



**West Gate House, Inc.
Financial Statements and
Supplementary Information
December 31, 2023 and 2022**

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Independent Auditor's Report

To the Board of Directors and Stockholders of
West Gate House, Inc.

Opinion

We have audited the accompanying financial statements of West Gate House, Inc. (a Cooperative Housing Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, stockholders' 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, 2023 and 2022, 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 West Gate House, 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; this includes 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 West Gate House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 West Gate House, 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 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 West Gate House, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The detail of selected expenses on page 18 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 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the information about the estimates of future costs of 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.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
New York, New York
June 12, 2024

West Gate House, Inc.
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,176	\$ 45,253
Accounts receivable from tenant-stockholders	44,889	22,963
Prepaid insurance	55,631	40,893
Fuel inventory and prepaid costs	12,300	9,000
Prepaid real estate and corporate taxes	-	94,005
Total current assets	<u>138,996</u>	<u>212,114</u>
Capital reserve funds	<u>689,002</u>	<u>1,185,826</u>
Common property		
Land, building, improvements and equipment	8,083,136	7,690,042
Accumulated depreciation	(4,364,441)	(4,174,820)
Net common property	<u>3,718,695</u>	<u>3,515,222</u>
Other assets		
Restricted cash – mortgage collateral security deposit	<u>50,714</u>	<u>50,409</u>
Total assets	<u><u>\$ 4,597,407</u></u>	<u><u>\$ 4,963,571</u></u>
Liabilities and stockholders' equity		
Current liabilities		
Mortgage payable – current portion	\$ 90,535	\$ 87,441
Accounts payable and accrued expenses	115,337	140,791
Deferred revenue	9,446	34,500
Due to tenant-stockholders – real estate tax abatements	50,458	51,742
Security deposits payable	9,200	10,300
Due to Sponsor – DRIE/SCRIE	76,601	69,820
Total current liabilities	<u>376,706</u>	<u>394,594</u>
Long-term liabilities		
Mortgage payable – net of current portion	<u>3,365,031</u>	<u>3,448,908</u>
Total liabilities	<u>3,741,737</u>	<u>3,843,502</u>
Stockholders' equity		
Common stock – \$1.00 par value, 20,000 shares authorized, 9,499 shares issued and outstanding		
	9,499	9,499
Additional paid-in capital in excess of par value	4,166,789	4,114,739
Accumulated deficit	<u>(3,320,618)</u>	<u>(3,004,169)</u>
Total stockholders' equity	<u>855,670</u>	<u>1,120,069</u>
Total liabilities and stockholders' equity	<u><u>\$ 4,597,407</u></u>	<u><u>\$ 4,963,571</u></u>

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

West Gate House, Inc.
Statements of Operations
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Maintenance charges	\$ 1,575,463	\$ 1,458,685
Operating assessment – real estate tax abatement	137,616	122,440
Storage fees	9,715	9,464
Interest and dividends	26,619	18,870
Laundry	26,400	26,400
Sublet fees	6,384	3,932
Other revenue	4,851	1,881
Total revenue	<u>1,787,048</u>	<u>1,641,672</u>
Expenses		
Payroll and related expenses	415,421	330,736
Utilities	207,571	241,231
Water and sewer charges	61,123	59,671
Repairs and maintenance	331,715	315,172
Insurance	141,499	114,028
Legal and accounting	31,929	18,269
Management fees	46,786	46,786
Real estate taxes	510,664	462,633
Corporate taxes and miscellaneous	21,963	15,496
Mortgage and line of credit interest	145,205	148,559
Total expenses	<u>1,913,876</u>	<u>1,752,581</u>
Excess of expenses over revenue before depreciation	(126,828)	(110,909)
Depreciation	<u>(189,621)</u>	<u>(186,490)</u>
Excess of expenses over revenue	<u><u>\$ (316,449)</u></u>	<u><u>\$ (297,399)</u></u>

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

West Gate House, Inc.
 Statements of Stockholders' Equity
 Years Ended December 31, 2023 and 2022

