

WEST GATE HOUSE, INC.

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

WEST GATE HOUSE, INC.

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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Report of Independent Auditors

To the Board of Directors and Shareholders
West Gate House, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of West Gate House, Inc. (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in shareholders' equity and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Gate House, Inc. 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.

Basis for Opinion

We 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 the Corporation 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are 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 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 GAAS, 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 the Corporation'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 the Corporation'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 audits 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the estimates of future costs of major repairs and replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Management has omitted the information about the estimates of future costs of major repairs and replacements. Our opinion on the basic financial statements is not affected by the missing information.

Nussbaum Berg Klein & Wolpaw, CPAs LLP

Melville, New York
May 11, 2022

WEST GATE HOUSE, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 87,736	\$ 206,244
Accounts receivable from tenant-shareholders	17,153	25,231
Prepaid insurance	43,222	39,667
Fuel inventory and prepaid costs	11,489	7,025
Prepaid real estate and corporation taxes	<u>84,875</u>	<u>81,755</u>
Total current assets	<u>244,475</u>	<u>359,922</u>
Investments:		
Reserve funds	<u>1,305,620</u>	<u>1,259,261</u>
Common property:		
Land, building, improvements and equipment	7,625,532	7,568,772
Accumulated depreciation	<u>(3,988,330)</u>	<u>(3,802,272)</u>
Net common property	<u>3,637,202</u>	<u>3,766,500</u>
Other assets:		
Mortgage collateral security deposit	<u>50,313</u>	<u>50,263</u>
Total assets	<u>\$ 5,237,610</u>	<u>\$ 5,435,946</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Mortgage payable - current portion	\$ 84,099	\$ 80,885
Accounts payable and accrued expenses	91,633	60,095
Deferred revenue	44,947	44,073
Deposits payable	11,560	25,527
Due to shareholders - real estate tax abatements	49,988	51,086
Due to Sponsor - SCRIE	<u>56,225</u>	<u>40,381</u>
Total current liabilities	<u>338,452</u>	<u>302,047</u>
Long term liabilities:		
Mortgage payable - less current portion	<u>3,529,690</u>	<u>3,607,130</u>
Total liabilities	<u>3,868,142</u>	<u>3,909,177</u>
Shareholders' equity:		
Common shares, \$1.00 par value, 20,000 shares authorized, 9,499 issued and outstanding	9,499	9,499
Additional paid-in capital	4,066,739	3,925,364
Accumulated deficit	<u>(2,706,770)</u>	<u>(2,408,094)</u>
Total shareholders' equity	<u>1,369,468</u>	<u>1,526,769</u>
Total liabilities and shareholders' equity	<u>\$ 5,237,610</u>	<u>\$ 5,435,946</u>

See notes to financial statements.

WEST GATE HOUSE, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Maintenance charges	\$ 1,416,125	\$ 1,388,456
Operating assessments	123,929	118,315
Storage fees	8,684	8,000
Interest and dividends	16,200	18,235
Laundry	26,400	25,200
Sublet fees	3,356	1,449
Other	<u>283</u>	<u>2,658</u>
Total revenues	<u>1,594,977</u>	<u>1,562,313</u>
Expenses:		
Payroll and related	318,173	294,830
Utilities	160,553	121,534
Water and sewer	58,853	64,885
Repairs and maintenance	398,361	207,955
Insurance	103,489	95,608
Legal and audit fees	14,494	25,118
Management fee	45,423	44,100
Real estate taxes	444,113	430,724
Corporate taxes and miscellaneous	12,352	19,966
Interest	<u>151,784</u>	<u>155,289</u>
Total expenses	<u>1,707,595</u>	<u>1,460,009</u>
Income (loss) before depreciation	(112,618)	102,304
Depreciation	<u>(186,058)</u>	<u>(182,830)</u>
Net loss	<u>\$ (298,676)</u>	<u>\$ (80,526)</u>

See notes to financial statements.

WEST GATE HOUSE, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Common Stock Shares</u>	<u>Common Stock Amount</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
Balance - January 1, 2020	9,499	\$ 9,499	\$ 3,853,964	\$ (2,327,568)	\$ 1,535,895
Transfer fees	-	-	71,400	-	71,400
Net loss for year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,526)</u>	<u>(80,526)</u>
Balance - December 31, 2020	9,499	9,499	3,925,364	(2,408,094)	1,526,769
Transfer fees	-	-	141,375	-	141,375
Net loss for year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,676)</u>	<u>(298,676)</u>
Balance - December 31, 2021	<u>9,499</u>	<u>\$ 9,499</u>	<u>\$ 4,066,739</u>	<u>\$ (2,706,770)</u>	<u>\$ 1,369,468</u>

See notes to financial statements.

