's adoption of the modified retrospective approach does not require it to recast its prior year financial statements.

Accounts receivable at the balance sheet date represent past due amounts for rent and escalations from commercial tenants. As of December 31, 2022 and 2021, the Corporation's accounts receivable from commercial tenants were \$190,146 and \$298,336, respectively. Based upon past experience and other factors, the Corporation considers all commercial accounts receivable at December 31, 2022 to be collectible. Accordingly, no allowance for doubtful accounts is required. See Note 6 for additional information.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges used for mortgage amortization, which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes. The forgiveness of the Paycheck Protection Program loan during 2021 is not subject to income taxes. Additionally, the Corporation does not recognize straight line adjustments to commercial revenues for income tax purposes.

10 PARK AVE. TENANTS' CORP.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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	\$ 1,624,736	\$ 2,109,337
Restricted cash (Note 6)	<u>100,000</u>	<u>-</u>
Balance - December 31,	<u><u>\$ 1,724,736</u></u>	<u><u>\$ 2,109,337</u></u>

Note 3 - RESERVE FUND

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

	<u>2022</u>	<u>2021</u>
Balance - January 1,	\$ 1,341,762	\$ 2,086,164
Excess loan proceeds from mortgage refinancing (Note 5)	1,028,594	-
Portion of refunded good faith deposit (Note 5)	46,925	-
Interest and dividends - net of service fees	13,777	1,977
Net transfers (to) operations primarily to pay for building improvements and equipment	(974,789)	(1,000,486)
Reserve account funding	<u>-</u>	<u>254,107</u>
Balance - December 31,	<u><u>\$ 1,456,269</u></u>	<u><u>\$ 1,341,762</u></u>

The reserve fund is held as follows:

Apple Bank for Savings - Business Savings Account (Note 5)	\$ 731,889	\$ -
Israel Discount Bank of New York - Money Market Account	364,787	38,521
Capital One Bank - Money Market Account	359,593	108,469
People's United Bank - Money Market Account (Note 5)	<u>-</u>	<u>1,194,772</u>
Balance - December 31,	<u><u>\$ 1,456,269</u></u>	<u><u>\$ 1,341,762</u></u>

10 PARK AVE. TENANTS' CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During 2022 and 2021, the Corporation capitalized the following building improvements and equipment.

	<u>2022</u>	<u>2021</u>
Facade/exterior project	\$ 844,348	\$ 40,500
HVAC/heat rejection equipment	278,486	-
Elevator modernization	47,450	421,686
Window project	37,500	-
Lobby improvements	<u>24,920</u>	<u>31,876</u>
 Total	 <u>\$ 1,232,704</u>	 <u>\$ 494,062</u>

Note 5 - MORTGAGE PAYABLE AND LINE OF CREDIT

Mortgage Payable

On March 14, 2022, the Corporation refinanced its mortgage payable. The new loan, in the original principal amount of \$11,000,000, is held by Apple Bank for Savings ("Apple Bank"). It requires equal monthly payments of \$38,565, applied first to interest at a rate of 2.871% per annum with the balance as a reduction of principal based on a forty-year amortization schedule. The loan is secured by the land and building owned by the Corporation. It has a ten-year term, which is scheduled to mature on April 1, 2032.

The mortgage may be prepaid in whole, subject to a declining scale prepayment penalty as defined in the loan documents. However, the Corporation may also prepay up to 10% of the outstanding principal balance one time per annum, without penalty. During the last year of the term, the loan may be prepaid without penalty.

During the next five years, the following principal payments are required.

<u>Year</u>	<u>Amount</u>
2023	\$ 147,319
2024	150,790
2025	156,114
2026	160,719
2027	165,460

Pursuant to the loan documents, the Corporation is required to maintain a reserve account with Apple Bank, in a minimum amount of \$100,000, for the duration of the loan term. As of December 31, 2022, this account's balance of \$831,889 was allocated as \$100,000 of restricted cash (Note 2) and \$731,889 of unrestricted reserve cash (Note 3).

Prior to the refinancing, the mortgage payable, in the original principal amount of \$10,000,000, was held by People's United Bank. At closing, an initial advance of \$5,600,000 was made. Subsequent advances of the remaining \$4,400,000 were made through November 18, 2018. The loan required monthly payments of interest only at a rate of 4.24% per annum for the actual number of days elapsed in each period based on a 360 day year. The loan was scheduled to mature on December 1, 2033. At the refinancing, the outstanding loan balance of \$10,000,000 was repaid in full.

10 PARK AVE. TENANTS' CORP.

Notes to Financial Statements

Note 5 - MORTGAGE PAYABLE AND LINE OF CREDIT (continued)

Line of Credit

At the refinancing, the Corporation established a \$2,000,000 unsecured revolving line of credit with Apple Bank. Draws under the line of credit must be made in minimum amounts of \$10,000. When funds are drawn, interest will be charged at the greater of the Prime Rate plus 1.00% per annum, or 4.50%. The line of credit is scheduled to mature upon the earlier to occur of April 1, 2032, or the refinancing or repayment of the mortgage payable.

