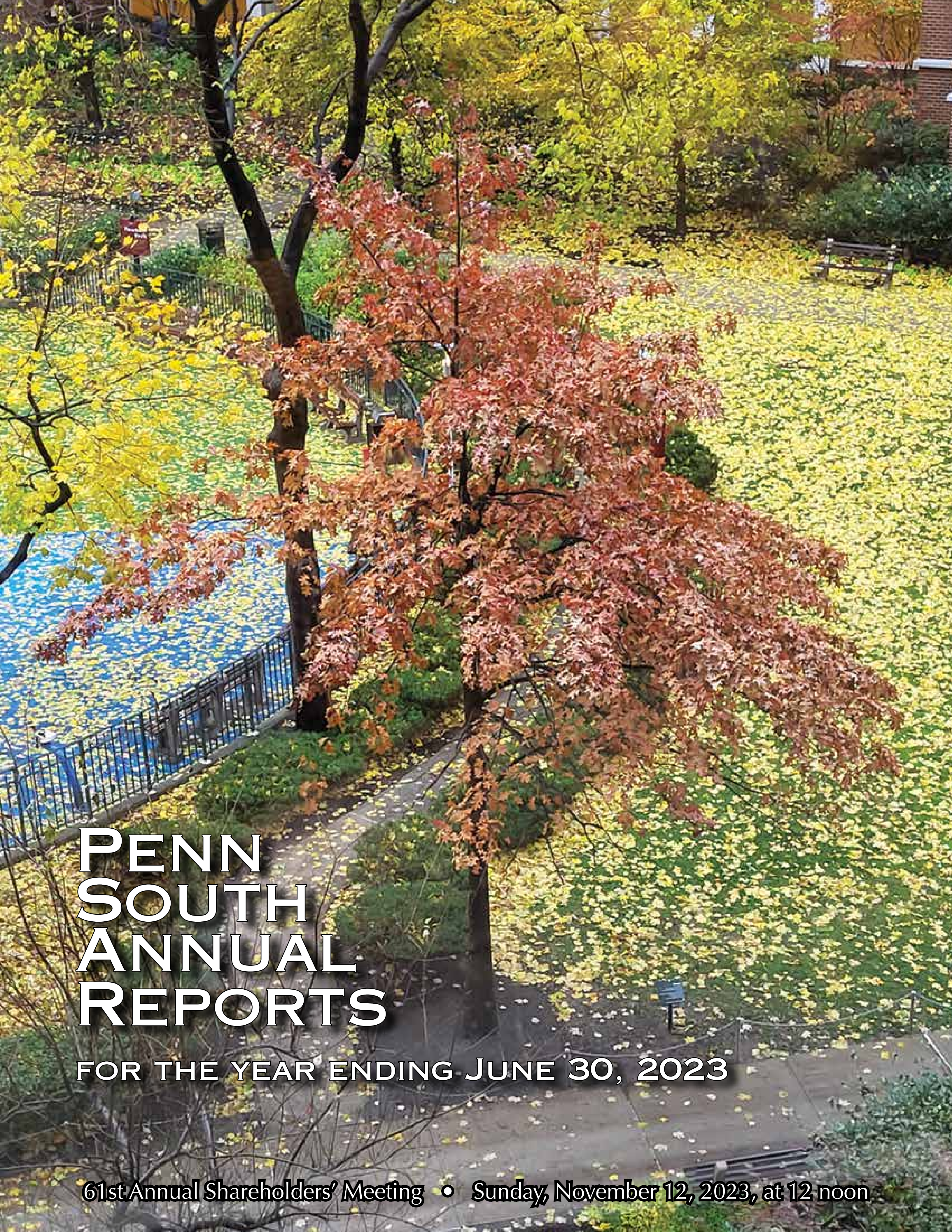

Penn South Annual Reports

for the year ending June 30, 2023

61st Annual Shareholders' Meeting • Sunday, November 12, 2023, at 12 noon

Mutual Redevelopment Houses, Inc.

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President's Report

for the 61st Annual Shareholders' Meeting

by Ambur Nicosia

Last year marked the 60th anniversary of the opening of Penn South. We celebrated this milestone with numerous events that continued into this year. We also used this opportunity to create a permanent monument to celebrate the role of Penn South in the struggle for affordable housing. In front of the co-op Management Office on Eighth Avenue and West 26th Street, we installed a plaque that honors the visionaries who created this co-op, and the many generations who worked to ensure that we remain dedicated to our values through changing times.

Our cooperative housing community emerged from the efforts of labor and civic leaders who shared a belief that quality housing should be affordable to working people of modest means. The United Housing Foundation (UHF), backed by a coalition of labor unions, was at the forefront of this effort in the middle of the 20th century. Led by Abraham Kazan, the UHF created dozens of large housing developments, many sponsored by its member unions. Penn South was a UHF initiative sponsored by International Ladies Garment Workers Union (ILGWU), which had many members who worked in the nearby factories of the Garment District in Midtown. Our plaque includes a portrait of Kazan; a portrait of David Dubinsky, ILGWU President for 34 years, including when Penn South was conceived and built; and the portraits of three dignitaries who attended our inauguration: U.S. President John F. Kennedy, New York Governor Nelson Rockefeller, and First Lady Eleanor Roosevelt.

This monument serves as a reminder that Penn South is more than a campus with buildings. We represent a vision of housing that defies the logic and limitations of systems driven by profit—stable, quality housing, affordable to people of moderate incomes, in the heart of our city. Equally important, we are a community of people who held fast to these values time and again, even amid forces of resistance. We stand on the shoulders of those who came before us, and I'm proud to celebrate this legacy and be part of preserving it for the next generations.

The Need to Balance our Budget

Penn South operates as a not-for-profit. We raise revenue as necessary to cover the cost of maintaining our property and serving our cooperative community.

For decades, the co-op raised maintenance fees on an as-needed basis. However, in 2017 Penn South locked-in long term savings by refinancing our mortgage with a HUD-insured loan. As a condition of the mortgage, HUD insisted

Oil painting on canvas by Cyd Rosen-Herrmann, 2023.

that we impose a minimum annual increase. They require this of all properties they insure. The rationale is that small but steady increases are necessary to keep pace with inflation and to raise money for capital infrastructure projects. The Board of Directors passed a resolution in 2017 mandating that maintenance fees would increase a minimum of one percent per year, more if needed.

The one percent increase turned out to be insufficient to balance our budget even when inflation was low. Amid the high inflation of the past two years, the strain on our budget has become increasingly acute.

The finances of the co-op are facing a number of pressures. Broad-based inflation affects all categories, but we've seen particularly sharp increases in fuel, insurance, and building materials. We have a number of infrastructure needs that must be addressed through major capital projects. Deferring this work would only lead to emergency repairs that are even costlier. Our commercial income has suffered since the onset of Covid-19, with market rents lingering below pre-pandemic forecasts.

As an affordable housing co-op we are mission-driven to keep costs down for residents. We work tremendously hard to meet our expenses by cutting costs and finding alternate sources of revenue. On both of those fronts we have achieved a great deal of success in recent years.

By refinancing our mortgage with a HUD loan in 2017 we saved $3.2 million per year in debt payments, and when interest rates fell to record lows at the peak of the Covid-19 crisis we refinanced our mortgage again, further lowering our annual payments by $930,300. In conjunction with the refinancing we extended our contract with New York City through 2057, an arrangement that saves us over $30 million in property taxes each year.

On the revenue side, we successfully lobbied to end the profit-sharing of our surcharge revenue with the City of New York. Unlike the City's other limited-equity co-ops, Penn South is now allowed to keep 100 percent of surcharge income, adding millions to our annual budget. In 2021, Penn South worked diligently to secure $2.9 million in funding from the

Paycheck Protection Program. And when faced with the urgent need to replace our aging commercial building at 335 Eighth Avenue, we found a creative solution through a ground lease that enabled us to avoid construction expenses entirely and increase our revenue from this parcel at the same time.

These cost-saving and revenue-generating initiatives enabled us to operate for the past seven years with only one-percent maintenance increases. Without each of the measures described here, the need to institute larger increases would have come earlier. I'm glad that our hard work allowed us to keep rates as low as they were during the Covid-19 crisis when so many faced unique hardship. At this juncture, it's clear that further maintenance increases are necessary to meet our rising expenses and keep the co-op in good repair. For more detail on our co-op finances, I encourage you to read the *Treasurer's Report* in this booklet.

Every year, the co-op is audited by an independent firm. The audit is sent to HUD as well as HDC (Housing Development Corporation), one of our mortgage holders. (The complete audited financial statement is published in this booklet beginning on page 26.) Management and the Board are working with our auditors to analyze our budget and determine our revenue needs and our options, including as it relates to timing. As we get a clearer picture, we will keep cooperators informed about what this entails for our individual household budgets. As we tend to the economic health of the co-op as a whole, please be assured that we are guided most of all by a concern for the well-being of cooperators.

New Commercial Tenants

Behind the scenes, Management and the Board of Directors work diligently to realize the full potential of our portfolio of commercial spaces.

During the pandemic we worked in partnership with our small businesses to help them stay afloat amid unprecedented challenges. The majority of our commercial tenants weathered this crisis, enabling us to maintain higher occupancy rates than many in the surrounding community. This was particularly important since retail and office rents never fully rebounded following the Covid-19 pandemic.

We work to fill vacancies as soon as possible in order to maximize revenue and provide services to the community. I'm happy to announce that the only two vacant spaces in our portfolio during 2023 have both been rented.

The Pho II has been a popular restaurant in our community since opening in 2017 on Eighth Avenue near West 24th Street. When additional space opened up on the same commercial strip, the restaurant owners made a competitive bid that was accepted by the Board of Directors. Their new dine-in restaurant will specialize in seafood and will operate under the name Pier 23.

We also welcome Gourmet Square Market to 248 Ninth Avenue, filling a large space formerly occupied by a pharmacy.

Both of these new commercial tenants are aiming to open for business by the spring of 2024.

For details on the financials of our commercial portfolio see the *Treasurer's Report* in this booklet.

Our Natural Landscape and the Environment

In one of the most densely-built areas of New York City, the Penn South campus is unique for our abundant open spaces with trees, shrubs, and lawns. We are looking at ways to better connect people to this landscape, and to leverage this aspect of our campus design to further benefit our environment.

To educate residents and guests about the diversity of trees on our campus, we installed tree identification signage in 56 locations around Penn South in the spring of 2023. These signs identify the genus and species of the tree, and display a QR code that links to detailed information about the tree on the Cornell University Woody Plants Database. This initiative arose from the Environmental Committee of the Board, which includes Board members as well as other shareholders who are passionate about the topic.

Building 10 hides the setting sun.
Photo by Joseph Raskin, 2023.

The tree signage was developed alongside our landscaping consultant, which is also guiding our efforts to develop a more sustainable approach to landscape maintenance. When selecting new plants we are now looking beyond aesthetics and considering broader environmental factors, such as choosing species that are native to this environment. Native plants contribute best to the local food web, and are already adapted to local climate conditions, requiring less water and overall maintenance. The reintroduction of native species on our campus will be a gradual process, occurring only when existing plants require replacement. As an example of what this approach can look like, see the new meadow with native plants that is currently being established at the sitting area by Building 1.

The other key area of environmental landscaping is lawn management. Manicured green lawns require an abundance of water, constant mowing, and frequent treatment with fertilizer and weed killers. We are moving away from the aesthetic of pristine green lawns in favor of organic lawns managed without pesticides or chemical fertilizers.

Finally, we are swapping out gas-powered gardening equipment such as leaf blowers and hedge trimmers in favor of battery-operated devices.

