

WESTCHESTER GARDENS OWNERS INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

WESTCHESTER GARDENS OWNERS INC.

TABLE OF CONTENTS

DECEMBER 31, 2023 AND 2022

	Page
INDEPENDENT AUDITORS' REPORT	1
Balance Sheets	2
Statements of Loss	3
Statements of Retained Earnings (Deficit)	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-14
Schedule of Budget with Actual Operating Amounts	15-16
Detailed Schedule of Repairs and Improvements	17



BLOOM AND STREIT LLP
CERTIFIED PUBLIC ACCOUNTANTS

MARK COHEN, CPA
WILLIAM J. RANK, CPA, CFP
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INDEPENDENT AUDITORS' REPORT

**To the Board
WESTCHESTER GARDENS OWNERS INC.**

Opinion

We have audited the accompanying financial statements of Westchester Gardens Owners Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of loss, retained earnings (deficit) 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 Westchester Gardens Owners Inc., as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Westchester Gardens Owners 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 these 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 Westchester Gardens Owners 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 GAAS 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, including omissions, 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 Westchester Gardens Owners 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 evaluating 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 Westchester Gardens Owners 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget with actual operating amounts and detailed schedule of repairs and improvements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked "unaudited" is the responsibility of the entity's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future 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.

Bloom and Streit LLP

BLOOM AND STREIT LLP
Certified Public Accountants
March 13, 2024

WESTCHESTER GARDENS OWNERS INC.

Balance Sheets

As of December 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash in Operating Account	8,804	6,345
Cash in Bank - Money Market Accounts	4,748	5,458
Cash in Bank - Investment Account	82,273	388,768
Investments - Certificates of Deposit	254,931	0
Tenants' Accounts Receivable	5,447	12,077
Mortgage Escrow Deposits	219,977	215,780
Prepaid Expenses	98,923	60,198
Total	<u>675,103</u>	<u>688,626</u>
Less: Allocated to Funds (see below)	<u>(341,952)</u>	<u>(394,226)</u>
Total Current Assets	<u>333,151</u>	<u>294,400</u>
 FUNDS		
Contingency Reserve:		
Reserve for Replacements (see above)	<u>341,952</u>	<u>394,226</u>
 PROPERTY AND EQUIPMENT -		
Net Book Value	<u>5,071,171</u>	<u>5,232,546</u>
 OTHER ASSETS		
Investment in National Cooperative Bank	<u>9,649</u>	<u>9,649</u>
Total Other Assets	<u>9,649</u>	<u>9,649</u>
 TOTAL ASSETS		
	<u><u>5,755,923</u></u>	<u><u>5,930,821</u></u>

	<u>2023</u>	<u>2022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	168,832	55,185
Accounts Payable - Capital Improvements	0	3,435
Accrued Interest	11,709	12,040
Star Credit Due to Stockholders	41,855	45,645
Rents Received in Advance	6,392	11,549
Security Deposits	30,460	25,960
Mortgage Payable - Amortization payments due within one year	<u>104,319</u>	<u>100,745</u>
Total Current Liabilities	<u>363,567</u>	<u>254,559</u>
LONG-TERM LIABILITIES		
First Mortgage Payable - Net of Payments due within one year	3,464,700	3,569,019
Less: Unamortized Debt Issuance Costs	<u>(9,764)</u>	<u>(16,272)</u>
Total Long-Term Liabilities	<u>3,454,936</u>	<u>3,552,747</u>
STOCKHOLDERS' EQUITY		
Common Stock \$1.00 par value; 50,815 shares authorized issued and outstanding	50,815	50,815
Paid-in Capital	4,864,060	4,864,060
Retained Earnings (Deficit)	<u>(2,977,455)</u>	<u>(2,791,360)</u>
Total Stockholders' Equity	<u>1,937,420</u>	<u>2,123,515</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>5,755,923</u>	<u>5,930,821</u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Statements of Loss