Prior to the refinancing, the Corporation had a \$2,000,000 secured revolving line of credit with People's United Bank. When funds were drawn, monthly payments of interest only were due at a rate equal to the 30-day LIBOR plus 2.25% per annum. The line of credit was scheduled to mature on December 1, 2028. At the refinancing, no amount was outstanding on the line of credit and it was closed.

Note 6 - COMMERCIAL RENT

As of December 31, 2022, the Corporation was the lessor of four professional and three commercial units with leases maturing between May 31, 2024 and February 28, 2037. The leases provide for annual increases of base rent and certain leases provide escalation clauses equal to a percentage of the increase in real estate tax over a defined base year as well as reimbursement for water and sewer usage.

During 2020, the Corporation signed lease modification agreements with two commercial tenants. The modification agreements reduced the original monthly rents to minimum amounts as defined. The minimum rent amounts are subject to change based on a calculation of the percentage of monthly gross sales ("POGS"). If the POGS are higher than the minimum scheduled rent, the tenants will pay the difference. On June 1, 2022 one of the two commercial tenants signed a new lease and the Corporation released any claims against the tenant through the commencement date of the new lease. In connection with this release, the Corporation recorded \$158,249 of bad debt expense on the tenant's former lease.

The Corporation anticipates receiving minimum contractual base rents from the existing leases over the next five years as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 691,022
2024	702,054
2025	695,095
2026	715,061
2027	703,377

Leasing commissions paid in connection with the commercial leases have been deferred and are being amortized over the term of each lease. During 2021, the Corporation incurred \$218,256 of deferred leasing commissions and space renovation costs in connection with the signing of a new lease.

10 PARK AVE. TENANTS' CORP.

Notes to Financial Statements

Note 7 - OPERATING ASSESSMENTS

During 2022 and 2021, the Corporation implemented assessments of \$5.80 and \$6.06 per share of stock, respectively, which generated \$484,807 and \$506,578, respectively, for operating purposes. The Corporation's policy is to refund abatements granted under the New York City Cooperative Shareholder Real Estate Tax Abatement Program at approximately the same time as the assessments are charged to the stockholders. During 2023, a similar assessment is anticipated.

During 2022 and 2021, the Corporation implemented a second operating assessment of \$150,000, or \$1.79 per share of stock, per annum, in order to recoup a portion of its reduced commercial rents as a result of COVID-19 (Note 14).

Note 8 - UNION BENEFITS

Substantially all of the Corporation's employees are members of the New York Hotel Trades Council and Hotel Association of New York City, Inc. and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement expires on June 30, 2026. The Corporation makes contributions to the Plan based on a percentage of wages for each employee covered under the union contract. During 2022 and 2021, the Corporation contributed \$395,462 and \$381,269, respectively, to the Plan of which \$117,340 and \$102,178, 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 New York Hotel Trades Council and Hotel Association of New York City, Inc. Pension Fund (Employer Identification Number 13-1764242, 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 January 1, 2022, the Fund's most recently available certified zone status was "green". As of January 1, 2022, the Plan was in neither critical status nor endangered status. The Corporation has no intention of withdrawing from the Plan.

Note 9 - REAL ESTATE TAX

New York City real estate tax has been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2019/20	\$ 22,872,330	12.473%	\$ 2,852,866
2020/21	23,582,610	12.267%	2,892,879
2021/22	22,628,250	12.235%	2,768,566
2022/23	24,129,220	12.267%	2,959,931

The Corporation routinely protests the taxable assessed valuation of its Property used for real estate taxation purposes. Currently, protests are "open" for tax years 2014/15 through and including 2022/23.

Notes to Financial Statements

Note 10 - CORPORATION 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 December 31, 2022, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of December 31, 2022, the Corporation had approximately \$4,310,000 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through 2036, and approximately \$203,800 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.

New York State Franchise and New York City Corporation taxes are calculated at the higher of tax based on the Corporation's net taxable income, capital base or prescribed minimum amounts. The Corporation's tax returns for all years since 2019 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 11 - OTHER MATTER - PAYCHECK PROTECTION PROGRAM LOAN

On March 26, 2021, the Corporation received \$257,041 of loan proceeds under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provided loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses (as defined) of the qualifying business. The loan principal and accrued interest are forgivable after twenty-four weeks from the date of the loan disbursement (the "Covered Period") as long as the Corporation used the loan proceeds for eligible expenses including payroll, benefits, worker protection expenditures, rent and utilities that occurred within the Covered Period, and maintained its payroll levels. Loan forgiveness must be requested within ten months of the end of the Covered Period and the amount of loan forgiveness will be reduced if the Corporation terminated employees or reduced salaries during the Covered Period. Any unforgiven portion of the PPP loan is repayable over five years at an interest rate of 1%.

During 2021, the Corporation used the loan proceeds for purposes consistent with the PPP. On September 30, 2021, the Corporation's PPP loan of \$257,041 was forgiven in full by the Small Business Administration.