Our care for open spaces is just one facet of our environmental strategy. See the *Manager's Report* for information about an upcoming engine replacement at our powerhouse that will reduce carbon emissions, and an update on other explorations underway to improve our environmental practices.

Electric Vehicle Charging Stations

As more people purchase electric vehicles, they need places to charge the batteries. In many communities, people charge their cars at home in their garage or driveway, but this option doesn't exist for the vast majority of apartment dwellers in Manhattan.

The Penn South Board of Directors decided to install electric vehicle charging stations on our campus. By expanding the options available for electric vehicle owners, we hope to further encourage a shift towards emerging technologies and away from gas-powered cars. This transition is considered by many to be an essential step in our society's collective efforts to reduce carbon emissions.

The charging stations were installed in the alley behind our Ninth Avenue commercial strip, which runs between West 24th and West 25th streets, and will soon be open for use.

The electricity will be sold for prices that include profit, so this investment will pay for itself.

New Green Space Takes Shape

We are in the process of creating a new outdoor shared space for our community. In recent years numerous cooperators petitioned the Board of Directors to convert more of our outdoor areas into sites for active uses. Heeding this call, in 2021 the Board committed a section of unused lawn on the north side of West 25th Street for this purpose.

The space is beginning to take shape. In the early part of 2023 we installed underground infrastructure for electricity and plumbing. The electricity will

Costumed cooperators trick-or-treat at the Parents Committee's Halloween event. Photo by Brian Hammerstein, 2022.

provide power to garden-maintenance equipment, and the plumbing will service hoses for watering the garden as well as automated sprinklers in select areas. In June 2023, hardscape work began, which includes the creation of pathways and seating areas. We have also installed two fixed barbecue grills in the space.

We are currently calling this a "new green space" because the exact uses are still being considered by a subcommittee of the Board. This working group is comprised of both Board members and dedicated shareholders who are not on the Board. I look forward to the grand opening of this new space in the coming year.

Annual Events and New Community Activities

The Parents Committee sponsored two Halloween celebrations—one geared towards toddlers on October 30, 2022 in Pinwheel Park, and another all-ages outdoor event the following evening in the Active Recreation Area which included trick-or-treating, music, dancing, and games. On April 2, 2023, the group hosted a Spring Candy Hunt, followed by crafts and games.

The Parents Committee and Penn South Social Services (PSSS) hosted the 38th Annual Flea Market on May 20, 2023. Vendors and visitors were able to enjoy a few hours of fun before rain forced the event to shut down in the early afternoon. Since the event was cut short, the Parents Committee and PSSS hosted a second flea market on September 30. The weather cooperated this time around, and hundreds flocked to the street to enjoy a day of shopping, swapping, and socializing.

Two of our shared facilities recently expanded their offerings. The Woodworkers Club has long operated as an open shop, but this year they also sponsored classes for members who want to learn more about the craft. The Ceramics Studio added more class sessions throughout the year, and started hosting artists from around the world as part of its Visiting Artist series, which features workshops that focus on unique visual styles and specialized ceramics techniques.

PSSS hosts an array of classes, activities, and events throughout the year. This includes efforts from its largest and longest-running operation, the Penn South Program for Seniors, as well as offerings for cooperators of all-ages. I'm impressed at how PSSS continues to branch out and find new ways to serve our community. One of its newest initiatives is a collaboration with a Community Supported Agriculture (CSA) network, which operates from a co-op community room on a weekly basis. Farmers from upstate New York offer fresh produce at an affordable price to cooperators, and our reliable business helps keep small local farms sustainable.

Morning skies ablaze.
Photo by David Lutzker, 2023.

PSSS also launched the Penn South Archive Project this year, which is documenting the history of our co-op. Their work has included recording video interviews of longtime community members, many of which were featured in a documentary by Ruth Sergel called *The Originals*, named for the cooperators who moved to the co-op when it first opened. The short film premiered on May 6, 2023, at the Church of the Holy Apostles, and has since been screened multiple times in the co-op.

Acknowledgments

I would like to thank General Manager Ryan Dziedziech and the team he leads for serving this community with such care and professionalism. On behalf of all cooperators I want to express appreciation for the quality and extent of the service we receive from everyone on our dedicated staff.

Thanks to my colleagues on the Board of Directors for their commitment to the betterment of our community, and to the countless cooperators who enrich our lives by serving as volunteers on the Co-op Council, Penn South Social Services, the Penn South Program for Seniors, and as leaders of numerous co-op groups.

We thrive thanks to the collective efforts of individuals who come together with a shared purpose, and this is a constant source of inspiration.

Ambur Nicosia, President

Manager's Report

for the 61st Annual Shareholders' Meeting
by Ryan Dziedziech

Reducing Emissions, Lowering Fuel Costs

This past year, the co-op was forced to address a rapid rise in fuel prices. Our multi-year purchasing contracts for natural gas and diesel expired, and the new rates are projected to increase our shared energy costs by approximately one million dollars in the coming fiscal year. This prompted the need for a fuel passthrough, a matter described in detail in the *Treasurer's Report*.

Expanding our view, this past year we all witnessed an increasing number of extreme climate events across the globe and other troubling changes to the natural environment resulting from the overuse of fossil fuels. This underscores the need for our co-op to remain focused on energy production and consumption.

As a next step, we are continuing to transition away from the use of diesel fuel in our powerhouse. Many years ago we began shifting to natural gas as our primary fuel. High-efficiency natural gas has historically been a cheaper fuel source than diesel, and burning it creates less pollution per unit of energy produced. However, until recently it was not feasible to eliminate the use of diesel. Natural gas engines took longer to come online, creating a risk of brownouts at times when electric demand surges.

Technologies have evolved, and there are now natural gas engines that can mimic the rapid response of diesel engines while also meeting regulatory requirements and adhering to strict emission standards.

Working closely with the team at our powerhouse, our engineering consultants determined the specifications necessary for a fifth gas engine, which will replace one of our six remaining diesel engines. In this new configuration, the powerhouse will exclusively run on gas for the majority of the time. The remaining diesel engines will primarily be for standby capacity. During periods when our region

Glass towers and a shimmering sky behind Building 7. Photo by Cory P. Frank, 2023.

is facing gas shortages, Con Edison instructs operations like ours to temporarily switch to diesel fuel. This arrangement is referred to as interruptible rate service, and provides us a significant discount on gas prices throughout the year.

Based on the recommendations of our consultants, the Board authorized the purchase of the new engine in February 2023. Engines for facilities like our powerhouse need to be custom built. We expect to receive and install the new gas engine in mid-2025.

By nearly eliminating our use of diesel, we expect to see significant cost savings based on current pricing models. Using current data on usage and fuel prices, our engineers determined that our investment in this new engine will be fully recouped in approximately three years through reductions in diesel fuel expense.

We will also lower our carbon output and bring our powerhouse into compliance with the stricter emissions requirements of Local Law 38 of 2015 and Local Law 97 of 2019, both of which are soon to take effect.

While this engine replacement is an important near-term step we can take to lower our carbon footprint, we are continuing to explore a broader energy strategy.

Update on Alternative Energy Explorations

For years, we have been investigating alternative methods of electrical production such as solar and wind, as well as the related considerations of battery storage. The challenges are numerous, not to mention the costs. In many cases, the environmental benefit is underwhelming. Engineers determined that we would not be able to rely exclusively on these technologies for our electrical generation. Traditional fuel would still be required to augment electrical production, especially at peak demand times.

Many buildings that generate solar or wind power feed excess electricity to the grid when production is high, and draw from the grid when the demand exceeds what they can produce locally. This maximizes both the environmental and economic benefits. Unfortunately, this is not currently an option for Penn South as we are not connected to the grid. As we evaluate our long-term strategy, reconnecting to the main electrical grid is one of the projects under consideration. Like everything else, we need to weigh a variety of factors, with the cost-benefit analysis being at the forefront.

We haven't yet seen the technologies nor the financial incentive packages to make investments in solar or wind technologies feasible for Penn South, but we are continuing to monitor the industries as they mature.

"Life Goes On." Photo by Mariam Touzie, 2021.

In recent years I've expanded our exploration of alternative energy sources to include the option of heat pumps. The open space on the Penn South campus gives us unique opportunities to implement this promising technology. However, simply investigating the practicality of such a technology for our operation is an expensive undertaking, so I've been engaging government officials, agencies, and neighborhood institutions that could serve as possible partners. With climate action a shared priority, I hope our co-op can get assistance in exploring sustainable energy solutions in a collaborative manner.

Improvements to Hot Water Quality

For many years I have consulted with experts and explored different approaches to address persistent

A dusting of snow covers campus trees.
Photo by Cory P. Frank, 2022.

issues in certain buildings with the quality of the hot water at the tap.

Starting in 2018 we engaged our engineers at Goldman Copeland on this matter, and they began developing a comprehensive approach focused on improving circulation throughout the entire system. Our goals were to address water discoloration; achieve more consistent temperature, pressure, and flow; and ensure that hot water is readily available.

Building 8 was the source of the greatest number of hot water complaints, so this became the testing ground for our new methods. I'm happy to report that our recent efforts accomplished better results than we were previously able to achieve.

The pump rooms in all buildings have a hot water mixing station. These have historically been controlled by a Holby Tempering Valve, a pneumatic device designed to regulate the mix of hot and cold water.

In the Building 8 pump room we replaced the Holby valve with a digitally-controlled mixing valve that can be adjusted to a finer tolerance. This new valve automatically self-adjusts to achieve proper temperature.

To improve flow, we upsized the hot water return lines at their base, replacing runs of pipe in the ceiling of the lobby floor. Finally, we added equalizing rigs on the return lines to achieve balance in the overall circulation of hot water through the building.

After a few months of positive feedback from cooperators in Building 8 about the improvements to their hot water, we performed the same work in Building 6 during the summer of 2023, and then in Building 1 during the fall. These three buildings consistently generated the highest number of hot water complaints, and the other remedies we tried there had proven ineffective.

This work is costly and will only be performed when our budget allows, and in cases where similar issues with hot water quality persist.

Facade Repairs on Buildings 6 through 10

We concluded facade repairs on our residential buildings this year, fulfilling requirements of the New York City Facade Inspection Safety Program (FISP). This is a rigorous, multi-year process that begins with the up-close inspection of our building exteriors by licensed architects and engineers. They produced reports and worked with our team to develop a plan for remediation.

Phase 1 of the physical repairs, covering buildings on the southern half of our property, was completed in 2022. Repairs on the north side buildings, encompassing Buildings 6 through 10, were completed in the summer of 2023.

In addition to the required tasks such as replacing deteriorating bricks and mortar, we also used this opportunity to address other exterior conditions wherever possible. This included sealing around windows and sills, and adding overflow scuppers as backup drainage for many of the 19th floor terraces.

The facade work was often noisy, and it required that we install temporary bridging around the buildings and along nearby pathways. I want to thank cooperators for their patience on this project, which is essential to the good maintenance of our property and to everyone’s safety.

Roof Replacements

We are in the process of replacing the roofs on our residential buildings over the course of multiple years.

In late 2022 we finished the installation of new roofs on Buildings 2 and 3. In June and July 2023, we completed the replacement of roofs on Buildings 8 and 10. These four buildings were prioritized based on the conditions found by engineers during inspections. We will schedule the replacement of roofs on the remaining buildings following the same approach.

We have already replaced the canopy roofs throughout our campus. These are the small areas that project out from the main structure by single story, such as lobby vestibules (entrances), offices, professional spaces, and small sections underneath the balconies of B-line and F-line apartments in single-core buildings. This work occurred concurrent with our facade repair project.