For the Year Ended December 31,

	<u>2023</u>	<u>2022</u>
INCOME		
Carrying Charges	1,391,991	1,344,919
Heating Surcharge	50,420	0
Parking Income	79,920	79,920
Laundry Room Income	13,200	13,200
Storage Income	6,420	6,390
Interest/Dividend Income	17,810	12,412
Miscellaneous Income	1,995	573
Total Income	<u>1,561,756</u>	<u>1,457,414</u>
EXPENSES		
Administrative Expenses	63,446	59,486
Maintenance Expenses	451,288	412,542
Utilities Expenses	333,563	232,884
Taxes and Insurance Expenses	592,019	578,505
Financial Expenses	139,652	143,477
Interest - Debt Issuance Costs	6,508	6,508
Total Expenses Before Depreciation	<u>1,586,476</u>	<u>1,433,402</u>
NET (LOSS) INCOME BEFORE DEPRECIATION	(24,720)	24,012
Depreciation	<u>(161,375)</u>	<u>(160,827)</u>
NET LOSS FOR THE YEAR	<u>(186,095)</u>	<u>(136,815)</u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Statements of Retained Earnings (Deficit)

For the Year Ended December 31,

	<u>2023</u>	<u>2022</u>
RETAINED EARNINGS (DEFICIT) - Beginning of Year	(2,791,360)	(2,654,545)
Net Loss for the Year	<u>(186,095)</u>	<u>(136,815)</u>
RETAINED EARNINGS (DEFICIT) - End of Period	<u><u>(2,977,455)</u></u>	<u><u>(2,791,360)</u></u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Statements of Cash Flows

For the Year Ended December 31,

	2023	2022
Cash Flows From Operating Activities		
Net Loss	(186,095)	(136,815)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	161,375	160,827
Interest Expense - Debt Issuance Costs	6,508	6,508
Revenue allocated to financing activities	(100,745)	(96,933)
Decrease (Increase) in operating assets:		
Tenants' Accounts Receivable	6,630	(688)
Mortgage Escrow Deposits	(4,197)	(26,952)
Prepaid Expenses	(38,725)	(25,203)
Increase (Decrease) in operating liabilities:		
Accounts Payable	113,647	21,673
Accrued Interest	(331)	(318)
Star Credit Due to Stockholders	(3,790)	(3,975)
Rents Received in Advance	(5,157)	(467)
Security Deposits	4,500	5,250
Net cash used by operating activities	(46,380)	(97,093)
Cash Flows From Investing Activities		
Purchase of Investments - Certificates of Deposit	(554,931)	0
Maturities of Investments - Certificates of Deposit	300,000	0
Purchase of Property and Equipment	(3,435)	(40,547)
Net cash used by investing activities	(258,366)	(40,547)
Cash Flows From Financing Activities		
Portion of Carrying Charges applied to Amortization of Mortgage	100,745	96,933
Amortization Payments on Mortgage	(100,745)	(96,933)
Net cash provided (used) by financing activities	0	0
Decrease in Cash and Cash Equivalents (carryforward)	(304,746)	(137,640)

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Statements of Cash Flows

For the Year Ended December 31,

	<u>2023</u>	<u>2022</u>
Decrease in Cash and Cash Equivalents (brought forward)	(304,746)	(137,640)
Cash and Cash Equivalents at Beginning of Year	<u>400,571</u>	<u>538,211</u>
Cash and Cash Equivalents at End of Year (see below)	<u>95,825</u>	<u>400,571</u>
Represented by:		
Cash in Operating Account	8,804	6,345
Cash in Bank - Money Market Accounts	4,748	5,458
Cash in Bank - Investment Account	<u>82,273</u>	<u>388,768</u>
Cash and Cash Equivalents (as above)	<u>95,825</u>	<u>400,571</u>
Supplemental Disclosure:		
Interest Paid	<u>139,983</u>	<u>143,795</u>
Taxes Paid	<u>1,950</u>	<u>2,000</u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1

Organization

Westchester Gardens Owners Inc. is a cooperative housing corporation incorporated in the State of New York in January 1986. The cooperative owns and operates an apartment building located at 445 Gramatan Avenue, Mount Vernon, New York, consisting of 112 residential units. The primary purpose of the cooperative is to manage the operations of the building and maintain the common elements.