	Common Stock		Additional Paid-in Capital in Excess of Par Value	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance – January 1, 2022	9,499	\$ 9,499	\$ 4,066,739	\$ (2,706,770)	\$ 1,369,468
Transfer fees	-	-	48,000	-	48,000
Excess of expenses over revenue	-	-	-	(297,399)	(297,399)
Balance – December 31, 2022	9,499	\$ 9,499	\$ 4,114,739	\$ (3,004,169)	1,120,069
Transfer fees	-	-	52,050	-	52,050
Excess of expenses over revenue	-	-	-	(316,449)	(316,449)
Balance – December 31, 2023	9,499	\$ 9,499	\$ 4,166,789	\$ (3,320,618)	\$ 855,670

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

West Gate House, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Excess of expenses over revenue	\$ (316,449)	\$ (297,399)
Adjustments to reconcile excess of expenses over revenue to net cash used in operating activities		
Depreciation	189,621	186,490
Interest expense – amortization of debt issuance costs	6,659	6,659
Changes in operating assets and liabilities		
Accounts receivable from tenant-stockholders	(21,926)	(5,810)
Prepaid insurance	(14,738)	2,329
Fuel inventory and prepaid costs	(3,300)	2,489
Prepaid real estate and corporate taxes	94,005	(9,130)
Accounts payable and accrued expenses	(25,454)	49,158
Deferred revenue	(25,054)	(10,447)
Due to tenant-stockholders – real estate tax abatements	(1,284)	1,754
Security deposits payable	(1,100)	(1,260)
Due to Sponsor – SCRIE	6,781	13,595
Net cash used in operating activities	<u>(112,239)</u>	<u>(61,572)</u>
Cash flows from investing activities		
Expenditures for common property	(393,094)	(64,510)
Building improvements payable	25,129	-
Net cash used in investing activities	<u>(367,965)</u>	<u>(64,510)</u>
Cash flows from financing activities		
Payments of mortgage principal	(87,442)	(84,099)
Transfer fees	52,050	48,000
Net cash used in financing activities	<u>(35,392)</u>	<u>(36,099)</u>
Net change in cash and cash equivalents	(515,596)	(162,181)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,281,488</u>	<u>1,443,669</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 765,892</u></u>	<u><u>\$ 1,281,488</u></u>
Cash, cash equivalents and restricted cash consists of		
Cash and cash equivalents	\$ 26,176	\$ 45,253
Capital reserve funds	689,002	1,185,826
Restricted cash – mortgage collateral security deposit	50,714	50,409
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 765,892</u></u>	<u><u>\$ 1,281,488</u></u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 137,586</u>	<u>\$ 140,929</u>
Cash paid (refunded) for corporate taxes	<u>\$ 7,387</u>	<u>\$ (1,535)</u>

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

Note 1 Organization

West Gate House, Inc. (the “Corporation”) was incorporated in June 1983 under the laws of the State of New York and qualifies under the Internal Revenue Code Section 216(b)(1) as a Cooperative Housing Corporation. The Corporation owns the land and buildings located at 860-870 West 181st Street, New York, New York. The property consists of two buildings which contain 126 residential units. The Corporation’s primary purpose is to manage the operations of the property and maintain the common elements.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The Corporation prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, money market instruments and other investments having maturities of three months or less at the date of acquisition unless they are held in the reserve fund. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash – Mortgage Collateral Security Deposit

At December 31, 2023 and 2022, current assets include restricted cash in the amount of \$50,714 and \$50,409, respectively, which is being held in an account with the mortgage holder. The restricted cash balance consists of collateral security deposit. These amounts are included in security deposits payable in the accompanying balance sheets.

The Corporation follows FASB ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that restricted cash be included in the statements of cash flows.

Concentrations of Credit Risk

From time to time, cash accounts at financial institutions may exceed the Federal Deposit Insurance Corporation insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk to its cash and cash equivalents.