Redevelopment of 335 Eighth Avenue Begins

The final businesses vacated our aging, all-commercial building on the northwest corner of Eighth Avenue and West 26th Street in late 2022 to make way for a new development. Demolition of the old structure began in June 2023 and concluded in late September. As we prepare this report for publication, workers are excavating the site and preparing a new foundation for the seven-story mixed-use building that will rise there over the next few years.

For safety reasons, construction sites are contained within plywood fencing that can often be dreary. Since this construction fencing will be up for two years, Board President Ambur Nicosia and I looked for ways to enliven the section of it that faces Sandbox Park, one of the focal points in our campus for families to gather. We identified a local nonprofit called ArtBridge that is approved by the New York City Department of Buildings to decorate temporary construction structures. The nonprofit is commissioning a mural from a local artist whose image will be displayed on this fence for the duration of the construction.

As we approach phases of the construction project that involve noisier activity, we remind cooperators who live close to the construction that we have opened two comfort rooms. One operates in the Building 5 Community Room every weekday and includes couches and a TV; the other is available in the Building 2B Community Room on Tuesdays and Thursdays.

Facade repairs twenty-one stories in the sky. Photo by Barbara Minsky, 2022.

All of the construction is being coordinated and paid for by MAG Partners, the new leaseholder for this property. Although the site is not generating revenue for the developer yet, they are already making payments to Penn South according to the terms of their ground lease. The income for Penn South exceeds what we ever collected for the older structure, and rent escalations paid by MAG Partners are guaranteed by contract.

When drawing up the ground lease, the Penn South Board of Directors insisted on a provision that requires the new building to include a grocery store. In May 2023, MAG Partners announced that they had negotiated with discount grocery operator Lidl to open a 23,000 square foot grocery store in the new building. By choosing Lidl, MAG Partners is fulfilling a commitment to bring a grocery operator to our community that specializes in offering high quality, low-priced food.

Gas Repiping Project

The natural gas infrastructure in New York City buildings is now subject to much more stringent rules and frequent inspection based on the requirements of New York City Local Law 152 of 2016.

We need to proactively address key areas of gas piping in our property to ensure the continuity of service. A failed inspection will result in an immediate shutdown, and the process of restoring cooking gas to apartments is lengthy, invasive, and very expensive.

Working with our engineers, I developed an innovative approach that minimizes disruptions and avoids service outages. The costs are not insignificant, but they represent a fraction of the expense we would face using traditional methods.

I have been in frequent communication with the New York City Department of Buildings (DOB) and Con Edison about our plans over the course of years, oftentimes coordinating with our local elected officials as well. Agency officials recognize that our approach is safe, more expedient, and cost effective, and have been willing to adapt their normal processes to accommodate our methods. Earlier this year they gave us the green light to proceed.

We've already installed new gas piping in our commercial building that fronts West 23rd Street and Eighth Avenue, thanks to the cooperation of all the commercial tenants renting space in the property.

As we prepare to publish this report, workers are installing a new gas main in Building 1. Once the new pipes are put into service, our plan is to perform similar work in Building 6. We will decide how to proceed with gas repiping in the rest of the campus after finishing these two buildings, basing our plans on the conditions we find and our available funds.

Multi-Year Projects Near Completion

We are nearly finished with a three-year project to upgrade the ventilation system in our buildings. The project involves cleaning the vent shafts, evaluating airflow conditions, and sourcing constant airflow register (CAR) dampers. The CAR dampers are specific to our spaces and ensure the proper balance and circulation of air throughout each building. We installed new dampers in common hallways first, and since early 2022 we have been scheduling appointments to replace these devices in apartments where there are vents in the bathroom or kitchen.

We are also in the final stages of replacing all of the original electrical breaker panels in our apartments. Over 700 panels were replaced during this past fiscal year.

The ventilation upgrades and electrical panel installations are both on track to conclude towards the end of 2023.

Acknowledgments

I wish to acknowledge the efforts of the entire co-op staff for their year-round service to Penn South. I want to recognize the Board of Directors for committing so much time and energy to the betterment of our community. Special thanks to President Ambur Nicosia for her tireless work, leadership, and support.

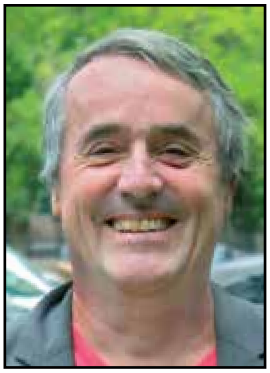
Our work in managing the co-op is complemented by efforts coming from the staff and volunteers at Penn South Social Services (PSSS) and its flagship program, the Penn South Program for Seniors (PSPS).

My thanks also to go the many cooperators who participate in the Co-op Council, join committees, and run co-op groups.

Together, we make Penn South far more than just a place to call home.

Ryan Dziedziech, General Manager

Photo by Mariam Touzie, 2021.



Treasurer's Report

for the year ended June 30, 2023

by Matthew Barile

Penn South is currently facing a number of financial pressures. Operating expenses are rising rapidly and our revenue is not keeping pace. Inflation is broad-based, and increases for certain expenses such as fuel, insurance, and building materials have particularly affected our budget. While the ground lease with MAG Partners will bolster our commercial portfolio, our income from commercial tenants has still not reached the level it was at prior to the onset of the Covid-19 pandemic.

Looking forward, it is essential that we continue to address vital areas of our aging infrastructure and equipment. We also need to prepare for a decline in the revenue we collect when apartments sell at the triple-equity tier for the first time.

It is clear that we will need to increase our basic maintenance fees soon. The Board of Directors is working closely with Management and our team of auditors to determine exactly how much is needed, when increases must take effect, and what options may be available to minimize the impact on our lower-income households.

In this report I address many of the topics that affect our budget and shape the decision-making process around our finances.

Our Broad Economic Outlook

Penn South operates to serve our shareholders and does not generate a profit. Every year we evaluate our needs, manage expenses where possible, and raise revenue when necessary to maintain a balanced budget.

Numerous factors enable Penn South to keep apartments affordable. This starts with our property tax abatement as a limited-equity affordable housing development, which currently saves us over $30 million per year. Without this, maintenance fees would need to double.

Over the years we have found many ways to raise revenue beyond simply raising basic maintenance fees. We successfully convinced New York City to allow Penn South to keep 100 percent of our surcharge income, rather than sharing the revenue with the City as other affordable housing co-ops like ours must do. We sought and received permission to sell apartments at a triple-equity tier and keep all the difference as revenue, an option only extended to Penn South. We secured $2.79 million from the Paycheck Protection Program in 2021. We entered into a ground lease for our parcel at 335 Eighth Avenue, boosting our revenue and avoiding the huge expense of rehabilitating or reconstructing a building on that site.

We also achieved tremendous savings by refinancing our mortgage with a HUD-insured loan. The first refinance, in 2017, saved us $3.2 million annually, and in 2021 we capitalized on historically low interest rates by refinancing again, further reducing annual payments by $966,300.

In the past two years we withdrew a significant amount of money from our capital reserves. This enabled us to pay for major infrastructure projects without increasing fees in the short term, but the reserves will need to be replaced.

If not for all of these factors, the co-op would have needed additional maintenance increases in recent years. As costs rise for various aspects of our operation, we need to meet these expenses. Even prior to the spike in inflation, the HUD-mandated one-percent increase was not sufficient to keep up with rising costs throughout our operation.

Fixed Expenses Rise

In the span of just three years our insurance premiums rose by more than a million dollars, from $1.457 million in FY2020 to $2.529 million in FY2023. This 74 percent rise was not the result of a rate increase. Rather, the higher cost of our premiums was primarily the consequence of our insurance carrier re-evaluating the replacement value of our buildings and infrastructure, and reassessing our risks. The spike in inflation across the broader economy was particularly acute for building materials and labor, so the cost of repairing or replacing physical property is much greater. Also, with the nation and world experiencing an increased frequency and magnitude of natural disasters and severe weather events, insurance carriers are pricing for the corresponding rise in claims.

The cost of municipal water increased by 4.42 percent. The rate hike took effect in July 2023, the start of our new fiscal year. Based on prior usage we expect this will increase the water expenses by approximately $85,000 in FY2024.

From FY2021 to FY2022, when inflation was spiking, our expenses for repairs and maintenance rose by $1.77 million, a 32 percent increase. We also had an unusually high volume of apartments to restore that year since vacancies accumulated during the first year of the Covid-19 pandemic. Price growth has slowed, but repair and maintenance expenses still rose by $411,000 between FY2022 and FY2023, an increase of six percent.

Watercolor on paper by Cyd Rosen, 2023.

Labor costs across our operation, which include salaries as well as payroll overhead, account for approximately 40 percent of our budget. The majority of compensation packages in our operation are governed by union contracts which carry fixed salary and benefit increases. Historically, salaries for most employees have grown at a rate of three percent per year, although we should prepare for larger increases as inflation in the broader economy is causing upward pressure on fair wages.

Fuel Passthrough

Fuel costs were generally steady and relatively low for much of the decade of the 2010s. However, a variety of events created volatility in this sector including the Covid-19 pandemic, cuts to production levels, global inflation, and Russia's invasion of Ukraine. As a result of these and other factors, global energy prices increased sharply. As we shared in last year's *Annual Reports* booklet, this has major consequences for the Penn South budget.

The co-op was buffered from extreme spikes in fuel prices last year because we had locked in multi-year purchasing contracts when prices were historically low. Those contracts were still effective when oil and gas prices surged in early-to-mid 2022. At points last year, market prices were more than double what we were paying for natural gas, and triple what we were paying for diesel. We were fortunate that our prior contracts did not expire when prices soared to those levels. We were able to wait a few months until prices substantially dropped before entering into new agreements.

Our most recent purchasing contract for diesel fuel, which began in 2019, kept our costs between $1.85 and $2.38 per gallon. That contract expired

"How It Was: The View From My Balcony In Building 6B" by Susan de Castro, oil on canvas, 2023.

in February 2023, and with our new contract our rate increased approximately 74 percent to $3.52. The natural gas contract we signed in 2018 expired in June 2023, and with the new contract the rate increased 35 percent from $3.93 to $5.35 per dekatherm. In actual dollars, this amounts to a $1.12 million increase in annual expenses for Penn South based solely on the higher cost of fuel.

Faced with the immediate need to meet these expenses, the co-op implemented a fuel passthrough of $8.27 per room per month, which took effect in July 2023. This will raise $1.12 million in additional funds during the current fiscal year, covering the shortfall.

The fuel passthrough is for shared energy expenses—primarily to run our heating and air-cooling system throughout our entire 22-acre campus—not for electricity use that occurs within apartments. The co-op previousy enacted fuel passthoughs in 2005, 2006, and 2008.

Penn South works with a consulting firm that specializes in fuel purchasing contracts. The firm monitors the fuel markets on an ongoing basis and makes recommendations regarding the bid process and the negotiation of individual agreements. Working closely with this firm, we secured an 18-month contract for natural gas, and a 12-month contract for diesel. Our consultant will monitor markets and look for opportunities for us to lock in lower rates if prices fall during the contract periods.

By instituting a one-year fuel passthrough rather than increasing basic maintenance, the Board of Directors is effectively treating the increase in fuel costs separately from the rest of our operation. Fuel passthroughs are authorized on an annual basis, so next spring the Board will reevaluate our needs.

Commercial Tenants

The commercial rental market never fully rebounded from Covid-19. The market has leveled off, but at lower rents. Since commercial revenue is not what we forecasted, we will need to raise these funds in other ways to meet our expenses.

