

602 AVENUE T OWNERS CORP.
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
602 Avenue T Owners Corp.
Brooklyn, NY 11223

I have audited the accompanying balance sheets of 602 Avenue T Owners Corp. as of December 31, 2021 and 2020, and the related statements of operations, accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that our audits provide a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 602 Avenue T Owners Corp. as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,


Alan J. Irni, CPA, P.C.

Brooklyn, New York
May 17, 2022

602 AVENUE T OWNERS CORP.
BALANCE SHEET
DECEMBER 31, 2021 AND 2020

ASSETS

| <u>Current assets</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash- operating | \$ 301,107 | \$ 315,625 |
| Cash- reserve fund (note 3) | 131,501 | 131,478 |
| Accounts receivable & miscellaneous income (note 2) | 8,971 | 30,083 |
| Prepaid expenses (schedule 1) | <u>13,131</u> | <u>11,929</u> |
| Total current assets | 454,710 | 489,115 |
| <u>Property and improvements – real estate (note 2)</u> | | |
| Land | 883,086 | 883,086 |
| Building, less accumulated depreciation of \$2,337,153 and 2,337,153 respectively | 774,594 | 774,594 |
| Improvements, less accumulated depreciation of \$317,900 and \$305,679 respectively | <u>145,975</u> | <u>157,991</u> |
| Net Real Estate | 1,803,655 | 1,815,671 |
| <u>Other assets - (note 4)</u> | | |
| Refinancing costs, less accumulated amortization of \$100,401 and \$79,374, respectively | <u>134,649</u> | <u>155,703</u> |
| Total assets | <u>\$ 2,393,014</u> | <u>\$ 2,460,489</u> |
| <u>Current liabilities</u> | | |
| Accts payable & accrued expenses (schedule 2) | \$ 42,001 | \$ 42,489 |
| Maintenance paid in advance | 6,213 | 11,471 |
| Security deposits payable | 5,756 | 4,256 |
| Mortgage payable – current portion (note 4) | <u>29,886</u> | <u>28,659</u> |
| Total current liabilities | 83,856 | 86,875 |
| <u>Long term liabilities</u> | | |
| Mortgage payable (note 4) | <u>1,520,056</u> | <u>1,552,263</u> |
| Total liabilities | <u>1,603,912</u> | <u>1,639,138</u> |
| <u>Stockholders equity</u> | | |
| Common stock - \$1 par value; 6000 shares authorized; 5488 shares issued & outstanding | 5,488 | 5,488 |
| Additional paid-in capital | 1,713,099 | 1,713,099 |
| Accumulated deficit | <u>(929,485)</u> | <u>(897,236)</u> |
| Total stockholders equity | <u>789,102</u> | <u>821,351</u> |
| Total liabilities and stockholders equity | <u>\$ 2,393,014</u> | <u>\$ 2,460,489</u> |

The accompanying notes are an integral part of these financial statements.

602 AVENUE T OWNERS CORP.
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| <u>Income</u> | | |
| Maintenance fee income (note 9) | \$ 504,457 | \$ 504,457 |
| Special assessment | 30,000 | - |
| Fees & miscellaneous | 21,417 | 16,316 |
| Laundry income | 2,875 | 3,000 |
| Interest income | 34 | 145 |
| | <hr/> | <hr/> |
| Total income | 558,783 | 523,918 |
| <u>Expenses</u> | | |
| Real estate taxes (note 10) | 149,850 | 136,978 |
| Mortgage interest | 63,921 | 65,531 |
| Heating & gas | 57,369 | 46,607 |
| Insurance | 62,447 | 54,904 |
| Repairs & maintenance | 92,430 | 42,245 |
| Water & sewer | 60,298 | 52,851 |
| Payroll | 28,104 | 39,641 |
| Management fees | 19,008 | 19,008 |
| Utilities | 12,025 | 11,614 |
| Professional fees | 6,318 | 3,175 |
| Licenses, permits & fees | 234 | 11,026 |
| Office & miscellaneous | 4,274 | 2,683 |
| Bank charges | 75 | 75 |
| | <hr/> | <hr/> |
| Total operating expenses | 556,353 | 486,338 |
| Income from operations before depreciation, amortization expense and provision for taxes | <hr/> 2,430 | <hr/> 37,580 |
| Depreciation expense (note 2) | 12,016 | 12,221 |
| Amortization expense (note 4) | 21,054 | 21,504 |
| | <hr/> | <hr/> |
| Net income from operations before provision for taxes | (30,640) | 3,855 |
| Provision for taxes | 1,609 | 269 |
| | <hr/> | <hr/> |
| Net income for the Year | (32,249) | 3,586 |
| Accumulated deficit – January 1 | (897,236) | (900,822) |
| | <hr/> | <hr/> |
| Accumulated deficit – December 31 | \$ (929,485) | \$ (897,236) |

The accompanying notes are an integral part of these financial statements.