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 life of the related asset which range from 7 to 27.5. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Note 2 Summary of Significant Accounting Policies (continued)

Debt Issuance Costs

The Corporation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) *Interest – Imputation of Interest (Subtopic 835 – 30), Simplifying the Presentation of Debt Issuance Costs*, which requires that unamortized refinancing costs be presented as a deduction from the carrying amount of the mortgage payable. In addition, this ASU requires that the amortization of these refinancing costs be reported as a component of mortgage interest expense. 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.

Revenue Recognition

The Corporation follows FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. 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.

Maintenance Charges

Tenant-stockholders 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. The maintenance charges are based on an annual budget as determined by the Board of Directors. Maintenance charges are based on the respective number of shares held by the owners. The Corporation’s policy is to retain legal counsel and place liens on the shares of tenant-stockholders whose accounts are substantially delinquent. The Corporation writes off account balances when it has exhausted reasonable collection efforts and determined that the likelihood of collection is remote. These write-offs are charged against the allowance for the credit losses. Based on the Corporation’s analysis of its accounts receivable, it was determined that an allowance for credit losses was not required at December 31, 2023 and 2022. Any excess assessments at year end are retained by the Corporation for use in the future years.

Accounts receivable from tenant-stockholders amounted to the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable from tenant-stockholders	<u>\$ 44,889</u>	<u>\$ 22,963</u>	<u>\$ 25,231</u>

Note 2 Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment

In accordance with FASB Accounting Standards Codification (“ASC”) 360, *Property, Plant and Equipment*, long-lived assets, including property and equipment, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future undiscounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows. The Corporation has not identified any such losses in 2023 and 2022.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for operating leases.

The Corporation adopted the leasing standard effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Corporation elected to use all available practical expedients provided in the transition guidance. These allowed the Corporation to not reassess, under the new standard its prior conclusions about lease identification, lease classification and initial direct costs of lessor agreements and to exclude all short-term leases, with terms of less than one year, from adoption. As of January 1, 2022, adoption of Topic 842 did not result in any material adjustments to balance sheet accounts related to lessor accounting.

Laundry Income

The Corporation receives license fees from a third party (“licensee”) which installed and services laundry equipment on the premises of the Corporation. The agreement provides for a monthly fee of \$2,200 plus 75% of all gross receipts collected in excess of \$62,000 per year. This fee may be reduced if prescribed minimum collections are not realized. The percentage of gross receipt in excess of the annual threshold is deemed variable lease payments and is recognized as revenue when earned. The agreement expires in October 2024. For the years ended December 31, 2022 and 2021, laundry income amounted to \$26,400 for both years, and is included as a component of other income on the statements of operations.

Note 2 Summary of Significant Accounting Policies (continued)

New Accounting Standards

In June 2016, the FASB issued guidance ASC 326 – *Current Expected Credit Loss Standard*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in FASB ASC 326 were assessments receivable. The Corporation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the beginning members' equity as of January 1, 2023 and primarily resulted in new disclosures only.

Note 3 Capital 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 consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
NCB – Money Market Account	\$ 181,827	\$ 179,914
NCB – Certificate of Deposit	29,808	28,832
Signature Bank – Money Market Account	133,531	548,463
Signature Bank – Certificate of Deposit	-	428,617
	<u> </u>	<u> </u>
Total reserve funds	<u>\$ 345,166</u>	<u>\$ 1,185,826</u>

Note 4 Common Property

Land, buildings, improvements and equipment as of December 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 887,733	\$ 887,733
Building	2,282,742	2,282,742
Building improvements	4,701,881	4,308,787
Equipment, furniture and fixtures	210,780	210,780
	<u>8,083,136</u>	<u>7,690,042</u>
Accumulated depreciation	<u>(4,364,441)</u>	<u>(4,174,820)</u>
	<u> </u>	<u> </u>
Net common property	<u>\$ 3,718,695</u>	<u>\$ 3,515,222</u>

Note 4 Common Property (continued)

During the year ended December 31, 2023 additions to common property totaled \$393,094 as follows: \$306,457 for gas piping; \$41,259 for façade inspections, \$22,800 for laundry room upgrades, \$20,643 for electric fuse panel and \$1,935 for superintendent apartment renovation.