We are in a better position than many because of our successful efforts to retain stores and offices during the Covid-19 crisis. The temporary, pandemic-related rent concessions expired for most tenants this past year. The majority of businesses that tapped into their security deposits on an emergency basis have replenished those accounts. However, a few businesses are continuing to struggle. We are doing what we can, within reason, to help them get on better footing and remain viable.

In the glow of a half-moon.
Photo by Elizabeth Greenberg, 2023.

While most of our commercial tenants survived, vacancies reduced anticipated revenue. During the peak of the Covid-19 crisis in New York City a pharmacy on our Ninth Avenue commercial strip went out of business. As we shared in last year's *Annual Reports*, we made an initial deal with a health care provider for this location in 2021, but the tenant backed out after we held the space for them for months. Thankfully a new deal has been secured, this time with a gourmet market operator.

At the start of FY2023 we lost another pharmacy, this one on Eighth Avenue. We recently entered into a lease agreement for this storefront with one of our existing commercial tenants—the owners of The Pho II. They will open a seafood restaurant in the location while continuing to operate their existing successful Vietnamese restaurant just a few doors away on the same commercial strip.

Both spaces are currently in the build-out phase, and Penn South will start collecting rent from the businesses in January 2024 according to the terms of their agreements.

A rainbow envelops the Manhattan sky.
Photo by Sarah Lynn Smoke, 2023.

A positive aspect of our commercial portfolio is the ground lease for 335 Eighth Avenue at the corner of West 26th Street. The leaseholder, MAG Partners, is constructing a new building on this site at their expense. In calendar year 2024, MAG Partners will pay $2.1 million in annual rent to Penn South, more than we collected from the old structure, and these payments will increase according to a schedule.

We expected to sign the ground lease in early 2022, with MAG Partners taking over of the site before the existing businesses finished off their leases. Unfortunately, the regulatory approval processes took much longer than expected, delaying the lease signing by months.

We ultimately closed on the deal with MAG Partners in December 2022. They took control of the building and began making rent payments to Penn South in February 2023. By that time, all of the businesses in the former structure had vacated as their leases expired. The largest tenant, Gristedes, closed its doors and ended its rent obligations in July 2022. Most of the remaining businesses also left during that summer, with only one store staying through December 2022. This situation created an unexpected gap when the co-op was briefly not collecting revenue for this property.

Our total income from commercial tenants in FY2023 was $6.49 million. This is a drop from FY2022 when our commercial income was $7.07 million. Two factors contributed to this temporary decline. In FY2022 our garage income increased by $202,475 as a result of accounting entries, and in FY2023 this income returned to normal levels. The vacancies mentioned in this report account for the remainder of the shortfall.

Capital Projects

In FY2023 we spent over $11.69 million on capital projects and we are projecting $8.89 million for our current fiscal year. HUD requires us to pay for major capital projects from our Reserve for Replacement (R4R) account, keeping the funds separate from our operating reserves. We are required to contribute a minimum of $1.7 million per year to our R4R account. Considering the extensive capital infrastructure projects on the horizon, we anticipate the need to make larger contributions in the near future.

Two years ago our R4R account had $25 million. Based on our budgeted capital expenses, we expect this account to have $8.97 million at the end of FY2024.

We spent $4.38 million on facade repairs in FY2023. This sum covers payments for both Phase I and Phase II work. Most of the Phase I work occurred during FY2022, but some work was not completed and billed in full until the early part of FY2023. The $1.35 million budgeted for FY2024 represents costs for Phase II work not yet paid by the time FY2023 closed.

We replaced the roofs on Buildings 2, 3, 8, and 10 last year at a cost of $3.49 million. While the work is complete, some payments will occur in FY2024 and this is reflected in the budget. No additional roof replacements are planned for our residential buildings in the coming year, but the remaining six buildings are expected to need new roofs over the next five years. As we prepare this report for publication, work is underway to replace the roof of the theater currently occupied by the School of Visual Arts (SVA). We have a triple net lease with SVA, which means that SVA is responsible for building maintenance. SVA will pay most of the $1.78 million expense for the roof replacement. As stipulated in our existing lease with SVA, the co-op will make a one-time contribution of $150,000 for this project.

Upgrades to the hot water system in Building 8 cost $421,618. The success of this project led the co-op to authorize similar work in Buildings 1 and 6, for which we are budgeting $780,000 in FY2024. These three buildings are receiving upgrades because they had persistent issues with the quality of hot water. There is a significant expense associated with this work, and the hot water service in other buildings does not currently justify this upgrade. However, Management is evaluating conditions across the campus and will advise the Board of Directors if the work should be performed in other buildings in the future.

We spent $1.72 million on underground pipe replacements in FY2023, addressing three separate runs of pipe. The replacement of all our underground utilities is a multi-year project. We are prioritizing critical sections first, such as the crossing under West 28th Street that connects Buildings 7 and 10, which we are planning to replace in the spring of 2024. Our engineering consultants estimate that it will will cost at least $15 million for the remaining underground utility pipe replacements throughout our campus. As a way of spreading out costs, we are deferring work in areas where additional years of useful life remain.

In the coming year we will start replacing sections of gas piping to ensure that we are in compliance with Local Law 152 of 2016. We budgeted $1.09 million for the upcoming year for this project, but the actual cost is difficult to predict for a few reasons. First, the methods we are implementing deviate from the typical approach, and the city may impose additional requirements. Also, this work will proceed based on the assessment of need, and such evaluations are ongoing.

We are budgeting $480,000 for upgrades to the electrical infrastructure in two of our commercial buildings. Of this expense, $125,000 relates to the electric vehicle (EV) charging stations that we installed over the summer of 2023 and which are now in operation. Our investment in the EV charging infrastructure is projected to pay for itself through the revenue it generates.

We are budgeting $442,400 in FY2024 for upgrades to our commercial building on the northwest corner of West 23rd Street and Eighth Avenue. This work addresses key building systems, including elevator modernization.

Payments for our new gas engine will be spread over multiple years, with $1 million budgeted for FY2024. The total cost is projected at $2.6 million including consulting and design fees. The engine will be put into service in mid-2025, and we expect to fully recoup our investment in this equipment in about three years through reductions in diesel fuel expense.

For a complete list of the capital expenditures and budgeted capital items, see page 24. For details about the work involved in our major capital projects at Penn South, see the *Manager's Report* in this booklet.

Assessing the Need for a Maintenance Increase

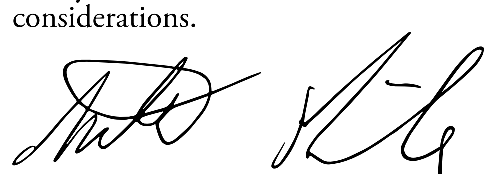
As the Board of Directors evaluates the financial needs of the co-op, we are looking a number of years into the future. This report focuses on income and expenses in FY2023 and our budget for FY2024. However, the need for revenue only increases as we look forward.

The co-op must be prepared to pay for significant capital projects in the near future. To maintain our propery in good repair, we must replace critical parts of our aging infrastructure. We must also comply with local laws that impose new requirements and stricter standards around environmental practices, safety standards, and construction practices. Compliance with such legislation is costly.

We also need to prepare for a decline in First Sales revenue. This is the revenue collected by the co-op the first time an apartment sells at the triple-equity tier. Shareholders who purchased at our original (single) equity or double-equity tiers receive a return of their investment, and the difference in sale price goes to the co-op. Over the past decade this has provided an average of $5.5 million in annual income. We need to be mindful that this is a one-time revenue source that is being depleted.

Every year we undergo a rigorous audit by a major accounting firm. Recently, we expanded the role of our auditors and are tapping them as consultants to evaluate our budget and projected revenue needs. From there, we will determine the amount and timing of maintenance increases.

The Board of Directors is tasked with choosing the appropriate methods for raising the revenue we need, and I can assure you that this Board is sensitive to the fact that many cooperators are also dealing with tight personal budgets. We are committed to meeting our obligations and maintaining good service at Penn South in the most cost-effective manner. With every major decision we face, the interests of cooperators and the long-term affordability of Penn South are at the forefront of our considerations.



Matthew Barile, Treasurer

Cooperative Council

June 2022 to May 2023

Building Representatives June 2022 to May 2023

1	Elizabeth Greenberg Lorraine Miller Shelli Rosen	2A	Margo DePaola Jessica Fortino Kathleen Seward	2B	Judi Cheng Richard Pollak Tom Rosenthal
3A	Judith Dahill Carol Krol	3B	Howard Babich Joseph London Ellen Schapiro	4	David Goodman Maureen E. Melle Jill Stern
5	Rita Cadio Brook Guinn-Darby Jane Hogg	6A	Nancy Kurtz Evelyn Malave Donna Marie Smith	6B	Ray Keane Josh Rogers Helen Rosenberg
7A	Elsa Apestegui Karen Baskett Leathea Vanadore	7B	Michael Bournas-Ney Effie Gang Nathan Kaplan	8A	Mary Citarella Mikhail Kazatskiy Ashton Spann
8B	Lorene Gatson William Schaffner	9	Yolandra Dent-Rivera Tonianne Rossi Jason Crockwell	10	Dena (Tira) Bluestone Patrick Hanafee Dorothy Omanoff Vaghela

The Co-op Council offers shareholders an opportunity to learn, contribute ideas, and educate neighbors about various aspects of life in Penn South. We meet monthly from September to June and are joined by supervisors in the Security and Maintenance departments who present reports and listen to shareholder concerns and suggestions. In our 2022-2023 season, guest speakers included New York State Senator Brad Hoylman-Sigal, New York City Councilmember Erik Bottcher, and Penn South Social Services President Gary Schoichet.

This past year the Co-op Council was active in efforts to stop the Metropolitan Transit Authority (MTA) from building an electrical substation underneath the roadbed of West 28th Street for the Eighth Avenue subway. Many members objected to the choice of this site based on concerns of noise, nuisance, dust, and vibration during construction, as well as ongoing concerns of living nearby this type of infrastructure.

The Co-op Council formed a subcommittee to focus on this issue, which was a focal point for organizing protests and encouraging residents to contact legislators and voice opposition to these plans. These grassroots efforts bolstered measures taken by the Board of Directors, which included a lawsuit. Unfortunately, we were unsuccessful in stopping construction at this location. However, the MTA agreed to provide weekly construction updates, and consultants hired by the co-op evaluated the construction plans and installed monitoring equipment to detect excessive vibrations that could potentially cause structural issues.

The Council also sponsored numerous social gatherings in building lobbies past year. After years without gathering in crowds because of Covid-19, cooperators were eager to reconnect with neighbors they knew, meet new people, and strengthen a sense of community through these events.

We are grateful to the entire co-op staff for their excellent service. Special thanks to Larry O'Neill, Security Director, and John Seemer, Assistant Manager in Charge of Operations, for presenting at our meetings and diligently following up on topics we raise. Many thanks to Administrative Assistant Scarlett Johnson for conducting our elections and overseeing administrative tasks of the Council. We give our appreciation to the Board of Directors for their support. Finally, let me thank my colleagues on the Co-op Council for serving our neighbors throughout the year.

Richard Pollak,
Chair, Co-op Council

Mutual Redevelopment Houses, Inc.