WEST GATE HOUSE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Net loss	\$ (298,676)	\$ (80,526)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	186,058	182,830
Interest earned in reserve accounts	(4,983)	(11,746)
Interest expense - debt issuance costs	6,659	6,659
Changes in operating assets and liabilities:		
Accounts receivable from tenant-shareholders	8,078	(6,963)
Prepaid expenses and fuel inventory	(11,139)	11,217
Accounts payable and accrued expenses	31,538	(6,498)
Deferred revenue	874	(26,808)
Deposits payable	(13,967)	(460)
Due to shareholders	(1,098)	2,995
Due to sponsor - SCRIE	15,844	13,476
Net cash provided by (used in) operating activities	<u>(80,812)</u>	<u>84,176</u>
Investing activities:		
Change in reserve fund principal	(41,376)	28,602
Expenditures for common property	(56,760)	(119,000)
Change in building improvements payable	-	(17,043)
Net cash used in investing activities	<u>(98,136)</u>	<u>(107,441)</u>
Financing activities:		
Payments of mortgage principal	(80,885)	(77,391)
Transfer fees	141,375	71,400
Net cash provided by (used in) financing activities	<u>60,490</u>	<u>(5,991)</u>
Net change in cash, cash equivalents and restricted cash	(118,458)	(29,256)
Cash, cash equivalents and restricted cash, beginning of year	<u>256,507</u>	<u>285,763</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 138,049</u>	<u>\$ 256,507</u>
Cash paid during the year for:		
Interest	<u>\$ 114,143</u>	<u>\$ 147,637</u>
Corporate taxes	<u>\$ 4,964</u>	<u>\$ 7,592</u>

See notes to financial statements.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Organization

West Gate House, Inc. (the "Corporation") is a Cooperative Housing Corporation incorporated in the State of New York on June 23, 1983, to acquire title of the land and buildings located at 860-870 West 181st Street, New York, New York. West Gate House, Inc. consists of two buildings and has 126 residential units. The Corporation's primary purpose is to manage the operations of the property and maintain the common elements.

2. Summary of Significant Accounting Policies

Accounting Method and Policy

The financial statements are presented on the accrual basis of accounting and therefore recognizes revenue when earned, and liabilities when incurred. Bad debts, if any, are recognized in the period in which they are deemed to be uncollectible.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents, unless they are held for reserve fund purposes.

The Corporation maintains cash and cash equivalents at several financial institutions. Accounts at certain institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At times cash balances may exceed FDIC insurance limits.

Revenue Recognition and Accounts Receivable Tenant-Shareholders

Tenant-shareholders are subject to monthly maintenance charges and operating assessments based on their respective share ownership within the Corporation to provide funds for the Corporation's operating expenses. Such amounts are recognized as the related performance obligations are satisfied at transaction amounts which are 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. Accounts receivable from tenants at the balance sheet date represent maintenance and other charges due from tenant-shareholders. The Corporation considers all shareholder's accounts receivable at December 31, 2021 and 2020 to be collectible. Accordingly, no allowance for doubtful accounts is required. Shareholders in considerable arrears are pursued by all legal means to speed collection. Any excess maintenance assessments at year end are retained by the Corporation for use in the future years.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. Summary of Significant Accounting Policies (Continued)

Maintenance Charges

In order to fund increases in operating expenses, the Board of Directors approved and a 2% maintenance increase effective January 1, 2021.

Effective January 1, 2022, a 3% maintenance charge increase was put into effect.

Common Property

Common property consists of land, buildings, improvements and equipment and is stated at cost. The buildings have been fully depreciated. Building improvements and equipment are depreciated on the straight-line method over the estimated useful lives of the related asset which range from 7 to 27.5 years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are amortized to interest expense over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

Corporation Income Tax

For Federal tax purposes, the Corporation's taxes are filed pursuant to Subchapter T of the Internal Revenue Code. Subchapter T Corporations divide their income and expenses between patronage and non-patronage sources. Income is considered patronage sourced if it is derived from an activity that is characterized as directly related to and inseparable from the Co-op's principal business activity and business purpose. Consequently, income from non-patronage sources (non-tenant-shareholder) such as commercial rent, professional apartment rental, etc., in excess of expenses properly attributable thereto, may be subject to Federal tax.

As of December 31, 2021, the Corporation had approximately \$1,222,000 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through 2037. The Corporation also has approximately \$723,000 of operating loss carryforwards, which may be carried forward indefinitely. Such loss carryforwards are deductible against future taxable income and are limited to 80% of the 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.