602 AVENUE T OWNERS CORP.
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| <u>Cash flows from operating activities</u> | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Net income/(Loss) | \$ (32,249) | \$ 3,586 |
| Adjustments to reconcile net (loss) to operating activities | | |
| Depreciation & amortization | 33,070 | 33,275 |
| Miscellaneous receivables | 21,112 | 13,315 |
| Prepaid expenses | (1,202) | (1,825) |
| Accounts payable & accrued expenses | (488) | 3,482 |
| Maintenance paid in advance | (5,258) | 2,120 |
| Security deposits payable | 1,500 | - |
| Total adjustments | <u>48,734</u> | <u>50,367</u> |
| Net cash provided by operating activities | 16,485 | 53,953 |
| <u>Cash flows (used by) financing activities</u> | | |
| Principal payments on mortgage | <u>(30,980)</u> | <u>(29,376)</u> |
| Net increase/(decrease) in cash | (14,495) | 24,577 |
| Cash and cash equivalents – January 1 | <u>447,103</u> | <u>420,010</u> |
| Cash and cash equivalents – December 31 | <u>\$ 432,608</u> | <u>\$ 447,103</u> |
| <u>Supplemental disclosures of cash flow information:</u> | | |
| Cash paid during the year for: | | |
| Interest | <u>\$ 63,921</u> | <u>\$ 65,632</u> |
| Income tax | <u>\$ 1,600</u> | <u>\$ 1,200</u> |

The accompanying notes are an integral part of these financial statements.

**602 AVENUE T OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2018**

NOTE 1 – ORGANIZATION

602 Avenue T Owners Corp. is a qualified Cooperative Housing Corporation under Section 216(b)(3) of the Internal Revenue Code. The Corporation own the six story building located at 602 Avenue T in Brooklyn, New York. The building was converted to cooperative ownership on July 19, 1990. Shares in the Corporation are allocated to 65 residential apartments in the building.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Corporation records its income when earned and its expenses when incurred under the accrual method of accounting.

B. Real Estate

Real Estate is stated at its historical cost.

C. Allowance for Doubtful Accounts

No allowance for doubtful accounts has been established as it is management's opinion that all receivables are realizable and will be collected.

D. Depreciation

Depreciation is computed using the straight-line method over estimated useful lives, based on a 40-year life for the building and 7 to 40 years for building improvements.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – RESERVE FUND/ FUTURE MAJOR REPAIRS AND REPLACEMENTS

In calendar year 2008, a reserve fund of monies were established and are to be used exclusively for making capital repairs, replacements and improvements necessary for the health and safety of the residents of the building. As of December 31, 2021 the amounts reserved was \$315,625. The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and estimates the costs of the major repairs and replacements that may be required in the future. When funds are required to meet future needs for major repairs and replacements, in excess of the monies in the reserve fund, the Corporation plans to either borrow, increase maintenance assessments or delay repairs and replacements until funds are available for such major projects.

**602 AVENUE T OWNERS CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2018**

NOTE 4 – MORTGAGE PAYABLE

In June 2020, the corporation refinanced its mortgage in the amount of \$1,650,000 payable over a period of 10 years at the interest rate of 4.042%. Amortization of the mortgage is based on a 30 year payout. A balloon principal payment will be due at the end of the 10 year period. As of December 31, 2021 the mortgage balance was \$1,549,942.

Closing costs incurred in connection with the refinancing mentioned above were \$210,543. These costs are being amortized over a 10 year period.

NOTE 5– DUE TO SPONSOR

The sponsor is entitled to take credits against maintenance charges for all tax abatements which become available to the corporation with respect to SCRIE benefits. As of December 31, 2021, there are no SCRIE benefits due to the sponsor.

NOTE 6 – MAINTENANCE FEE INCOME

For the calendar year 2021, the Board approved its maintenance of \$7.66 per share/per month, which is the same as last year.

The total amounts billed for maintenance fee income for both 2021 and 2020 was \$504,457, respectively.

NOTE 7 – RELATED PARTIES

As of December 31, 2021, the sponsor owned 12 units, 18% (1,103 shares) of the outstanding shares of stock. The sponsor was current on all its maintenance obligations as of December 31, 2021 and 2020. In both calendar year 2021 and 2020, the sponsor was billed \$111,315, respectively.

NOTE 8– NET OPERATING LOSS

The Cooperative Corporation has net operating losses available of approximately \$619,000 to be carried forward to future years for tax purposes. The operating losses expire in the calendar year 2041. The operating losses are subject to annual limitations and may expire before full utilization by the Cooperative

602 AVENUE T OWNERS CORP.
SUPPORTING SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Schedule 1- Prepaid expenses

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|------------------|
| Insurance | \$ 13,131 | \$ 11,929 |
| Total prepaid expenses | \$ 13,131 | \$ 11,929 |

Schedule 2: Accounts payable and accrued expenses

| | | |
|--|------------------|------------------|
| Heating and gas | \$ 5,900 | \$ 13,942 |
| Mortgage interest – bank | 5,395 | 5,503 |
| Professional fees | 6,318 | 3,188 |
| Water and sewer | 6,715 | 5,258 |
| Payroll | 2,292 | 2,030 |
| Management fees | 1,839 | 3,168 |
| Office | 183 | - |
| Telephone | 52 | 52 |
| Utilities | 1,329 | 1,227 |
| Repairs and maintenance | 11,978 | 8,122 |
| Total accounts payable and accrued expenses | \$ 42,001 | \$ 42,489 |

The accompanying notes are an integral part of these financial statements.