Note 2

Summary of Significant Accounting Policies

The financial statements have been presented in accordance with the accounting principles prescribed by the audit and accounting guide for common interest realty associations issued by the American Institute of Certified Public Accountants. The guide describes conditions and procedures unique to the industry (including cooperative housing corporations and condominium associations) and illustrates the form and content of the financial statements of common interest realty associations as well as informative disclosures relating to such statements. In addition, the guide requires that all revenues from tenant-stockholders, including maintenance charges and special assessments, be recognized as revenue in the statements of loss.

For purposes of the statements of cash flows, the cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The cooperative classifies its marketable debt securities as "held to maturity" since it has the positive intent and ability to hold the securities to maturity. Securities classified as "held to maturity" are carried at amortized cost, including accrued interest.

Tenant-stockholders are subject to monthly charges to provide funds for the cooperative's operating expenses, future capital acquisitions, and major repairs and replacements. Tenants' Accounts Receivable at the balance sheets date represent various fees due from tenant-stockholders. The cooperative's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose assessments are delinquent. Any excess charges at year end are retained by the cooperative for use in the succeeding year.

Property and equipment is being carried at cost. Depreciation of the building is being computed by the straight line method over an estimated useful life of 35 years. Building improvements are depreciated on the straight line method over an estimated useful life of 27.5 years.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 2

Summary of Significant Accounting Policies - continued

In February 2016, the Financial Accounting Standards Board (FASB) issued an update (ASU 2016-02) establishing ASC Topic 842, Leases (ASC 842), as amended by subsequent ASUs on the topic, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase. Lessees are required to record a right-of-use (ROU) asset and a lease liability for all leases with a term of greater than 12 months. The accounting applied by the lessor is largely unchanged from existing guidance. The leasing standard is effective for fiscal years beginning after December 15, 2021. The leasing standard did not materially impact the cooperative's financial position or results of operations.

Costs incurred in obtaining long-term financing, included under mortgage payable on the balance sheets, are amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreement. The amortization of these costs are being recognized as interest expense-debt issuance costs on the statements of loss.

The preparation of financial statements in conformity 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.

The cooperative accounts for certain revenue items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges and special assessments allocated for mortgage amortization and capital improvements which are being accounted for as contributions to additional paid-in capital for income tax purposes whereas such items are recognized as revenue for financial reporting.

Tenant-stockholders are subject to monthly charges that provide funds for the cooperative's operating expenses and major repairs and replacements, and the revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The cooperative's performance obligations related to its ongoing annual charges are satisfied over time on a daily pro-rata basis using the input method.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 2

Summary of Significant Accounting Policies - continued

The cooperative also recognizes revenues from non-member customers that generate additional funds for the cooperative's operating expenses and major repairs and replacements. The revenue from these ancillary operations is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The cooperative's performance obligations related to these other revenue sources are satisfied over time on a daily pro-rata basis using the input method.

The performance obligations related to special assessments and replacement fund (reserve fund) assessments are satisfied when these funds are expended for their designated purpose at transaction amounts expected to be collected using the input method. The cooperative recognizes revenue from special assessments and replacement fund (reserve fund) assessments as the related performance obligations are satisfied. A contract liability (assessments received in advance) is recognized when the cooperative has the right to receive payment in advance of the satisfaction of performance obligations related to replacement (reserve) assessments.

Note 3

Concentrations of Credit Risk

The cooperative maintains various bank and money market accounts that at times may exceed insured credit limits. The cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances. However, should any of these institutions fail, the cooperative could suffer a loss.

Note 4

Investments

The following investments were held by the cooperative as of December 31:

Fixed Income:	<u>2023</u>	<u>2022</u>
Amortized Cost	\$254,931	\$0
Fair Value	\$254,952	\$0

The following investments were held by the cooperative as of December 31, 2023:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due Within One Year	\$254,931	\$254,952
Due One - Five Years	0	0
Due After Five Years	0	0
Total	\$254,931	\$254,952

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 4

Investments - continued

The cooperative measures expected credit losses on held to maturity debt securities on a collective basis by major security type. These securities are either explicitly or implicitly guaranteed by the US government, are highly rated by major rating agencies and have a long history of no credit losses. As a result, no allowance for credit losses was recorded on held to maturity securities as of December 31, 2023.