In addition to income taxes, New York State ("NYS") and New York City ("NYC") have alternative tax bases. Corporation taxes reflected in the Statements of Operations represent NYS and NYC taxes calculated at the higher of tax based on the Corporation's net taxable income, capital base or prescribed minimum amounts.

The Corporation applies ASC Topic 740, the provision pertaining to uncertain tax positions, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The income tax returns of the Corporation for tax years subsequent to 2017 are open and subject to examination by the taxing authorities.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. Summary of Significant Accounting Policies (Continued)

Sublet Fees

Consent for subletting is granted for a limited time and only after the shareholder has occupied the apartment for a period of three years. There is a surcharge for apartments which are subleased which is equal to 10% of the monthly maintenance charges. Sublet fees amounted to \$3,356 and \$1,449 for the years ended December 31, 2021 and 2020, respectively.

Fuel Inventory and Prepaid Costs

The Corporation values fuel inventory at cost using the First-in, First-out ("FIFO") inventory valuation method.

Fair Value of Financial Instruments

The Corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents - The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts receivable from tenant-shareholders - The carrying value of accounts receivable approximates fair value due to their short-term nature and historical collectability.

Reserve funds - The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts payable and accrued expenses - The carrying amount approximates fair value due to the short-term nature of the obligations.

Mortgage payable and line of credit - The carrying amount approximates fair value because of the maturity of those instruments and interest rates prevalent in the agreements.

Future Needs For Major Repairs and Replacements

The Corporation has accumulated funds for major repairs and replacements, however, the Corporation has not conducted a 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. Accordingly, the Corporation is unable to disclose that information. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to borrow, increase regular assessments, pass special assessments, or delay replacements until funds are available. The effect on future assessments has not been determined at this time.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Cash Flows

In November 2016 the FASB issued ASU 2016-18 “*Statement of Cash Flows - Restricted Cash.*” The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash when reconciling the beginning of period and end of period total amounts shown in the statement of cash flows. The Corporation has included restricted cash in the beginning and ending balances in the statement of cash flows to present the changes during the period in total cash, cash equivalents and restricted cash.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same amounts shown in the statement of cash flows.

	2021	2020
Cash and cash equivalents	\$ 87,736	\$ 206,244
Restricted cash - mortgage collateral security deposit	50,313	50,263
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 138,049	\$ 256,507

4. Reserve Funds

The Corporation has a cash management program which provides for the investment of excess cash balances in highly rated (low risk) financial instruments. These investments are designated as Reserve Funds and are to be used for capital improvements or major repairs. The Reserve Funds consist of the following as of December 31, 2021 and 2020:

	2021	2020
<u>NCB:</u>		
Money Market Account - interest rate 0.30% and 0.40% for December 31, 2021 and 2020, respectively	\$ 178,990	\$ 178,350
12-month CD - interest rate 0.25%, matured 03/26/2022 and 0.65%, matured 3/26/2021	28,771	28,673
<u>Signature Bank:</u>		
Money Market Account - interest rate 0.20% and 0.25% for December 31, 2021 and 2020, respectively	671,318	628,358
CD account - maturity April 2021 and 2020, interest rate 0.45% and 1.05% at December 31, 2021 and 2020, respectively	426,541	423,880
Total reserve funds	\$ 1,305,620	\$ 1,259,261

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Common Property

Land, building, improvements and equipment as of December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 887,733	\$ 887,733
Building	2,282,742	2,282,742
Improvements	4,244,277	4,187,517
Equipment, furniture and fixtures	<u>210,780</u>	<u>210,780</u>
	7,625,532	7,568,772
Accumulated depreciation	<u>(3,988,330)</u>	<u>(3,802,272)</u>
	<u>\$ 3,637,202</u>	<u>\$ 3,766,500</u>

During the year ended December 31, 2021, the Corporation incurred total costs of \$56,760 for common property additions for sidewalk replacement.

During the year ended December 31, 2020, the Corporation incurred total costs of \$119,000 for common property additions for apartment floor and wall restoration.

6. Mortgage Payable

On March 28, 2017, the Corporation refinanced its mortgage and line of credit with National Consumer Cooperative Bank ("NCB"). The mortgage was in the amount of \$4,000,000. The mortgage is for a ten year period and matures on April 1, 2027, at which time, all unpaid principal and accrued interest thereon become due and payable. The mortgage calls for monthly payments of \$18,752 to be applied to interest at the annual rate of 3.85%, which approximates the effective interest rate, with the balance to principal based on a 30-year amortization. The mortgage may be prepaid in whole only subject to a prepayment penalty. Costs associated with obtaining the mortgage amounts to \$66,589 and are being amortized to interest expense over the term of the mortgage. A \$50,000 collateral security deposit was required by the bank and was set up at the closing. As of December 31, 2020, the balance of this account was \$50,263. Additionally, the Corporation obtained a \$500,000 revolving line of credit, the term of which is concurrent with the mortgage. The interest rate on the line of credit shall be the greater of 3.90% or 3.75% plus LIBOR. As of December 31, 2021 and 2020, no funds have been drawn from the line of credit. The mortgage and line of credit are secured by the land and building owned by the Corporation.