During the year ended December 31, 2022 additions to common property totaled \$64,510 as follows: \$28,714 for door locking systems; \$18,846 for intercom system, and \$16,950 for façade inspections

For the years ended December 31, 2023 and 2022, depreciation expense amounted to \$189,621 and \$186,490, respectively.

Note 5 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 amounted 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, 2023, the balance of this account was \$50,714. 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 SOFR. As of December 31, 2023 and 2022, 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, 2023 and 2022 is \$4,005 and \$11,568, 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.

Note 5 Mortgage Payable (continued)

Mortgage payable as of December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Mortgage payable	\$ 3,477,207	\$ 3,564,649
Unamortized debt issuance costs	<u>(21,641)</u>	<u>(28,300)</u>
	3,455,566	3,536,349
Current portion	<u>(90,535)</u>	<u>(87,441)</u>
Mortgage payable, net of current portion	<u><u>\$ 3,365,031</u></u>	<u><u>\$ 3,448,908</u></u>

Principal maturities of the mortgage are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 90,535
2025	94,514
2026	98,270
2027 (including maturity)	<u>3,193,888</u>
	<u><u>\$ 3,477,207</u></u>

Mortgage interest expense was \$137,296 and \$140,650 for the years ended December 31, 2023 and 2022, respectively.

Note 6 Due to Stockholders – Real Estate Tax Abatements

As a result of revisions to Section 467(a) of the New York State Real Property Tax Law, certain stockholders 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, 2023 and 2022, the Corporation received credits of \$100,184 and \$98,001, 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 stockholders who qualify under these programs. At December 31, 2023 and 2022, credits totaling \$50,458 and \$51,742, respectively, had not yet been credited to the stockholders’ accounts.

The Corporation also received Senior Citizens Rent Increase Exemption (“SCRIE”) credits against its real estate tax bills in 2023 and 2022 of \$6,781 and \$13,594, 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, 2023 and 2022, DRIE and SCRIE credits payable to the Sponsor were \$76,601 and \$69,820, respectively.

Note 7 Stockholders' 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, 2023 and 2022, the additions to additional paid-in capital for income tax purposes were as follows:

	<u>2023</u>	<u>2022</u>
Mortgage amortization	<u>\$ 87,442</u>	<u>\$ 84,099</u>

Note 8 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 stockholder for the sale or transfer of any interest in the shares and lease held by the stockholder, 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 2023 and 2022, four and three apartments, respectively, were sold, which generated \$52,050 and \$48,000, respectively, as an increase to additional paid-in capital.

Note 9 Operating Assessments

The Board of Directors approved an operating assessment that approximated the Co-op abatement tax credits in years ended December 31, 2023 and 2022. These assessments amounted to \$137,616 and \$122,440, respectively, and were used to help cover rising operating expenses.

Note 10 Management Agreement

The Corporation has an agreement with Siren Management Inc. on a monthly basis for the management of the building currently at the fee of \$46,786 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.

Note 11 Pension Plan

The Corporation contributes to a multi-employer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- Pursuant to the Employee Retirement Income Security Act, as amended, an employer upon withdrawing from a multi-employer plan is required to pay its share of the plan's unfunded vested benefits. The Corporation has no intention of withdrawing from the plan.

The Corporation's participation in the plan for the years ended December 31, 2023 and 2022, is outlined below. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2023 and 2022 is for the plan's year-end at June 30, 2023 and 2022, respectively. The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary.

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, 2023
Zone Status:	July 1, 2022 – Yellow
Zone Status:	July 1, 2023 – Yellow
Has the Rehabilitation Plan been implemented?	Yes
Expiration Date of the Collective-Bargaining Agreement to which the Plan is Subject:	April 20, 2026
Surcharges paid to Plan:	None
Total Contributions Received from all Employers by:	
Plan Year End Date	June 30, 2022 – \$305,658,743
Plan Year End Date	June 30, 2023 – \$317,892,116
Total Number of Employers Contributing More Than 5%:	
During Plan Year:	June 30, 2022 – 1
During Plan Year:	June 30, 2023 – 1

Note 11 Pension Plan (continued)

The Corporation's contributions to the multi-employer pension plan for the years ended December 31, 2023 and 2022 were \$23,370 and \$22,845, respectively, and are included as a component of payroll and related expenses on the statements of operations. The Corporation's contributions for both 2023 and 2022 represent less than 5 percent of the total contributions made to the plan by all contributing employers. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

Note 12 Income Taxes

The Corporation is subject to federal, state and local income taxes.