Note 5

Property and Equipment

Property and Equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	3,824,018	3,824,018
Building	3,086,857	3,086,857
Building improvements	<u>2,186,989</u>	<u>2,186,989</u>
	9,097,864	9,097,864
Less: accumulated depreciation	<u>4,026,693</u>	<u>3,865,318</u>
Total Property and Equipment	<u>5,071,171</u>	<u>5,232,546</u>

Depreciation expense was \$161,375 and \$160,827 for the years ended December 31, 2023 and 2022, respectively.

Note 6

Mortgage Payable

On July 14, 2015, the cooperative refinanced their mortgage in the total amount of \$4,300,000. The mortgage is payable in monthly installments of \$20,061, including interest at a rate of 3.81%, per annum, based on a 30 year amortization schedule. The note matures on August 1, 2025, at which time a balloon payment of approximately \$3,401,000 will be due.

In conjunction with the refinancing, the cooperative was required to purchase shares of NCB's Class B1 and B2 stock. Class B1 shares earn a patronage dividend payable in cash and in Class B2 stock, as determined by NCB. Class B1 shares are redeemable by NCB upon satisfactory repayment of all loans made to or guaranteed by eligible customers. Class B2 shares are non-redeemable, non-transferable, and pay no dividends.

At December 31, 2023 and 2022, the cooperative owned approximately 96 Class B1 shares. At December 31, 2023 and 2022, the cooperative owned 1,547 and 1,404 Class B2 shares, respectively.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 6

Mortgage Payable - continued

Principal maturities of the mortgage are as follows:

2024	104,319
2025 (including payoff)	3,464,700

As part of the aforementioned refinancing, the cooperative has paid closing costs of approximately \$65,000, which are being amortized over the life of the new mortgage.

Note 7

Sponsor Ownership

At December 31, 2023 and 2022, the Sponsor owned 9 and 22 residential units, or approximately 8 % and 20% of the total residential units, respectively. Carrying charges received from the Sponsor's residential units aggregated approximately \$182,500 and \$255,000 and for the years ended December 31, 2023 and 2022, respectively. As of that date, the Sponsor was current in its carrying charges.

Note 8

Charges

In order to provide for a balanced operating budget, the cooperative has implemented the following financial measures:

Carrying Charges

In November 2022, the Board approved a 3.5% increase effective January 1, 2023. In November 2021, the Board approved a 2% increase effective January 1, 2022.

Heating Surcharge

In November 2022, a heating assessment of \$1 per share, effective January 1, 2023, to offset the increased heating costs of the cooperative.

Note 9

Water

The City of Mount Vernon bills the cooperative quarterly for water usage. For the first three quarters of 2023 the cooperative received water bills from the City of Mount Vernon that were excessively higher than previous years. In early 2023 the cooperative hired a plumber to test all the units to determine if there were leaks causing the higher bills. Various small leaks were discovered and repairs were made to fix the leaks, however, the water bills continued to show excessive usage in the second and third quarters of 2023. The water meter was eventually replaced at the end of the summer and in the fourth quarter water usage then returned to normal levels. The cooperative has contacted the City of Mount Vernon to request a refund for the larger water billing amounts that were paid. As of the date of the financial statements, the City agreed to provide a credit of approximately \$15,000 for the overages which is reflected in the total water expense as of December 31, 2023. No other credits will be granted by the City of Mount Vernon.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 10

Gas Heat

For the year ended December 31, 2023, the gas meter was also malfunctioning and, as such, only estimated charges were billed to the cooperative. The cooperative has requested that Con Edison come out and examine the meter so that the cooperative can receive adjusted bills that reflect the proper usage. Based on this information, the attached financial statements have included \$60,000 in accounts payable as of December 31, 2023 for the apparent under billings, which represents the anticipated adjustment.

Note 11

Real Estate Taxes - Tax Abatements

The cooperative is entitled to and has received tax abatements on behalf of its stockholders during 2023 and 2022. The abatements, which include Star, Veterans and Senior Citizens (where applicable) are passed on to the stockholders by direct payment or as a credit against carrying charges. Any undistributed abatements as of the fiscal year end have been included on the Balance Sheets in Current Liabilities as Star Credit Due to Stockholders. As the abatements benefit the stockholders, the real estate tax expense reflected in these financial statements is gross of all the aforementioned tax abatements.

