

**WASHINGTON SQUARE
SOUTHEAST APTS., INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

WASHINGTON SQUARE SOUTHEAST APTS., INC.

TABLE OF CONTENTS

JUNE 30, 2021 AND 2020

	Page
INDEPENDENT AUDITORS' REPORT	1
Balance Sheets	2
Statements of Loss (Income)	3
Statements of Retained Earnings (Deficit)	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-14
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	15
Schedule of Budget with Actual Operating Amounts	16-17
Schedule of Repairs and Maintenance	18
Schedules to the Balance Sheet	19



BLOOM AND STREIT LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board

WASHINGTON SQUARE SOUTHEAST APTS., INC.

We have audited the accompanying financial statements of Washington Square Southeast Apts., Inc., which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of (loss) income, retained earnings (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Square Southeast Apts., Inc., as of June 30, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 11, the entity 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 has determined is required to supplement, although not required to be a part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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
November 18, 2021

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Balance Sheets

As of June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash in Banks and on Hand	566,406	578,849
Cash in Operating Account	765,625	984,707
Tenants' Accounts Receivable	371,436	382,301
Allowance for Uncollectible Accounts	(300,143)	(313,081)
Miscellaneous Accounts Receivable	19,834	14,755
Mortgagee Escrow Deposits	57,270	75,682
Prepaid Expenses	141,607	137,627
Total Current Assets	<u>1,622,035</u>	<u>1,860,840</u>
 FUNDS		
Reserve for Replacements:		
Investments - at cost	<u>2,448,689</u>	<u>3,750,887</u>
 PROPERTY AND EQUIPMENT -		
Net Book Value	<u>8,141,419</u>	<u>6,931,497</u>
 TOTAL ASSETS	<u><u>12,212,143</u></u>	<u><u>12,543,224</u></u>

	<u>2021</u>	<u>2020</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	316,852	474,883
Accounts Payable - Improvements	40,355	29,303
Accrued Interest Payable	38,516	39,118
Rents Received in Advance	9,706	41,185
Deposits and Exchanges Payable	176,164	209,482
Mortgage and Loan Payable - Amortization payments due within one year	150,685	143,016
Total Current Liabilities	<u>732,278</u>	<u>936,987</u>
LONG-TERM LIABILITIES		
Apartment Waiting List Deposits	75,100	75,100
First Mortgage Payable (due after one year)	2,039,570	2,074,466
Second Mortgage Payable (due after one year)	2,993,864	3,045,086
Third Mortgage Payable (due after one year)	628,131	617,820
Fourth Mortgage Payable (due after one year)	2,430,779	2,430,779
Improvement Loan Payable (due after one year)	3,289,263	3,353,829
Less: Unamortized Debt Issuance Costs	(161,040)	(167,233)
Total Long-Term Liabilities	<u>11,295,667</u>	<u>11,429,847</u>
STOCKHOLDERS' EQUITY		
Common Stock \$100.00 par value; Authorized, Issued and Outstanding 5,843 1/2 Shares	584,350	584,350
Paid-in and Donated Capital	1,376,519	1,339,429
Retained Earnings (Deficit)	(4,225,360)	(5,498,276)
Appropriated Retained Earnings:		
Reserve for Replacements	2,448,689	3,750,887
Total Stockholders' Equity	<u>184,198</u>	<u>176,390</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>12,212,143</u></u>	<u><u>12,543,224</u></u>

See accompanying notes and auditors' report

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Statements of (Loss) Income

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
INCOME		
Carrying Charges - Net of Vacancies and Uncollectible Charges	1,887,993	1,841,483
Parking Income	170,450	172,619
Assessment Income	170,028	168,347
Professional Apartments	183,172	177,836
Laundry Room Income	15,600	15,600
Appliance Charges	96,217	97,885
Surcharge Income	235,006	247,954
Interest Income	45,111	54,315
Miscellaneous Income	10,862	19,934
Total Income	<u>2,814,439</u>	<u>2,795,973</u>
EXPENSES		
Administrative Expenses	210,365	187,587
Maintenance Expenses	737,229	788,098
Utilities Expenses	547,830	553,478
Taxes, Insurance and Ground Rent	505,158	498,851
Financial Expenses	495,548	427,735
Interest Expense - Debt Issuance Costs	6,193	5,835
Total Expenses Before Depreciation	<u>2,502,323</u>	<u>2,461,584</u>
NET INCOME BEFORE DEPRECIATION	312,116	334,389
Depreciation	<u>(341,398)</u>	<u>(304,156)</u>
NET (LOSS) INCOME FOR THE YEAR	<u>(29,282)</u>	<u>30,233</u>