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-stockholder) such as commercial rent, professional apartment rental, etc., in excess of expenses properly attributable thereto, may be subject to Federal tax. For the years ended December 31, 2023 and 2022 there was no federal income tax.

As of December 31, 2023, the Corporation had approximately \$1,059,000 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through 2037. The Corporation also has approximately \$1,474,000 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. For the years ended December 31, 2023 and 2022, total NYS and NYC taxes were \$7,138 and \$2,179, respectively, which have been included as a component of corporate taxes and miscellaneous on the statements of operations.

The Corporation has evaluated its exposure resulting from uncertain tax positions and determined that the exposure is not material to the financial statements; therefore, these financial statements do not include a liability for unrecognized tax positions. In the event that the Corporation concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Corporation will present interest as a component of interest expense and penalties as a component of provision for income taxes. In addition, the Corporation is no longer subject to federal and state income tax examinations by tax authorities for tax years ended before December 31, 2020.

Note 13 Related Party Transactions

As of December 31, 2023 and 2022, 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 were \$258,706 and \$240,743 for 2023 and 2022, respectively, with no arrears due at December 31, 2023 and 2022.

Note 14 Future Major Repairs and Replacements

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. Although the Board of Directors has segregated funds for future major repairs and replacements, these funds are Board designated. The Board of Directors has not developed a formal plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation may have to borrow, utilize available cash, increase maintenance charges, pass special assessments or delay repairs and replacements until the funds are available. The Corporation has a line of credit in the amount of \$500,000, that is intended for any unexpected major repairs and replacements. The effect on future carrying charges or assessments has not been determined at this time.

Note 16 Subsequent Events

In preparing the financial statements the Corporation has evaluated events and transactions for potential recognition or disclosure through June 12, 2024, the date that the financial statements were available to be issued.

Supplementary Information

West Gate House, Inc.
Detail of Selected Expenses
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Payroll and related		
Salaries and bonuses	\$ 255,002	\$ 221,308
Payroll taxes	21,340	18,377
Employee benefits	100,766	79,485
Workers' compensation and disability insurance	9,507	8,672
Payroll service fees	3,606	2,894
Superintendent's apartment rent	25,200	-
	<u>\$ 415,421</u>	<u>\$ 330,736</u>
Utilities		
Electricity and cooking gas	\$ 26,620	\$ 17,727
Fuel oil	180,951	223,504
	<u>\$ 207,571</u>	<u>\$ 241,231</u>
Repairs and maintenance		
Exterminating	\$ 5,119	\$ 7,241
Elevator	29,949	22,364
Janitorial supplies	14,428	10,234
Plumbing, heating and boiler	100,452	72,039
Painting and plastering	500	11,654
Sprinkler and fire safety	2,021	1,753
Windows	27,903	18,621
Consulting fees	48,065	12,882
Doors and locks	10,248	6,355
Apartment repairs	13,542	12,595
Landscaping	9,320	7,363
Other repairs and maintenance	26,828	3,357
Security and intercom	6,968	2,400
Electrical	6,873	5,510
Flooring	19,093	-
Cleaning	8,030	1,842
Violations	2,500	-
Water damages	-	39,950
Security guards	-	58,588
Fire escape painting	-	19,851
Repairs charged back to shareholders	(124)	573
	<u>\$ 331,715</u>	<u>\$ 315,172</u>
Corporate taxes and miscellaneous		
Corporate taxes	\$ 7,138	\$ 2,179
Telephone and cable	6,561	6,233
Miscellaneous and administrative	6,916	5,857
License, fees and permits	1,348	1,227
	<u>\$ 21,963</u>	<u>\$ 15,496</u>