Summary of Income & Expenses

✚

Cash Position

✚

Capital Projects

Actual and Budgteted

Mutual Redevelopment Houses, Inc. **Summary of Income & Expenses**	Actual FY2022	Actual FY2023	Budgeted FY2024
Revenue			
Income from Cooperators			
Net Carrying Charges	$ 27,084,738	$ 27,255,248	$ 27,450,145
Surcharges	4,243,615	5,374,741	5,328,759
Electricity Charges	1,325,322	1,275,464	1,275,000
Tenant-Cooperator Reimbursements - Net	1,393,671	1,140,809	1,140,810
Garage Rents	965,925	943,040	1,018,483
Cable TV Income	573,357	558,061	548,061
Laundry Income	378,000	378,000	378,000
Storage Locker Rentals	289,031	275,904	297,977
Utility-Fuel Passthrough	-	-	1,125,159
Other Tenant-Cooperator Revenue	143,382	222,131	278,515
Total Income from Cooperators	36,397,041	37,423,398	38,840,909
Income from Commercial Tenants			
Stores and Offices	5,546,577	4,489,203	4,481,585
Ground Lease	-	704,788	1,718,829
Garage	561,498	561,498	561,000
Electricity Charges	396,945	362,048	365,000
Real Estate Tax Escalations	238,730	222,725	222,725
Other Commercial Income	324,529	150,733	85,000
Total Income from Commercial Tenants	7,068,279	6,490,995	7,434,139
Interest and Other Income			
Interest Income	239,929	633,904	844,414
Other Income	136,728	83,512	82,065
Total Interest and Other Income	376,657	717,416	926,479
Total Revenue	43,841,977	44,631,809	47,201,528
Expenses			
Labor	8,927,352	9,678,335	10,065,470
Repairs and Maintenance	7,420,924	7,832,469	8,145,766
Payroll Overhead	6,060,271	6,029,939	6,336,700
Real Estate Tax - Net	3,265,282	3,473,207	3,612,134
Utilities	4,570,043	4,325,115	4,932,597
Management and Administrative	4,391,917	4,770,412	4,581,920
Insurance	2,028,962	2,529,387	2,678,384
Cable TV Fee	605,041	559,116	548,061
Other Expenses	701,677	576,320	555,964
Total Expenses	37,971,469	39,774,300	41,456,998
Income Before Other (Charges) and Credits	5,870,508	4,857,509	5,744,530
Other (Charges) and Credits			
Mortgage Interest and Costs	(18,016,270)	(5,358,066)	(5,264,968)
Depreciation	(6,343,394)	(6,569,311)	(6,832,090)
Forgiveness of PPP Loan	2,799,285	-	-
Straightline Rent Adjustment – Ground Lease	-	3,219,785	6,058,399
Loss Before Prior Year Real Estate Tax Abatements & Credits	(15,689,871)	(3,850,083)	(294,129)
Prior Year Real Estate Tax Abatements & Credits	219,811	188,785	150,000
Net (Loss)	$ (15,470,060)	$ (3,661,298)	$ (144,129)

Mutual Redevelopment Houses, Inc. **Cash Position**	Actual FY2022	Actual FY2023	Budgeted FY2024
Cash Flows From Operating Activities			
Net (Loss)	$ (15,470,060)	$ (3,661,298)	$ (144,129)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	6,343,394	6,569,311	6,832,090
Amortization of Debt Premium	(249,781)	(427,098)	(425,397)
Forgiveness of PPP Loan	(2,799,285)	-	-
Amortization of Deferred Mortgage Costs	1,720,183	26,592	26,592
Deferred Rent	(61,519)	(63,711)	(65,761)
Bad Debt Expense	566,664	598,115	700,000
Straightline Rent Adjustment – Ground Lease	-	(3,219,785)	(6,058,399)
Changes in Certain Other Accounts	2,273,890	(1,962,226)	-
Net Cash Provided (Used) by Operating Activities	(7,676,514)	(2,140,100)	864,996
Cash Flows (Used) by Investing Activities			
Purchase of Property, Plant and Equipment	(6,485,273)	(11,699,260)	(8,893,101)
Net redemptions (purchases) of U.S. Treasury Notes	(3,443,041)	1,455,346	-
Net Cash (Used) by Investing Activities	(9,928,314)	(10,243,914)	(8,893,101)
Cash Flows From Financing Activities			
Proceeds from Mortgage Refinancing	188,680,018	-	-
Repayment of Previous Mortgage	(173,501,959)	-	-
Principal Payments of Mortgages	(3,056,562)	(3,253,065)	(3,341,253)
Refinancing Costs on Mortgage	(593,195)	-	-
Additional Paid-in Capital for First Sales	6,535,572	8,209,525	6,500,000
Net (Repayment) from Issuance of Income Debentures	(37,500)	(44,700)	(45,000)
Net Cash Provided by Financing Activities	18,026,374	4,911,760	3,113,747
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	421,546	(7,472,254)	(4,914,357)
Cash and Cash Equivalents and Restricted Cash Beginning of Year	38,327,062	38,748,608	31,276,354
Cash and Cash Equivalents and Restricted Cash End of Year	$ 38,748,608	$ 31,276,354	$ 26,361,997

The following table provides a reconciliation of cash and cash equivalents and restricted cash within the balance sheets that sum to the total of the same amounts shown on the statements of cash flows:

Cash and Cash Equivalents	4,329,808	6,465,666	7,983,261
Restricted Cash			
Replacement and other reserves	25,471,252	15,435,427	8,973,841
General Operating Reserve	6,356,021	8,080,439	9,045,539
Mortgage Escrow Deposits	2,591,527	347,543	354,356
Ground Lease Deposit Account	-	947,279	5,000
	$ 38,748,608	$ 31,276,354	$ 26,361,997

Note to Cash Position

On page 32 of the FY23 Audited Financial Statements, Statement of Cash Flows, the line item *"cash and cash equivalents and restricted cash — end of year*" is listed as $13,944,607. Without context, this could cause confusion. Accounting standards require our auditors to exclude U.S Treasury notes and certificates of deposit (CDs) from this number, even though Treasuries and CDs can be converted to cash when needed. As of June 30, 2023, Mutual Redevelopment Houses held $17,331,747 in Treasuries and CDs in our *Restricted Reserve for Replacement and General Operating Reserve* accounts.

On page 22, Cash Position — Audited and Budgeted, we have chosen to include Treasuries and CDs as part of "Cash and Cash Equivalents and Restricted Cash " to more accurately represent our liquidity position of $31,276,354 (end of year). We have consulted with our auditors and they have no objections to us presenting the information in this manner. (Note that the Treasuries and CDs appear on our Balance Sheets on page 28).

Mutual Redevelopment Houses, Inc. **Capital Projects**	Actual FY2022	Actual FY2023	Budgeted FY2024
Façade Repairs	2,687,224	4,384,813	1,356,261
Apartment Circuit Breaker Panel Replacement	533,923	610,571	0
Residential Ventilation System Upgrade	12,744	0	0
Door Lock Monitoring System	0	0	0
ADA Access for Garage	0	53,384	0
Concrete Sidewalk and Pathway Replacements	0	103,935	400,000
Site Drainage - Rear of Bldg. 8	0	62,025	0
Terrace Pavers (19th Floor)	0	84,640	200,000
Motion Sensor Light Fixtures Entryways & Lawns	0	0	0
New Green Space - West 25th St.	0	27,359	0
Roof Replacement - Bldgs. 2, 3, 8, & 10	463,575	3,497,684	174,405
Apartment Roof Fans	0	0	100,000
General Building Improvements	1,211,310	401,327	580,600
Management Office Renovation & Expansion	0	0	0
Computers and Software	159,841	134,388	50,000
Gas Piping Replacement - Local Law 152/2016	0	39,701	1,089,435
Youth Room Renovation	0	88,624	0
HVAC Project Settlement Funds	(260,752)	0	0
Domestic Hot Water Upgrades		421,618	780,000
Bldg. 3 Sewer Pipe Replacement	0	0	490,000
Underground Utility Pipe Replacement	1,646,290	1,719,169	1,600,000
23rd St. Theater Roof Replacement (Lease Obligation)	0	0	150,000
Comm. Bldg. #3 Upgrades	0	0	442,400
Comm. Bldg. #5 Underground Standpipe Replacement	0	2,713	0
Electrical Meter Room Upgrade for Comm. Bldgs. 1 & 3	5,000	667	480,000
Gardening Heavy Equipment	0	0	0
Powerhouse New Gas Engine	26,118	66,641	1,000,000
Total Capital Improvements	**$ 6,485,273**	**$ 11,699,260**	**$ 8,893,101**

Notes to Capital Projects:

1. The numbers budgeted above for the Fiscal Year Ending June 30, 2024 (FY2024) include proposed HUD-required capital improvements that will be funded from our Reserve for Replacement account.
2. We have consolidated a number of line items, and as a result the capital categories & associated amounts in FY22 will differ from last year's report.

Mutual Redevelopment Houses, Inc.

Audited Financial Statements and Supplemental Schedules

for the years ended
June 30, 2023 and June 30, 2022

Independent Auditors' Report

The Board of Directors
Mutual Redevelopment Houses, Inc.

Opinion

We have audited the accompanying financial statements of Mutual Redevelopment Houses, Inc., (the "Corporation"), which comprise the balance sheets as of June 30, 2023 and 2022, 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 Mutual Redevelopment Houses, Inc. as of June 30, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mutual Redevelopment Houses, 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.

Change in Accounting Principle

As discussed in note 2 to the financial statements, the Corporation changed its method of accounting for leases effective July 1, 2022 due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842). As a result of the adoption of Topic 842, the Corporation recognized a cumulative effect adjustment which resulted in a decrease in accumulated (deficit) of $947,388 at July 1, 2022. Our opinion is not modified with respect to this change in accounting principle.

Emphasis of Matter

As discussed in note 14, Mutual Redevelopment Houses, Inc. has omitted information about the estimates of future cost of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the 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 is not modified with respect to the missing information.

PKF O'CONNOR DAVIES, LLP
245 Park Avenue, New York, NY 10167 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

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 Mutual Redevelopment Houses, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, misrepresentation, 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 Mutual Redevelopment Houses, 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 Mutual Redevelopment Houses, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

September 27, 2023

Mutual Redevelopment Houses, Inc.

Balance Sheets

	June 30	
	2023	2022
ASSETS		
Property, Plant and Equipment (notes 2 and 3)		
Land	$ 5,809,973	$ 5,809,973
Buildings and improvements	306,296,491	294,731,619
Power/co-generation plant	21,301,736	21,301,736
Furniture and equipment	2,129,968	1,995,580
Total Property, Plant and Equipment	335,538,168	323,838,908
Less: Accumulated depreciation	(137,646,202)	(131,076,891)
Net Property, Plant and Equipment	197,891,966	192,762,017
Cash and cash equivalents (note 2)	6,465,666	4,329,808
Receivables		
Tenant-Cooperators		
Regular, less allowance for possible losses of $736,124 in 2023 and $567,463 in 2022	3,722,157	4,745,599
Commercial tenants		
Less allowance for possible losses of $0 in 2023 and $212,076 in 2022	53,749	293,401
Net Receivables	3,775,906	5,039,000
Restricted Assets		
Replacement and other reserves (note 5)	15,435,427	25,471,252
General operating reserve (note 5)	8,080,439	6,356,021
Mortgage escrow deposits (note 5)	347,543	2,591,527
Ground lease deposit account (note 11)	947,279	-
Total Restricted Assets	24,810,688	34,418,800
Other Assets		
Investment in U.S. Treasury Note (note 2)	1,987,695	3,443,041
Prepaid expenses and other (note 17)	6,018,932	2,200,412
Deferred rent asset - ground lease (note 2)	3,219,785	-
Commercial security deposits	798,707	837,759
Escrow deposit with The City of New York	65,800	65,800
Total Other Assets	12,090,919	6,547,012
Total Assets	$ 245,035,145	$ 243,096,637