See accompanying notes and auditors' report

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Statements of Retained Earnings (Deficit)

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
RETAINED EARNINGS (DEFICIT) - Beginning of Year	(5,498,276)	(2,236,732)
Net (Loss) Income for the Year	(29,282)	30,233
Change in Reserve for Replacements	<u>1,302,198</u>	<u>(3,291,777)</u>
RETAINED EARNINGS (DEFICIT) - End of Year	<u>(4,225,360)</u>	<u>(5,498,276)</u>

See accompanying notes and auditors' report

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net (Loss) Income	(29,282)	30,233
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	341,398	304,156
Interest Expense - Debt Issuance Costs	6,193	5,835
Revenue allocated to financing activities	(71,127)	(66,966)
Decrease (Increase) in operating assets:		
Tenants' Accounts Receivable - Net Allowance	(2,073)	(7,868)
Miscellaneous Accounts Receivable	(5,079)	(10,688)
Mortgagee Escrow Deposits	18,412	30,284
Prepaid Expenses	(3,980)	(5,433)
(Decrease) Increase in operating liabilities:		
Accounts Payable	(158,031)	206,936
Accrued Interest Payable	(602)	13,181
Rents Received in Advance	(31,479)	(2,770)
Exchanges Payable	(33,318)	96,076
Apartment Deposits	0	0
Net cash provided by operating activities	<u>31,032</u>	<u>592,976</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(1,540,268)	(1,014,203)
Net cash used by investing activities	<u>(1,540,268)</u>	<u>(1,014,203)</u>
Cash Flows From Financing Activities		
(Decease) Increase in Reserve Funds	1,302,198	(3,291,777)
Improvement Loan Proceeds	0	3,450,000
Amortization of First Mortgage	(32,999)	(31,207)
Amortization of Second Mortgage	(48,439)	(45,808)
Amortization of Third Mortgage	10,311	10,049
Amortization of Improvement Loan	(61,577)	(34,594)
Payment of Deferred Financing Expenses	0	(24,161)
Additions to Paid-In Capital	37,090	23,200
Portion of Carrying Charges applied to Amortization of Mortgages	71,127	66,966
Net cash provided by financing activities	<u>1,277,711</u>	<u>122,668</u>
Decrease in Cash and Cash Equivalents (carryforward)	<u>(231,525)</u>	<u>(298,559)</u>

See accompanying notes and auditors' report

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Decrease in Cash and Cash Equivalents (brought forward)	(231,525)	(298,559)
Cash and Cash Equivalents at Beginning of Year	<u>1,563,556</u>	<u>1,862,115</u>
Cash and Cash Equivalents at End of Year (see below)	<u><u>1,332,031</u></u>	<u><u>1,563,556</u></u>
Represented by:		
Cash in Banks and On Hand	566,406	578,849
Cash in Operating Account	<u>765,625</u>	<u>984,707</u>
Cash and Cash Equivalents (as above)	<u><u>1,332,031</u></u>	<u><u>1,563,556</u></u>
Supplemental Disclosure:		
Interest Paid	<u><u>450,074</u></u>	<u><u>386,041</u></u>

See accompanying notes and auditors' report

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 1

Organization

Washington Square Southeast Apts., Inc. is a cooperative housing corporation incorporated in the State of New York on October 7, 1964. The cooperative is a Mitchell-Lama housing company and is supervised by The City of New York Department of Housing Preservation and Development. The cooperative owns the building located at 505 LaGuardia Place, New York, New York and consists of 174 residential and two commercial 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) income.

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.

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. 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 buildings is being computed by the straight-line method over its estimated useful life at the rate of 2% per annum. Building and maintenance equipment is being depreciated over estimated useful lives from seven to twenty-seven and one-half years.

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) income.

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 2

Summary of Significant Accounting Policies - continued

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.

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued a comprehensive new revenue recognition standard ASC 606 Revenue From Contracts With Customers. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. The new standard became effective beginning January 1, 2019. The guidance permitted two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). Adoption of this standard had no impact on the cooperative's financial position, results of operations, cash flows.