Note 12

Benefits

The cooperative participated in the 32BJ North Pension Fund, Employer Identification Number 13-1819138, Plan 001, for the years ended December 31, 2023 and 2022. The cooperative participated in this multi-employer plan, for the years ended December 31, 2023 and 2022 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expires September 30, 2026 and the cooperative has no intention of withdrawing from the plan.

The risks of participating in multi-employer plans are different from single-employer plans for the following reasons: 1) assets contributed to the multi-employer 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 cooperative chooses to stop participating in its multi-employer pension plan, the cooperative 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.

The zone status is based on information that the cooperative received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The most recent Pension Protect Act (PPA) zone status available is for the plan's year-end beginning January 1, 2022 and 2021. The certified zone status for the plan for both 2022 and 2021 was green.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 12

Benefits - continued

In addition to the Pension Fund, the cooperative also participated in a Health Fund for the years ended December 31, 2023 and 2022. The fund provides health benefits (medical, surgical, hospital, prescription drugs, behavioral health, optical, dental) and life insurance coverage for eligible participants and their covered dependents. Retired employees are eligible for health benefits if they retire before age 65, but after age 62; accumulated 15 combined years of pension service credit; worked both 90 days immediately before retirement and at least 36 months of the 60 months before retiring; and are receiving an early or regular retirement pension from the 32BJ North Pension Fund. These benefits continue for the retired employee and eligible dependents until they become eligible for Medicare, until age 65, or until the retiree's pension is suspended, whichever occurs first.

The condominium made the following contributions to the plans:

	<u>2023</u>	<u>2022</u>
Pension Contributions	14,400	14,731
Health Contributions	62,484	61,920
All Other Contributions	3,391	2,440

The condominium's contributions to the plan were not greater than 5% of the plan's total contributions.

Note 13

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The cooperative believes that all of its income is patronage sourced.

Accordingly, no provisions for taxes, if any, that could result from the application of Subchapter T to the cooperative's income has been reflected in the accompanying financial statements. New York State Franchise tax is calculated by utilizing special tax rates available to cooperative housing corporations based on the cooperative's capital base.

Losses incurred in years prior to 2018, may be carried forward for twenty years from the year incurred and may be used to offset 100% of taxable income. Due to a change in the tax law, federal net operating losses incurred in 2018 and thereafter may be carried forward indefinitely, but may only be used to offset 80% of taxable income each year. This law was subsequently modified under the CARES Act, which was enacted March 27, 2020.

WESTCHESTER GARDENS OWNERS INC.

Notes to Financial Statements

December 31, 2023 and 2022

Note 13

Income Taxes - continued

Under the CARES Act, the 80% taxable income limitation is delayed until years beginning after December 31, 2020. The 80% limitation will apply to any net operating loss arising in a year beginning after December 31, 2017 and deducted for a year beginning after December 31, 2020. Additionally, the Act provides that for losses arising in 2018, 2019 and 2020, such loss shall be a net operating loss carryback to each of the prior five taxable years. Additionally, as is the case under pre-2018 law, the taxpayer may make an election to waive the carryback and instead treat losses arising in these years as net operating loss carryovers.

As of December 31, 2023, the cooperative has available federal net operating loss carryforwards to apply to future taxable income of approximately \$2,094,000. These net operating loss carryforwards consist of carryforwards of approximately \$1,139,000 which expire beginning in 2024 and continuing through 2037 and carryforwards of approximately \$955,000 which were incurred in 2018 and thereafter. New York State substantially limits the use of these net operating loss carryforwards.

In accordance with accounting rules for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns, the cooperative believes that its estimates are appropriate based on current facts and circumstances. The cooperative's tax filings are subject to audit by various taxing authorities. The cooperative's federal and state income tax returns for the last three years remain open to examination.

Note 14

Future Major Repairs and Replacements

The cooperative has not conducted an official CIRA study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the cooperative may borrow, utilize available cash, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Note 15

Subsequent Events

Management has evaluated subsequent events through March 13, 2024, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.