In connection with obtaining its mortgage from NCB, the Corporation was required to purchase shares of NCB Class B1 stock. NCB subsequently repurchased these shares. The bank pays patronage dividends and issues refunds on this stock. Included in interest and dividends for the years ended December 31, 2021 and 2020 is \$11,167 and \$6,432, respectively, of dividends received from NCB. The portion of the dividends not paid in cash was distributed in the form of shares of Class B2 stock. Class B2 stock is currently non-transferable and non-redeemable. This stock has been assigned a zero value since it has no value other than reducing future investment requirements.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

6. Mortgage Payable (Continued)

The mortgage payable consists of the following at December 31:

	2021	2020
Mortgage payable	\$ 3,648,748	\$ 3,729,633
Unamortized debt issuance cost	(34,959)	(41,618)
	3,613,789	3,688,015
Current portion	(84,099)	(80,885)
Mortgage payable - less current	\$ 3,529,690	\$ 3,607,130

Future principal payments on the mortgage are as follows:

Year ended December 31,	Amount
2022	\$ 84,099
2023	87,441
2024	90,535
2025	94,514
2026	98,270
Thereafter	3,193,889
	\$ 3,648,748

7. Due to Shareholders - Real Estate Tax Abatements

As a result of revisions to Section 467(a) of the New York State Real Property Tax Law, certain shareholders of the cooperative units are eligible for partial abatements of their real estate taxes. In 1997, the New York State School Tax Relief Program ("STAR") was authorized by Section 425 of the real Property Tax Law. The STAR Program provides an exemption from school property taxes for owner occupied, primary residences.

During the years ended December 31, 2021 and 2020, the Corporation received credits of \$99,285 and \$92,749, respectively, on its real estate tax bills, which represents the Co-op abatement, STAR and other credits for the calendar years. These amounts are due to individual shareholders who qualify under these programs. At December 31, 2021 and 2020, credits totaling \$49,988 and \$51,086, respectively had not yet been credited to the shareholders' accounts.

The Corporation also received Senior Citizens Rent Increase Exemption ("SCRIE") credits against its real estate tax bills in 2021 and 2020 of \$15,844 and \$26,791, respectively. These credits are due to the Sponsor because the apartments are rented to senior citizens who qualify for rent increase exemptions. At December 31, 2021 and 2020, SCRIE credits payable to the Sponsor were \$56,225 and \$40,381, respectively.

8. Shareholders' Equity

The Corporation treats special assessments for capital improvements and maintenance charges used to pay mortgage amortization as contributions to additional paid-in capital for income tax reporting purposes only.

For the years ended December 31, 2021 and 2020 the additions to additional paid-in capital for income tax purposes were as follows:

	2021	2020
Mortgage amortization	\$ 80,885	\$ 77,391

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

9. Transfer Fees

The Amended and Restated Proprietary Lease contains a provision for the payment of transfer fees equal to 3% of the gross consideration received by a shareholder for the sale or transfer of any interest in the shares and lease held by the shareholder, except for the transfer of shares by the holder of unsold shares (Sponsor) and for assignment of the right to purchase shares and leases to a third-party/assignees. Transfer fees are deposited into the Corporation's Signature Bank reserve account and designated to be used for future capital projects. As such, they are not considered income, but additions to the Additional Paid in Capital of the Corporation. In 2021 and 2020, eight and six apartments, respectively, were sold, which generated \$141,375 and \$71,400, respectively, as an increase to Additional Paid-in Capital.

10. Operating Assessment

The Board of Directors approved an operating assessment that approximated the Co-op abatement tax credits in years ended December 31, 2021 and 2020. These assessments amounted to \$123,929 and \$118,315, respectively, and were used to help cover rising operating expenses.

11. Management Agreement

The Corporation has an agreement with Siren Management Inc. for the management of the building currently at the fee of \$45,423 per annum. The agreement provides for the management agent to be in charge of: (a) collecting all rents and other charges, (b) maintaining the building premises adequately, (c) entering into building contracts, (d) purchasing of supplies, (e) keeping all books and records of the Corporation, (f) managing all building personnel, and (g) procuring insurance.