Note 3

Concentration 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.

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 3 **Concentration of Credit Risk - continued**

The cooperative has investments in money funds which are not bank deposits or F.D.I.C. insured and are not guaranteed by the brokerage house. These funds are subject to investment risks including possible loss of the principal amount invested.

Note 4 **Property and Equipment**

Property and Equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Building	4,564,322	4,564,322
Building Equipment	11,341,358	9,790,038
Furniture and Fixtures	238	238
Maintenance Equipment	<u>10,109</u>	<u>10,109</u>
	15,916,027	14,364,707
Less: accumulated depreciation	<u>7,774,608</u>	<u>7,433,210</u>
Total Property and Equipment	<u>8,141,419</u>	<u>6,931,497</u>

Depreciation expense was \$341,398 and \$304,156 for the years ended June 30, 2021 and 2020, respectively.

Note 5 **Mortgages Payable**

On December 18, 2015, the cooperative restructured and refinanced all its existing debt.

The prior first mortgage was with the New York City Housing Development Corporation ("HDC") and was for \$1,935,618 and was scheduled to mature January 31, 2035. This mortgage was self-amortizing, requiring monthly payments of \$12,234 which included principal and interest at a rate of 6.5% per annum. The balance due at the time of the refinancing was \$1,603,124.

The prior second mortgage, which is now the fourth mortgage, is also with the HDC and is for \$2,420,779 and is scheduled to mature January 1, 2048. There is no accrual of interest on this mortgage and there are no payments required during the term of the mortgage.

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 5

Mortgages Payable - continued

The new first mortgage is still with HDC and is for \$2,180,000 and is scheduled to mature January 31, 2048. This mortgage is self-amortizing requiring interest only for the first two years. As of February 2018, monthly payments of \$12,515 which includes principal and interest at a rate of 5.6% per annum are due. This mortgage requires that after the first two years, \$2,100 per month is to be deposited into a building reserve fund with HDC.

The new second mortgage is also with HDC and is for \$3,200,000. The mortgage is scheduled to mature January 1, 2048. This mortgage is self-amortizing requiring interest only for the first two years. As of February 2018, monthly payments of \$18,371 which includes principal and interest at a rate of 5.6% per annum are due.

The new third mortgage is a reverse mortgage which bears interest at a fixed rate of 2.58% and is scheduled to mature January 1, 2048. Payments are made based upon one percent of the loan and interest accrues and is compounded monthly. On maturity, the entire principal amount of the loan, plus all deferred and accrued interest in the approximate amount of \$1,026,000 will be due and payable.

A new rehabilitation loan is also with HDC, is for \$3,450,000, began December 1, 2019, and is expected to mature January 1, 2048. The mortgage is self-amortizing requiring monthly payments of \$18,540 which include principal and interest at a rate of 4.75% per annum.

In connection with the restructuring and refinancing of the mortgages, deferred financing costs of approximately \$173,000 are being amortized over the life of the mortgages.

In accordance with the terms of the restructuring, the cooperative must remain in the Mitchell-Lama program until January 1, 2048.

Principal maturities of the mortgage are as follows:

	<u>First</u>	<u>Second</u>	<u>Rehab Loan</u>
2022	34,896	51,223	64,566
2023	36,900	53,915	67,701
2024	39,020	57,278	70,988
2025	41,263	60,570	74,434
2026	43,635	64,050	78,047
Thereafter	1,878,752	2,758,051	2,998,093

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 6

Paid-in and Donated Capital

Pursuant to a resolution of the stockholders for the housing corporation, a first sale capital assessment was approved by HUD on February 18, 2009 for all apartment transfers subsequent to that date. The proceeds from this assessment have been deposited into a separate reserve account and will be used to fund future capital improvements and major repairs. In 2018 the cooperative also received grant proceeds from NYSERDA (New York State Energy Research and Development Authority) of approximately \$139,000. These proceeds have been used to offset the cost of various energy upgrades to the cooperative. The cumulative amounts collected from all grants and the first sale capital assessment have been reflected as Paid-In and Donated Capital on the Balance Sheets of the cooperative.

Note 7

Charges and Assessments

Assessments

Pursuant to a resolution of the Board of Directors on June 24, 2015, the cooperative approved a capital assessment specifically for the repayment of the loans referred to in Note 5. The assessment, which commenced January 1, 2016, is equal to \$2.50 per share per month and shall be payable over 360 months.