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Balance Sheets

	June 30	
	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgage loans payable, net (notes 4 and 5)	$ 197,620,164	$ 201,273,735
New York City Council Capital Grant/8-A Loan (note 5)	5,000,000	5,000,000
Income debentures payable (note 8)	1,909,074	1,953,774
Debenture interest payable	2,341,592	2,304,866
Accounts payable and accrued expenses	5,773,728	5,495,492
Accrued mortgage and loan interest payable	403,768	410,957
Deferred rent (note 7)	633,684	697,395
Carrying charges and rents received in advance	687,171	829,861
Prepaid ground rent (note 11)	1,995,212	-
Commercial security and applicants deposits	1,349,608	1,410,252
Total Liabilities	217,714,001	219,376,332
Shareholders' Equity		
Capital stock - $100 par value - 140,000 shares authorized, 139,193.35 shares issued and outstanding	13,919,335	13,919,335
Additional paid-in capital	127,104,780	118,895,255
Accumulated deficit	(113,702,971)	(109,094,285)
Total Shareholders' Equity	27,321,144	23,720,305
Total Liabilities and Shareholders' Equity	$ 245,035,145	$ 243,096,637

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Operations

	Years Ended June 30 2023	Years Ended June 30 2022
REVENUE		
Income from Cooperators		
Net carrying charges (note 18)	$ 27,255,248	$ 27,084,738
Surcharges (note 10)	5,374,741	4,243,615
Electricity charges	1,275,464	1,325,322
Tenant-cooperator reimbursements (note 19)	1,140,809	1,393,671
Garage rents	943,040	965,925
Cable TV income	558,061	573,357
Laundry income	378,000	378,000
Storage locker rentals	275,904	289,031
Other tenant-cooperator revenue (note 20)	222,131	143,382
Total Income from Cooperators	37,423,398	36,397,041
Income from Commercial and Ground Tenants		
Stores and office (note 11)	4,489,203	5,546,577
Ground lease (note 11)	704,788	-
Garage	561,498	561,498
Electricity charges	362,048	396,945
Real estate tax escalations	222,725	238,730
Other commercial income (note 21)	150,733	324,529
Total Income from Commercial Tenants	6,490,995	7,068,279
Interest and Other Income		
Interest income	633,904	239,929
Other income (note 22)	83,512	136,728
Total Interest and Other Income	717,416	376,657
Total Revenue	44,631,809	43,841,977
EXPENSES		
Labor (note 24)	9,678,335	8,927,352
Repairs and maintenance (note 23)	7,832,469	7,420,924
Payroll overhead (note 25)	6,029,939	6,060,271
Real estate tax - net (note 13)	3,473,207	3,265,282
Utilities (note 26)	4,325,115	4,570,043
Management and administrative (note 27)	4,770,412	4,391,917
Insurance	2,529,387	2,028,962
Cable TV fee	559,116	605,041
Other expenses (note 28)	576,320	701,677
Total Expenses	39,774,300	37,971,469
Income before Other (Charges) and Credits	4,857,509	5,870,508
Other (Charges) and Credits		
Mortgage interest and costs (notes 5 and 29)	(5,358,066)	(18,016,270)
Depreciation (note 2)	(6,569,311)	(6,343,394)
Straight-line rent adjustment - ground lease (note 2)	3,219,785	-
Forgiveness of Paycheck Protection Program loan (note 30)	-	2,799,285
Loss before Prior Years' Real Estate Tax Abatements and Credits	(3,850,083)	(15,689,871)
Prior years' real estate tax abatements and credits (note 13)	188,785	219,811
Net Loss	$ (3,661,298)	$ (15,470,060)

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Changes in Shareholders' Equity
For the Years Ended June 30, 2023 and 2022

	Capital Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
June 30, 2021	139,193	$ 13,919,335	$ 112,359,683	$ (93,624,225)	$ 32,654,793
Changes in:					
Additional paid-in capital					
(First sale)	-	-	6,535,572	-	6,535,572
Net loss	-	-	-	(15,470,060)	(15,470,060)
June 30, 2022	139,193	13,919,335	118,895,255	(109,094,285)	23,720,305
Cumulative effect adjustment (note 2)	-	-	-	(947,388)	(947,388)
Changes in:					
Additional paid-in capital					
(First sale)	-	-	8,209,525	-	8,209,525
Net loss	-	-	-	(3,661,298)	(3,661,298)
June 30, 2023	139,193	$ 13,919,335	$ 127,104,780	$ (113,702,971)	$ 27,321,144

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Cash Flows

	Years Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,661,298)	$ (15,470,060)
Adjustments to reconcile net loss to net cash (used) by operating activities		
Depreciation	6,569,311	6,343,394
Amortization of debt premium	(427,098)	(249,781)
Forgiveness of Paycheck Protection Program loan	-	(2,799,285)
Amortization of deferred mortgage costs	26,592	1,720,183
Deferred rent	(63,711)	(61,519)
Bad debt expense	598,115	566,664
Straight-line rent adjustment - ground lease	(3,219,785)	-
Changes in certain other accounts		
Receivables	664,979	(908,887)
Prepaid expenses and other	(4,765,908)	1,509,383
Commercial security and applicant deposits	(21,592)	(4,732)
Accounts payable and accrued expenses	278,236	1,546,662
Accrued mortgage and loan interest payable	(7,189)	(59,775)
Debenture interest payable	36,726	50,262
Carrying charges and rents received in advance	(142,690)	140,977
Prepaid ground rent	1,995,212	-
Net Cash (Used) by Operating Activities	(2,140,100)	(7,676,514)
CASH FLOWS FROM BY INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,699,260)	(6,485,273)
Net redemptions (purchases) of certificates of deposit	(287,000)	1,537,000
Net redemptions (purchases) of U.S. Treasury Notes	6,086,950	(16,870,712)
Net Cash (Used) by Investing Activities	(5,899,310)	(21,818,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage refinancing	-	188,680,018
Repayment of previous mortgage	-	(173,501,959)
Principal payments of mortgages	(3,253,065)	(3,056,562)
Refinancing costs on mortgage	-	(593,195)
Additional paid-in capital for first sales	8,209,525	6,535,572
Net (repayment) from issuance of income debentures	(44,700)	(37,500)
Net Cash Provided by Financing Activities	4,911,760	18,026,374
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	(3,127,650)	(11,469,125)
Cash and cash equivalents and restricted cash - beginning of year	17,072,257	28,541,382
Cash and cash equivalents and restricted cash - end of year	$ 13,944,607	$ 17,072,257

The following table provides a reconciliation of cash and cash equivalents and restricted cash within the balance sheets that sum to the total of the same amounts shown on the statements of cash flows:

	2023	2022
Cash and cash equivalents	$ 6,465,666	$ 4,329,808
Restricted Cash		
Replacement and other reserves (notes 2 and 5)	4,789,969	9,508,022
General operating reserve (notes 2 and 5)	1,394,150	642,900
Mortgage escrow deposits	347,543	2,591,527
Ground lease deposit account	947,279	-
	$ 13,944,607	$ 17,072,257
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 5,122,175	$ 18,397,179

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization

Mutual Redevelopment Houses, Inc. (the "Corporation") which began operations in May 1962, owns and operates, on a cooperative basis, an apartment complex consisting of ten residential buildings with 2,820 apartments, commercial buildings with retail and office tenants and a garage in the Borough of Manhattan, in the City of New York. Certain aspects of the Corporation's operations are regulated by New York City Housing Preservation and Development pursuant to provisions of Article 5 of the New York State Private Housing Finance Law.

On November 30, 2021, the Corporation refinanced its mortgage (see Note 5) under Sections 207/223(f) of the National Housing Act. In connection with the refinancing, certain operating policies of the Corporation are supervised by the U.S. Department of Housing and Urban Development ("HUD") in accordance with its regulatory agreement.

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

The Corporation prepares its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP 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. Accordingly, actual results could differ from those estimates.

Property, Plant and Equipment

Land, buildings, furniture and equipment and power/co-generation plant are recorded at historical cost. Depreciation for buildings and improvements, the power/co-generation plant and furniture and equipment is computed on the straight-line method, based on estimated lives ranging from 5 to 40 years.

Repair and maintenance costs are expensed as incurred.

Amortization

Deferred mortgage costs are being amortized using a method which approximates the effective interest method over the term of the mortgage loans. The Corporation follows U.S. GAAP guidance which requires mortgage loans payable to be presented net of unamortized deferred mortgage costs. In addition, amortization of deferred mortgage costs is reported as a component of mortgage interest and costs on the accompanying statements of operations.

2. Significant Accounting Policies *(continued)*

Change in Accounting Principle

Effective July 1, 2022, the Corporation adopted the provisions of Accounting Standards Update ("ASU") No. 2016-02 ("Topic 842") which replaces the previous lease accounting guidance under Topic 840. Topic 842 applies to the Corporation as a lessor. The Corporation has determined that all of its leases with its tenants are operating leases. The Corporation adopted Topic 842 using the modified retrospective approach and elected all practical expedient provisions. As a result of the practical expedient election, the Corporation was not required to reassess whether any expired contracts or contracts that existed as of July 1, 2022 are or contain leases or reassess the lease classification and indirect costs for such contracts. Further, the Corporation elected the practical expedient to account for both its lease and non-lease components as a combined single lease component and elected the optional transition method permitting July 1, 2022 to be its initial application date.

As discussed in note 11, during fiscal 2023, the Corporation entered into a ground lease agreement with a new tenant. Although this lease was not executed prior to the Corporation's adoption of Topic 842 on July 1, 2022, the Corporation incurred legal and other costs in connection with the ground lease prior to fiscal 2023 totaling $947,388 which were deferred in accordance with Topic 840. Under the provisions of Topic 842, legal and other costs incurred prior to the closing of a lease are no longer defined as initial direct costs to be deferred and therefore, such costs are now expensed as incurred. As a result of the Corporation's adoption of Topic 842, the Corporation recognized a cumulative-effect adjustment in accumulated (deficit) totaling $947,388 to reflect the prior years' ground lease costs as expensed using the modified retrospective approach.

Revenue Recognition

The Corporation recognizes revenue in accordance with ASC Topic 606 "Revenue from Contracts with Customers (ASC 606)". The core principal of which is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. Under this guidance, an entity identifies its performance obligations and recognizes revenue as performance obligations are satisfied. The Corporation considers its performance obligation to members as providing maintenance services, including major repairs and replacements, to common areas.

Therefore, carrying charges, assessments and other operating revenues will continue to be reported as revenue when due and payable.

2. Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

The Corporation's revenue is derived primarily from the collection of carrying charges and other resident shareholder charges related to operating the housing cooperative. Revenue is recognized on an accrual basis in accordance with resident shareholder agreements. The Corporation considers its performance obligation to members as providing maintenance services, including major repairs and replacements, to common areas, and revenue is recognized when due and payable. Revenue from commercial tenants is recognized on a monthly basis based upon annual minimum rent as specified in the lease terms. Garage revenue is recognized monthly based on specified parking rates charged to tenants. Tenant-cooperators are subject to monthly assessments to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Effective July 1, 2022, monthly carrying charges were increased by 1%. Effective July 1, 2023, carrying charges were again increased by an additional 1%.

Revenue from commercial store tenants is recognized on a monthly basis based upon annual minimum rent as specified in the lease terms.

Revenue from the Corporation's ground lease (see note 11) is recognized on a straight-line basis in accordance with Topic 842. The effect of applying the straight-line basis resulted in an increase in the ground lease rent revenue of $3,219,785 during fiscal 2023 for financial reporting purposes.

Total accounts receivable, net of allowance for doubtful accounts, as of July 1, 2021 totaled $4,696,777 which was deemed collectible by management. As of July 1, 2021, carrying charges and rents received in advance totaled $688,884.