Notes to Financial Statements

Note 12 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and investment accounts at financial institutions with balances that normally exceed federally insured limits. As of December 31, 2022, the Corporation held approximately \$2,434,200 of cash in excess of federally insured limits. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

Note 13 - CLAIMS OR LITIGATION

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation as of December 31, 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 14 - CONTINGENCIES

During March 2020, a worldwide pandemic emerged which is known as the Coronavirus ("COVID-19"). COVID-19 has caused the New York metropolitan area to significantly curtail its economic and social activities. As of the date of issuance of the accompanying financial statements, other than reductions in commercial income, there has been no material adverse impact from COVID-19 on the Corporation. Any future impact on the Corporation, its stockholders and commercial tenants is uncertain and cannot be reasonably estimated.

Note 15 - DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 6, 2023, the date 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 COMPILED REPORT
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To the Board of Directors and Stockholders of
10 PARK AVE. TENANTS' CORP.
10 Park Avenue
New York, NY 10016

Our report on our audits of the basic financial statements of 10 PARK AVE. TENANTS' CORP. for the years ended December 31, 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 10 PARK AVE. TENANTS' CORP. for the year ending December 31, 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
June 6, 2023 for Historical Statements
April 21, 2023 for Forecast

10 PARK AVE. TENANTS' CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2022 - December 31, 2022		January 1, 2021- December 31, 2021	January 1, 2023 - December 31, 2023
	Budget (Unaudited)	Actual	Actual	Budget (Unaudited)
REVENUES				
Maintenance - Apartments (1)	\$ 4,888,800	\$ 4,888,820	\$ 4,888,820	\$ 5,133,300
Commercial income - net of bad debt	813,400	517,648	574,442	755,100
Operating assessments	676,700	634,807	656,578	504,100
Sublet, storage, late charges and miscellaneous	152,400	213,045	208,553	156,500
Laundry income	20,400	35,950	34,200	20,400
TOTAL REVENUES	6,551,700	6,290,270	6,362,593	6,569,400
EXPENDITURES				
Professional fees	250,700	296,425	174,762	105,000
Other administrative and telephone	42,100	112,445	74,294	41,000
Management fee	108,000	100,505	104,659	94,600
Legal fees - real estate tax reduction	16,000	-	550	600
Steam - heat	331,800	344,022	320,087	357,100
Water and sewer	214,400	185,066	178,926	204,900
Electricity and gas	53,800	53,757	51,013	64,500
Wages and related costs	1,497,400	1,569,975	1,512,198	1,574,000
Insurance	140,400	140,153	121,155	162,700
Permits and miscellaneous operating	5,000	5,649	4,860	5,000
Repairs and maintenance	304,500	309,247	286,135	309,400
New York City real estate tax	2,908,700	2,864,250	2,830,722	3,018,000
Corporation taxes	16,000	16,119	11,604	17,000
Mortgage interest and amortization	444,700	436,069	429,889	462,800
Transfers to reserve fund	218,200	-	254,107	118,200
TOTAL EXPENDITURES	6,551,700	6,433,682	6,354,961	6,534,800
Budgeted Surplus	\$ -			\$ 34,600
ACTUAL OPERATING (LOSS) INCOME		(143,412)	7,632	
Mortgage amortization		95,279	-	
Interest and dividends		20,567	3,855	
Transfers to reserve fund		-	254,107	
Amortization of debt issuance costs		(204,731)	(16,252)	
OPERATING (LOSS) INCOME BEFORE OTHER ITEMS AND DEPRECIATION AND AMORTIZATION	\$ (232,297)		\$ 249,342	

(1) Maintenance has been increased by 5% effective January 1, 2023. The previous increase was 8.5% effective January 1, 2018.

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

**Summary of Significant Accounting Policies and Forecast Assumptions
For The Year Ending December 31, 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 April 21, 2023 the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FORECAST ASSUMPTIONS

Revenues

Maintenance is based on \$427,775 per month, which reflects a 5% increase effective January 1, 2023. Commercial income is based on current lease terms and anticipated escalations. During 2023, an operating assessment of \$504,100 or \$6.03 per share of stock, has been anticipated. The Corporation's policy is to refund abatements granted under the New York City Cooperative Shareholder Real Estate Tax Abatement Program at approximately the same time as the assessment is charged to the stockholders. Laundry income is based upon a contract. Other fees and income are based upon historical experience or contracts.

Expenditures

Payroll expenses and benefits are based upon a union contract and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies and anticipated consumption. Real estate tax is computed based on the anticipated assessed valuation times an estimated tax rate. A 5.36% real estate tax expense increase has been anticipated for 2023. Debt service is based upon the payments required by the Corporation's mortgage payable. Repairs and maintenance is based upon historical experience and expected maintenance requirements. Insurance reflects anticipated renewal premiums. Other expenses are based upon historical experience or contracts.

Income Tax

The Corporation is subject to Federal income tax based on net taxable income. The Corporation is also subject to New York State Franchise tax and New York City Corporation tax calculated at the higher of tax based on net taxable income, capital base or prescribed minimum amounts.