Parking Income

Pursuant to a resolution of the Board of Directors, the cooperative approved an increase in the monthly parking from \$150 to \$175 per space per month effective July 1, 2017.

Carrying Charges

Pursuant to a resolution of the Board of Directors, the cooperative approved a two step carrying charge increase of 2% effective September 1, 2019 and 2% effective September 1, 2020.

Note 8

Future Commercial Income

A portion of the cooperative's property is leased to a commercial tenant. The other lease, which expired December 2020 was renewed and will run for another four years. Base annual rents for the remaining term of this lease are as follows:

January 1, 2021 through December 31, 2021	185,880
January 1, 2022 through December 31, 2022	191,456
January 1, 2023 through December 31, 2023	197,200
January 1, 2024 through December 31, 2024	203,116

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 9

Benefits

The cooperative participated in the Building Service 32BJ Pension Fund, Employer Identification Number 13-1879376, Plan 001, for the years ended June 30, 2021 and 2020. The cooperative participated in this multi-employer plan, for the years ended June 30, 2021 and 2020 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expires April 20, 2022 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 July 1, 2019 and 2018. The certified zone status for the plan for each of these years was red and a rehabilitation plan has been implemented. This rehabilitation plan currently involves a surcharge to the cooperative.

In addition to the Pension Fund, the cooperative also participated in a Health Fund for the years ended June 30, 2021 and 2020. 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 Building Service 32BJ 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.

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 9

Benefits - continued

The cooperative made the following contributions to the plans:

	<u>2021</u>	<u>2020</u>
Pension Contributions	23,691	24,081
Health Contributions	89,510	83,048

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

Note 10

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources 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. The cooperative is not subject to New York State Franchise or New York City General Corporation Taxes.

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. 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 June 30, 2021, the cooperative has available federal net operating loss carryforwards to apply to future taxable income of approximately \$2,277,000. These net operating loss carryforwards consist of carryforwards of approximately \$1,915,000 which expire beginning in 2022 and continuing through 2038 and carryforwards of approximately \$362,000 which were incurred in 2019 and thereafter.

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 10

Income Taxes - continued

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 income tax returns for the last three years remain open to examination.

Note 11

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 12

Subsequent Events

Management has evaluated subsequent events through November 18, 2021, 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.



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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

**To the Board
WASHINGTON SQUARE SOUTHEAST APTS., INC.**

We have audited the financial statements of Washington Square Southeast Apts., Inc. as of and for the years ended June 30, 2021 and 2020, and our report thereon dated November 18, 2021, which expressed an unqualified opinion on those financial statements, appears on Page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget with actual operating amounts, schedule of repairs and maintenance and schedules to the balance sheet, which are the responsibility of the entity's management, 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" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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.

Bloom and Streit LLP

BLOOM AND STREIT LLP
Certified Public Accountants
November 18, 2021

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>June 30, 2021</u> (Unaudited)	Actual Year Ended <u>June 30, 2021</u>	Actual Year Ended <u>June 30, 2020</u>
RECEIPTS			
Carrying Charges	1,918,038	1,918,038	1,911,770
Vacancies and Uncollectible Charges	(30,000)	(30,045)	(70,287)
Equity Assessment	170,000	170,028	168,347
Parking Income	172,000	170,450	172,619
Professional Apartments	184,000	183,172	177,836
Laundry Room Income	15,600	15,600	15,600
Appliance Charges	98,000	96,217	97,885
Surcharge Income	240,000	235,006	247,954
Interest Income	50,000	45,111	54,315
Miscellaneous Income	16,000	10,862	19,934
Total Receipts	<u>2,833,638</u>	<u>2,814,439</u>	<u>2,795,973</u>
EXPENDITURES			
ADMINISTRATIVE EXPENSES			
Management Fee	76,500	76,500	76,500
Legal Expenses	70,000	69,061	68,979
Auditing	16,800	16,800	15,600
Telephone Services and Building Link	16,000	15,093	4,729
Office and Administrative Expenses	32,346	32,911	21,779
Total Administrative Expenses	<u>211,646</u>	<u>210,365</u>	<u>187,587</u>
MAINTENANCE EXPENSES			
Superintendent's Payroll	95,000	93,862	63,524
Maintenance Payroll	240,000	226,134	238,160
Payroll Settlements	25,000	27,202	0
Supplies	38,000	36,177	37,106
Repairs and Maintenance	172,000	142,895	206,154
Major Repairs - Water Main Break	0	0	44,867
Elevator Maintenance	24,000	27,974	17,713
Protection Service	162,000	161,941	159,291
Grounds and Landscaping	6,000	4,497	3,994
Exterminating and Bed Bug Services	18,000	16,547	17,289
Total Maintenance Expenses	<u>780,000</u>	<u>737,229</u>	<u>788,098</u>