Cash and Cash Equivalents and Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions. At June 30, 2023 and 2022, deposits were held by four financial institutions and were insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times cash balances may exceed the FDIC limit. As of June 30, 2023 and June 30, 2022, the Corporation's uninsured cash and restricted cash on deposit totaled approximately $15,293,000 and $16,367,000, respectively.

Accounts Receivable and Allowance for Possible Losses

Accounts receivable are recorded at net realizable value representing the carrying amount less allowance for possible losses. The Corporation uses the allowance method to account for uncollectible accounts receivable. Under the allowance method, an estimate of uncollectible receivable amounts is made based on historical experience and review of accounts receivable. The allowance for possible losses is established through a provision for bad debts charged as a reduction to gross carrying charges. Accounts receivable are charged against an allowance for possible losses when management believes that collectability is unlikely. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

2. Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Corporation follows the accounting guidance for uncertainty in income taxes which provides a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Using this guidance, an entity may recognize and measure the tax benefit from an uncertain tax position in its financial statements only if it is more-likely-than-not (i.e., a likelihood of more than 50%) that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management believes the Corporation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2023 and 2022.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of the asset to aggregate future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of fair value less costs to sell. There was no such impairment for the years ended June 30, 2023 and 2022.

Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received from an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes the following three levels of inputs that are used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Corporation’s investments (consisting of Treasury notes, Treasury bills and certificates of deposits) are stated at fair value based on Level 2 inputs and are included in restricted assets in the accompanying balance sheets.

2. Significant Accounting Policies *(continued)*

Amounts Collected for Penn South Groups and Clubs

The Corporation offers programs which benefit the community. Amounts held on behalf of these programs have been reported as liabilities on the balance sheets since they are dues collected and payable to each group and club and not revenue to the Corporation. Any expenses paid on behalf to these groups and clubs will reduce the amount due to their respective activities. Amounts payable to (receivable from) groups and clubs were as follows:

	June 30	
	2023	2022
Gym	$ 166,419	$ 251,326
Ceramics Studio	60,833	64,050
Woodworkers Club	16,609	23,794
Jeff Dullea Intergenerational Garden	11,957	12,086
Toddler Committee (includes Toddler Playroom)	4,224	3,843
Parents Committee (includes Youth Room)	(158)	4,830
	$ 259,884	$ 359,929

The balance of amounts collected for Penn South Groups and Clubs is included in accounts payable and accrued expenses in the accompanying balance sheets.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is September 27, 2023.

Reclassification

The June 30, 2022 and 2021 balances of investments in U.S. Treasury securities and certificates of deposit included in the replacement and other reserves and the general operating reserve totaling $21,676,351 and $9,785,680, respectively, which were originally included in the cash, cash equivalents and restricted cash balances in the fiscal 2022 statement of cash flows have been reclassified to conform to the fiscal 2023 presentation. The June 30, 2023 balances of investments in U.S Treasury securities and certificates of deposit included in the replacement and other reserves and the general operating reserve totaling $17,331,747 are not reflected in the ending cash, cash equivalents and restricted cash balances in the accompanying fiscal 2023 statement of cash flows.

3. Property, Plant and Equipment

The Corporation's property, plant and equipment consists of the following as of June 30:

	2023	2022
Land, at cost	$ 5,809,973	$ 5,809,973
Buildings and improvements, at cost, less accumulated depreciation of $118,529,058 in 2023 and $112,404,423 in 2022	187,677,238	182,327,196
Power/co-generation plant, at cost, less accumulated depreciation of $17,364,085 in 2023 and $17,182,986 in 2022	3,937,651	4,118,750
Furniture and equipment, at cost, less accumulated depreciation of $1,753,059 in 2023 and $1,489,482 in 2022	467,104	506,098
	$ 197,891,966	$ 192,762,017

4. Mortgage Costs

The Corporation's mortgage loans payable (see note 5) are presented net of unamortized deferred mortgage costs of $887,844 and $914,436 at June 30, 2023 and 2022, respectively. Amortization expense for the years ended June 30, 2023 and 2022 amounted to $26,592 and $1,720,183 (including loan modification charges of $1,700,998), respectively, and is reflected in mortgage interest and costs in the accompanying statements of operations.

Mortgage costs are as follows:

	June 30	
	2023	2022
Mortgage costs	$ 958,725	$ 958,725
Less accumulated amortization	70,881	44,289
Mortgage costs, net	$ 887,844	$ 914,436

5. Mortgages Payable

The Corporation's mortgage agreement (the "HUD Loan") with Wells Fargo Bank, N.A. ("Wells Fargo") is insured by HUD. The Corporation's previous HUD Loan accrued interest at a rate of 3.23% per annum, required monthly payments of $745,876 per month and was scheduled to mature on May 1, 2052.

5. Mortgages Payable *(continued)*

On November 30, 2021, the Corporation refinanced its HUD Loan with Wells Fargo with a principal amount of $178,269,900. The mortgage will mature on December 1, 2056, and requires monthly payments of principal and interest of $665,351 based on a 420 month amortization schedule with a 2.79% rate of interest per annum. The new HUD Loan is collaterized by the underlying property and any improvements thereon. As of June 30, 2023 and June 30, 2022, the outstanding principal balance on the new HUD Loan was $173,663,824 and $176,755,884, respectively.

In connection with the mortgage refinancing, the Corporation incurred a $10,410,118 prepayment penalty at closing which is reflected in mortgage interest and costs in the accompanying fiscal 2022 statement of operations. Since the amount of the prepayment penalty exceeded the amount of the net proceeds the Corporation would have received from the mortgage refinancing, Wells Fargo provided the Corporation with excess proceeds equal to the amount of the prepayment penalty, which resulted in the issuance of a debt premium at an above market coupon interest rate of 2.79%. The debt premium liability of $10,410,118 is being amortized over the term of the HUD Loan under the effective interest method with an effective interest rate of 2.41%. The unamortized balance of the debt premium was $9,733,239 and $10,160,337 as of June 30, 2023 and June 30, 2022, respectively and is included in mortgage loans payable in the accompanying balance sheets. The amortization of the mortgage premium for the years ended June 30, 2023 and June 30, 2022 totaled $427,098 and $249,781, respectively which has been reflected as a reduction of mortgage interest costs in the accompanying statements of operations.

The remaining principal balance of the HUD Loan may be prepaid in whole or in part with prior written notice and subject to a prepayment premium in accordance with mortgage loan agreement.

The Corporation is required to pay an annual mortgage insurance premium (“MIP”) to HUD equal to 0.35% of the outstanding principal balance on each anniversary date. In accordance with the HUD Loan, the Corporation was required to make deposits with the lender into a reserve account including an initial replacement reserve deposit in the amount of $23,085,000 which is to be used to fund approved capital projects, a litigation holdback deposit of $1,175,523 pursuant to the terms of an escrow agreement and a $133,450 non-critical repair escrow deposit. During fiscal 2023, the litigation holdback deposit was remitted to the Corporation. In addition, the Corporation is required to make monthly contributions of $141,000 of replacement reserve deposits to the reserve account for the initial year, after which the amount is adjusted.

5. Mortgages Payable *(continued)*

The balance of the replacement and other reserves as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Cash and cash equivalents	$ 4,789,969	$ 9,508,022
U.S. Treasury securities	9,682,458	15,297,230
Certificates of deposit - FDIC Insured	963,000	666,000
Total	$ 15,435,427	$ 25,471,252

As of June 30, 2023, the Treasury notes and bills in the replacement reserve have various yield rates ranging from 0.125% to 2.625% and mature between July 2023 and December 2023. Certificates of deposits yield between 2.15% and 2.2% and mature at various dates ranging from July 2023 and July 2024. As of June 30, 2022, the Treasury notes and bills have various yield rates ranging from .20% to 2.55% and mature between July 2022 and 2023. Certificates of deposits yield between 1.9% and 3.15% and mature at various dates ranging from July 2022 and 2024. Interest earned on the Corporation’s investments reflected in the reserves was $279,989 and $167,176 for the years ended June 30, 2023 and 2022, respectively. All the requisitions are subject to approval and verification by Wells Fargo and HUD. HUD reserves the right to inspect the progress and quality of work performed on capital projects.

The Corporation makes monthly contributions equal to 2% of carrying charges into a general operating reserve (“GOR”) account.

The balance of the GOR as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Cash and cash equivalents	$ 1,394,150	$ 642,900
U.S. Treasury securities	6,686,289	5,713,121
Total	$ 8,080,439	$ 6,356,021

As of June 30, 2023, the Treasury bills have various yield rates ranging from 0.5% to 1.375% and mature between July and August 2023. As of June 30, 2022, the Treasury bills have various yield rates ranging from .96% to 2.55% and mature between November 30, 2021 and 2022. Interest earned on these investments was $64,955 and $36,201 for the years ended June 30, 2023 and 2022, respectively.

5. Mortgages Payable *(continued)*

The Corporation is also required to make monthly escrow deposits with Wells Fargo. Such amounts are determined by Wells Fargo to ensure sufficient funds are available to pay insurance and MIP. As of June 30, 2023 and 2022, the balance in the escrow deposit accounts totaled $347,543 and $2,591,527, respectively, and consist of cash equivalents.

The Corporation's property is also subject to a second mortgage with New York City Housing Development Corporation (the "HDC Loan"). The second mortgage is collateralized by the Corporation's land and buildings and interest is charged at 1.0% per annum. The HDC Loan has a maturity date of July 1, 2041. Payments will be made from surplus cash, as defined. The HDC Loan requires an advance payment of $312,984 on January 1, 2024. At June 30, 2023 and 2022, the outstanding principal was $15,110,945 and $15,271,950, respectively.

Estimated annual principal mortgage payments for the next five years and thereafter are as follows:

For the Year Ending June 30	HUD Loan	HDC Loan	Total
2024	$ 3,179,441	$ 162,623	$ 3,342,064
2025	3,269,290	164,256	3,433,546
2026	3,361,679	165,906	3,527,585
2027	3,456,679	166,737	3,623,416
2028	3,554,363	169,256	3,723,619
Thereafter	156,842,372	14,282,167	171,124,539
	$ 173,663,824	$ 15,110,945	$ 188,774,769

The mortgage loans payable are summarized in the table below at June 30:

	2023	2022
HUD Loan	$ 173,663,824	$176,755,884
HDC Loan	15,110,945	15,271,950
	188,774,769	192,027,834
Plus unamortized debt premium	9,733,239	10,160,337
Less unamortized deferred mortgage costs	(887,844)	(914,436)
	$ 197,620,164	$ 201,273,735

In 2011, the Corporation applied to the New York City Council and obtained a Capital Grant/8-A Loan in the sum of $5,000,000, structured as no-interest, non-repayable, and self-evaporating loan starting in 2028.

6. Labor Concentration and Employee Benefits

A significant portion of the Corporation's direct labor is supplied by union employees, who are covered by collective bargaining agreements which expire during various dates through 2026. The Corporation contributes to the Building Service 32B-32J Pension Fund (“32BJ Pension Plan”), Local 94 Central Pension Fund ("94 Pension Plan") and Local 153 Pension Plan ("153 Pension Plan"). All plans are multi-employer, non-contributory defined benefit pension plans. The 32BJ Pension Plan, 94 Pension Plan, and 153 Pension Plan provide retirement benefits to eligible participants who are covered by their respective collective bargaining agreements. The 32BJ Pension Plan, 94 Pension Plan, and 153 Pension Plan are administered by separate Boards of Trustees. The 32BJ Pension Plan, 94 Pension Plan, and 153 Pension Plan are subject to the provisions of Employee Retirement Income Security Act of 1974.