WESTCHESTER GARDENS OWNERS INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>Dec. 31, 2023</u> (Unaudited)	Actual Year Ended <u>Dec. 31, 2023</u>	Actual Year Ended <u>Dec. 31, 2022</u>
RECEIPTS			
Carrying Charges	1,391,991	1,391,991	1,344,919
Heating Surcharge	50,420	50,420	0
Release of Reserve Funds	0	0	80,000
Parking Income	80,000	79,920	79,920
Laundry Room Income	13,200	13,200	13,200
Storage Income	6,500	6,420	6,390
Miscellaneous Income	2,000	1,995	573
Total Receipts	<u>1,544,111</u>	<u>1,543,946</u>	<u>1,525,002</u>
EXPENDITURES			
ADMINISTRATIVE EXPENSES			
Management Fee	36,000	36,000	36,000
Legal Expense	5,000	5,633	3,240
Auditing	9,000	9,000	9,000
Telephone and Answering Service	3,500	3,358	3,336
Office and Administrative Expenses	8,714	9,455	7,910
Total Administrative Expenses	<u>62,214</u>	<u>63,446</u>	<u>59,486</u>
MAINTENANCE EXPENSES			
Payroll	180,000	180,235	175,231
Supplies	16,000	15,513	19,774
Repairs (see schedule)	130,000	134,251	130,061
Major Repairs	12,000	66,451	21,296
Exterminating	6,000	5,757	12,295
Landscaping, Grounds and Trees	42,000	42,681	42,610
Snow Removal and Supplies	10,000	6,400	11,275
Total Maintenance Expenses	<u>396,000</u>	<u>451,288</u>	<u>412,542</u>
UTILITIES EXPENSES			
Gas Heat	182,000	181,917	176,674
Electricity and Gas	23,000	22,733	23,927
Water	34,000	33,603	32,283
Water - Internal Leaks	0	95,310	0
Total Utilities Expenses	<u>239,000</u>	<u>333,563</u>	<u>232,884</u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>Dec. 31, 2023</u> (Unaudited)	Actual Year Ended <u>Dec. 31, 2023</u>	Actual Year Ended <u>Dec. 31, 2022</u>
TAXES AND INSURANCE			
Real Estate Taxes	386,000	386,107	377,821
Real Estate Taxes - Refuse Fee	22,500	21,700	22,275
Payroll Taxes	14,500	14,494	14,287
Licenses and Permits	500	410	456
Insurance	87,000	87,083	82,575
Union Welfare and Pension Fund	82,000	80,275	79,091
Franchise Taxes	2,000	1,950	2,000
Total Taxes and Insurance	<u>594,500</u>	<u>592,019</u>	<u>578,505</u>
FINANCIAL EXPENSES			
Interest on Mortgage	139,652	139,652	143,477
Total Financial Expenses	<u>139,652</u>	<u>139,652</u>	<u>143,477</u>
CONTRIBUTIONS TO EQUITY AND RESERVES			
Amortization of Mortgage	100,745	100,745	96,933
Contingency Reserve	12,000	0	0
Total Contributions to Equity and Reserves	<u>112,745</u>	<u>100,745</u>	<u>96,933</u>
Total Expenditures	<u>1,544,111</u>	<u>1,680,713</u>	<u>1,523,827</u>
NET (DEFICIT) SURPLUS FOR THE YEAR	<u>0</u>	<u>(136,767)</u>	<u>1,175</u>

See accompanying notes and auditors' report

WESTCHESTER GARDENS OWNERS INC.

Detailed Schedule of Repairs and Improvements

For the Year Ended December 31,

	<u>2023</u>	<u>2022</u>
REPAIRS AND MAINTENANCE		
Boiler and Burners	6,843	19,086
Plumbing and Pipes	49,251	43,486
Electrical and Intercoms	1,922	4,870
Painting, Plastering and Carpentry Work	31,718	24,645
Roofing and Waterproofing	16,486	7,402
Paving, Excavation and Masonry	3,364	6,090
Window Repairs, Fencing and Gates	12,450	3,862
Locks	5,220	5,662
Security Services	4,056	8,050
Truck Expenses	2,682	3,193
Uniforms and General Repairs	259	3,715
Total Repairs and Maintenance	<u>134,251</u>	<u>130,061</u>

See accompanying notes and auditors' report