See auditors' report on supplementary information

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>June 30, 2021</u> (Unaudited)	Actual Year Ended <u>June 30, 2021</u>	Actual Year Ended <u>June 30, 2020</u>
UTILITIES EXPENSES			
Steam	200,000	176,635	210,276
Electricity	250,000	256,939	235,151
Water and Sewer	110,000	106,985	101,065
Gas	7,000	7,271	6,986
Total Utilities Expenses	<u>567,000</u>	<u>547,830</u>	<u>553,478</u>
TAXES, INSURANCE AND GROUND RENT			
Real Estate Taxes	205,000	206,535	200,318
Payroll Taxes	32,000	31,778	27,645
Licenses and Permits	7,000	6,289	6,719
Insurance	110,000	108,426	116,661
Ground Rent	35,400	35,400	35,400
Union Welfare and Pension Fund	116,000	116,730	112,108
Total Taxes, Insurance and Ground Rent	<u>505,400</u>	<u>505,158</u>	<u>498,851</u>
FINANCIAL EXPENSES			
Interest on First Mortgage	117,026	117,026	118,828
Interest on Second Mortgage	171,781	171,781	174,426
Interest on Third Mortgage	16,076	16,076	16,013
Interest on Improvement Loan	190,665	190,665	118,468
Total Financial Expenses	<u>495,548</u>	<u>495,548</u>	<u>427,735</u>
CONTRIBUTIONS TO EQUITY AND RESERVES			
Amortization of First Mortgage	32,999	32,999	31,207
Amortization of Second Mortgage	48,439	48,439	45,808
Reverse Amortization of Third Mortgage	(10,311)	(10,311)	(10,049)
Amortization of Improvement Loan	61,577	61,577	34,594
Reserve for Replacements	21,340	21,340	21,271
Total Contributions to Equity and Reserves	<u>154,044</u>	<u>154,044</u>	<u>122,831</u>
Total Expenditures	<u>2,713,638</u>	<u>2,650,174</u>	<u>2,578,580</u>
NET SURPLUS FOR THE YEAR	<u><u>120,000</u></u>	<u><u>164,265</u></u>	<u><u>217,393</u></u>

See auditors' report on supplementary information

WASHINGTON SQUARE SOUTHEAST APTS., INC.

Schedule of Repairs and Maintenance

For the Years Ended June 30,

	2021	2020
Boiler and Burners	6,558	50,108
Plumbing, Pipes and Pumps	51,709	64,630
Electrical and Security Systems	42,523	40,473
Painting, Plastering and Carpentry Work	7,666	8,558
Locks, Doors and Appliances	13,149	11,116
Intercom	6,108	13,100
Mold Remediation/Testing	0	7,050
Uniforms	3,245	3,618
Architects, Consultants and Engineers	1,000	775
General	10,937	6,726
Total Repairs and Maintenance	142,895	206,154

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WASHINGTON SQUARE SOUTHEAST APTS., INC.

Schedules to the Balance Sheet

June 30, 2021

Schedule "A-1" Cash in Banks and on Hand

Wells Fargo Securities - Money Market Fund	3,685	
JPMorgan Chase - Equity Account	215,933	
JPMorgan Chase - First Sale Assessment Account	293,113	
JPMorgan Chase - Waiting List/Lottery Account	50,875	
Cash on Hand	2,800	
Total Cash in Banks and on Hand		<u>566,406</u>

Schedule "A-2" Mortgagee Escrow Deposits

Real Estate Taxes	37,830	
Hazard Insurance	12,430	
Water and Sewer	7,010	
Total Mortgagee Escrow Deposits		<u>57,270</u>

Schedule "A-3" Prepaid Expenses

Hazard Insurance	90,982	
Real Estate Taxes	50,625	
Total Prepaid Expenses		<u>141,607</u>

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