12. Multi Employer Pension Plan

The Corporation participates in the 2018 Apartment Building Agreement between Realty Advisory Board on Labor Relations Incorporated and Service Employees International Union, Local 32BJ, effective for the period April 21, 2018 to April 20, 2022. A new agreement has been agreed to and a formal ratification by both sides is expected. The Corporation is obligated to pay into the Pension Fund, Health Fund, and Legal/Training Service Fund for employees covered under the collective bargaining agreement. Contributions paid under these plans are expensed as incurred and amounted to \$89,154 in 2021 and \$84,419 in 2020. The Corporation's contribution is less than 5 percent of the total contributions made to the plan by all contributing employers. In the event of withdrawal from the plan, the Corporation may, under the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, be required to pay its proportionate share of the plans' unfunded balance, which cannot be determined at this time. The Corporation has no intention of withdrawing from the plan.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

12. Multi Employer Pension Plan (Continued)

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” is a least 80% funded. As of July 1, 2021, the Fund’s most recent available certified zone status was “red”.

The Plan was certified to be in “critical” status for the Plan Year beginning July 1, 2013 because there was a projected Funding Standard Account deficiency within three years. In an effort to improve the Plan’s funding situation, the Plan’s Board of Trustees (the “Trustees”) adopted a Rehabilitation Plan designed to assist the Plan in emerging from critical status by the end of the Rehabilitation Period applicable to the Plan. The Rehabilitation Period for this plan is a ten year period that began July 1, 2013.

The following table present the Plan’s status for the most current reporting period:

Pension Fund Information

Legal name of pension plan:	Building Service 32BJ Pension Fund
Employer Identification Number (EIN):	13-1879376
Plan number:	001
Type of plan:	Defined Benefit Pension Plan
Most current annual report for plan year end date:	June 30, 2020
Zone status:	July 1, 2020 - Red July 1, 2021 - Red
Has the rehabilitation plan been implemented:	Yes
Surcharges paid to plan:	None

13. Related Parties

As of December 31, 2021 and 2020, the holder of unsold shares, 860-870 Realty, LLC and affiliates, held 1,549 shares allocated to 22 apartments of the Corporation that represent approximately 16% of the total outstanding shares. The total maintenance charges on these apartments was \$233,729 and \$228,901 for 2021 and 2020, respectively, with no arrears due at December 31, 2021 and 2020.

14. Covid-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. How long these conditions will last and what the complete financial effect will be to the Corporation, is unknown at this time. The Corporation has not been experiencing any adverse effects currently, but it is possible that the Corporation may see increasing receivables and declining revenue which can result in difficulty meeting debt covenants or paying vendors. The Corporation’s primary source of revenue is derived from shareholders who may experience financial difficulties in the future.

WEST GATE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

15. Subsequent Events

The Board of Directors and Management have evaluated subsequent events that would require adjustments to, or disclosure in the year-end financial statements through May 11, 2022, at which time the financial statements became available for issuance.

WEST GATE HOUSE, INC.

DETAIL OF EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Payroll and related:		
Salaries and bonuses	\$ 202,899	\$ 184,953
Payroll taxes	16,783	14,620
Employee benefits	89,154	84,419
Payroll insurance	6,736	7,652
Payroll service fees	2,601	3,186
Total payroll and related	\$ 318,173	\$ 294,830
Utilities:		
Electricity and gas	\$ 21,133	\$ 14,233
Fuel oil	139,420	107,301
Total utilities	\$ 160,553	\$ 121,534
Repairs and maintenance:		
Exterminator	\$ 4,928	\$ 7,054
Elevator	24,624	16,782
Janitorial supplies	11,171	11,969
Plumbing, heating and boiler	94,836	59,160
Painting and plastering	25,937	2,041
Fire safety equipment maintenance	2,063	2,680
Windows	28,105	11,492
Consulting fees	20,694	16,029
Doors and locks	10,832	2,765
Apartment repairs	56,105	18,725
Landscaping	8,710	7,662
Other repairs and maintenance	11,662	8,668
Security monitors and intercom	6,213	4,056
Signs	-	969
Electrical	3,336	3,028
Exterior	17,645	30,589
Cleaning	-	9,662
Water damage	71,500	-
Repairs charged back to shareholders	-	(5,376)
Total repairs and maintenance	\$ 398,361	\$ 207,955
Corporate taxes and miscellaneous:		
Corporation taxes	\$ 1,250	\$ 7,592
Telephone and cable	6,481	6,210
Licenses and fees	1,796	206
Miscellaneous and administrative	2,825	5,958
Total corporate taxes and miscellaneous	\$ 12,352	\$ 19,966