The risks of participating in multi-employer pension plans are different from single-employer plans in that: assets contributed to a 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; and if the Corporation stops participating in the multi-employer plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Corporation has no plans to withdraw. The zone status is based on information obtained from the individual plans and certified by the plan actuaries. Under the Pension Protection Act of 2006 (“PPA”) plans in the green zone are generally more than 80% funded, plans in the yellow zone are generally less than 80% funded but more than 65% funded, and plans in the red zone are generally less than 65% funded, among other factors.

The 32BJ Plan is a multiemployer, non-contributory defined benefit pension plan that reports on a fiscal year from July 1 to June 30 and operates under employer identification number 13-1879376. Separate actuarial information regarding such plan is not made available to the contributing employers by the union administrators or trustees since the plan does not maintain separate records for each reporting unit. According to the latest available information, as of July 1, 2022, the 32BJ Plan was in endangered status (yellow zone) under the PPA. The 32BJ Plan trustees have implemented a rehabilitation plan consistent with this requirement. A 32BJ Health Plan is also maintained which provides health and other benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements and operates under employer identification number 13-2928869.

The Corporation’s contributions to the 32BJ Pension Plan totaled approximately $509,000 and $536,000 and to the Health Plan totaled approximately $1,747,000 and $1,854,000 for the years ended June 30, 2023 and 2022, respectively.

The 94 Pension Plan is a multiemployer, non-contributory defined benefit pension plan that reports on a fiscal year ending January 31 and operates under employer identification number 36-6052390. According to the latest available information for the plan year beginning February 1, 2022, the 94 Pension Plan is not in endangered or critical status (green zone) under the PPA. The Corporation’s pension contributions to 94 Pension Plan amounted to $421,314 and $412,893 for the years ended June 30, 2023 and 2022, respectively.

6. Labor Concentration and Employer Benefits *(continued)*

The 153 Pension Plan is a multiemployer, non-contributory defined benefit pension plan that reports on a calendar year and operates under employer identification number 13-2864289. According to the latest available information for the plan year beginning January 1, 2022, the 153 Pension Plan is not in critical status (green zone) under the PPA. The Corporation's pension contributions to 153 Plan amounted to $12,859 and $10,634 for the years ended June 30, 2023 and 2022, respectively.

Investment securities held by the multiemployer pension plans, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because the value of the multiemployer pension plans' investments may continue to fluctuate in response to changing market conditions, such changes may have a material impact on the Corporation's required future contributions to the multiemployer pension plans.

None of the employer contributions to the aforementioned pension plans exceeded more than 5% of the total contributions made to the plans by all contributing employers.

The Corporation maintains a 401(k) savings plan (the "401(k) Plan") for eligible employees, as defined. Under the 401(k) Plan, eligible employees may elect to defer a percentage of their covered compensation subject to limitations. The Corporation made contributions of $210,795 and $176,929 to the 401(k) Plan for the years ended June 30, 2023 and 2022, respectively.

7. Deferred Rent

During 2000 and 2001, the garage tenant advanced the Corporation $800,000, as additional rent which, together with imputed interest at 6.65% per annum, will be recognized as revenue over the life of the lease expiring 2031. In addition, during fiscal 2018, the garage tenant advanced an additional $413,808 to the Corporation which amount is also being recognized as revenue over the life of the lease. As of June 30, 2023 and 2022, deferred garage rent totaled $633,684 and $697,395, respectively.

8. Income Debentures

The Corporation issues income debentures which mature ten years from the date of issuance and earn interest at 4% per annum, then renew annually. The interest is payable on January 1 of each year if the Corporation has sufficient accumulated earnings (as defined in the debenture agreement) as of the previous June 30, and, in the absence of accumulated earnings, all unpaid accumulated interest is payable when the income debenture matures. To date, the Corporation has not had accumulated earnings.

Income tenant cooperators were required to purchase income debentures equal to $200 per room. The Corporation suspended the issuance of new income debentures on November 17, 2020.

The Corporation has requested that the income debentures not be presented for redemption on their maturity dates. Income debentures which are retained after maturity are due on demand and continue to accrue interest, which is payable upon redemption of the income debenture.

8. Income Debentures (*continued)*

The scheduled maturities of principal balances of the debentures are as follows:

For the Year Ending June 30	
Due on Demand	$ 1,533,325
2024	58,800
2025	66,800
2026	55,700
2027	67,800
2028	45,100
Thereafter	81,549
	$ 1,909,074

9. Additional Paid-In Capital/Related Transactions

As a result of increases in the required equity payments due from incoming tenant cooperators over the amount due to outgoing tenant cooperators, the amount collected from the incoming tenant cooperator is generally greater than the amount paid to the outgoing tenant cooperator. The difference is remitted to the Corporation and is recorded as an increase in shareholders' equity.

10. Surcharges

Surcharges for a calendar year are payable by the tenant-cooperators in twelve equal monthly installments beginning in July of each year. Income from surcharges for the years ended June 30, 2023 and June 30, 2022 were $5,374,741 and $4,243,615, respectively.

In anticipation of increasing utility costs, the Corporation approved an additional fuel surcharge be billed to the tenant-cooperators over a twelve month period commencing July 1, 2023 at a monthly rate of $8.27 per room.

11. Commercial and Ground Leases

The Corporation leases its commercial space at varying rents and expiration dates. The lease terms expire in various years through 2034. Certain leases provide for rent escalations for real estate taxes.

11. Commercial and Ground Leases *(continued)*

During December 2022, the Corporation entered into a ground lease agreement with a new tenant to lease the premises located on 335 Eighth Avenue. The ground lease is set to expire in December 2121 and provides for monthly payments of rent to the Corporation subject to annual increases of a minimum of 2% effective January 1, 2024. On the 26th, 51st and 76th year of the ground lease, the annual rent will be subject to an annual increase equal to the greater of 19% of average Effective Gross Revenue, as defined, and an annual increase of 2% from the immediate previous year. In accordance with the agreement, the ground lease tenant was required to remit to the Corporation advance rent payments totaling $5,579,658 of which $1,200,000 was paid at the closing of the ground lease, $1,500,000 was paid during fiscal 2023 and the remaining $2,879,658 is to be paid in September 2023. As of June 30, 2023, the balance of unapplied prepaid ground rent totaled $1,995,212 which has been reflected in the accompanying fiscal 2023 balance sheet. In connection with the ground lease agreement, the Corporation was required to open a new deposit account to be maintained by Wells Fargo, the Corporation's mortgagee, in which the ground lease payments would be deposited and then subsequently deposited into the Corporation's lockbox account, leaving a minimum required balance of $5,000. The balance of this account as of June 30, 2023 totaled $947,279.

Minimum annual rents to be received over the term of the commercial and ground leases, without regard to any real estate tax escalations, are as follows:

For the Year Ending June 30	Commercial Store Leases	Ground Lease	
2024	$ 4,351,285	$ 1,718,829	
2025	3,878,764	2,121,000	
2026	3,938,631	2,163,420	
2027	3,791,041	2,206,689	
2028	2,463,196	2,250,823	
Thereafter	7,099,301	758,815,960	
	$ 25,522,218	$ 769,276,721	(*)

(*) The total future rent of the ground lease noted above assumes a minimum 2% increase through the end of the lease.

The above future minimum lease payments reflect lease agreements that were in place as of June 30, 2023 and does not reflect rent from future lease agreements that the Corporation may potentially execute subsequent to the expiration of the current leases or for vacant commercial units.

12. Corporation Taxes

The U.S. Tax Court has ruled that housing cooperatives are subject to Subchapter T of the Internal Revenue Code. Subchapter T requires corporations to allocate income and expenses among patronage and nonpatronage sources and limits the use of patronage losses as deductions to the extent of patronage income. Income is patronage sourced if it is derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the cooperative's principal business activity, and thus facilitates the accomplishment of the cooperative's business purpose. However, if the transaction or activity which produces the income merely enhances the overall profitability of the cooperative, then the income is from nonpatronage sources.

At June 30, 2023, the Corporation has available operating loss carryforwards ("NOLs") which total approximately $78.4 million for Federal income tax purposes, of which approximately $58.4 million expire during various years through fiscal 2038 and approximately $20.1 million, may be carried forward indefinitely. Because the further utilization of these tax NOLs is uncertain, no related deferred tax asset account has been reflected in the accompanying financial statements.

The Corporation's tax returns for all fiscal years since 2020 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

13. Real Estate Tax Expense

On July 1, 1987, the Corporation was granted partial exemption from real estate tax by the City of New York. The agreement with the City of New York provided for periodic reductions in the amount of the exemption over a twenty-five-year period.

On August 22, 2001, pursuant to an amendment to the Private Housing Finance Law, the City Council approved an amendment to the agreement with the City of New York to provide that, effective July 2, 2001, the Corporation's real estate tax, on the residential portion of its property, would be the greater of the tax payable on the residential portion of the property for the 2000-2001 tax year, or a statutory formula known as Shelter Rent. That amendment also extended the term of the agreement to June 30, 2023. A further amendment dated June 24, 2011, with the City of New York provided additional income for the HVAC project which increased the Corporation's surcharge retention and provided a grant from the City of New York as well as the right for additional development. That amendment also extended the term of the agreement to June 30, 2030. A further amendment dated February 2, 2017 with the City of New York provided 100% surcharge retention for the Corporation and extended the term of the agreement to June 30, 2052.

In addition, the Corporation pays full tax on the commercial portion of its property.

The Corporation has received "Certificates of Reasonable Cost" ("CRC") under the City's "J-51" Program. Under this program, the city abates existing taxes to allow the property owner to recoup a portion of the certified reasonable cost of certain allowable improvements to their buildings.

13. Real Estate Tax Expense *(continued)*

Between 2006 and 2010 the Corporation completed "Major Capital Improvement" projects on which it is still receiving tax abatements at the legally specified rate of 90% of CRC. In 2017, the Corporation filed for a Moderate Rehab with Government Assistance (covering HVAC and other work performed between 2011 and 2015) which provides an abatement equal to 150 percent of certified reasonable cost. Because the Corporation received Government Assistance in the form of loans from the Housing Development Corporation and the City Council, abatement benefits were payable from the start of work rather than completion when the filing was done. While the Corporation makes accruals for abatements and credits, given the uncertainty of actual abatements and credits received, the expense for real estate taxes reflected in the accompanying statements of operations may differ from amounts reflected in actual real estate tax bills. Such credits received in fiscal 2023 and 2022 totaling $188,785 and $219,811, respectively, are reflected as prior years' real estate tax abatements and credits in the accompanying statements of operations.

The potential recoupment of the J-51 abatements for the next three years are as follows:

2023/2024	$	776,143
2024/2025		699,397
2025/2026		531,785

The Corporation receives partial exemptions as part of New York State's School Tax Relief ("STAR") Program. The reductions in tax are required to be credited by the Corporation to eligible dwelling units.

14. Future Major Repairs and Maintenance

The Corporation's governing documents do not require that funds be accumulated for future major repairs and replacements. However, in connection with the Corporation's mortgage refinancing in November 2021, accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

In conjunction with the mortgage refinancing that occurred in November 2021 which is disclosed in Note 5, the Corporation engaged a third party to conduct a study which was completed in August 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 0.65% and interest of one percent, "net of taxes," on amounts funded for future major repairs and replacements.

In accordance with the loan agreement, the Corporation is required to fund for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement reserve. Annual deposits required to be made to the replacement reserve total $1,692,000. As of June 30, 2023 and 2022, the replacement reserve balance totaled $15,285,632 and $24,162,279 (the total reserve balance less escrows for litigation holdback and non-critical repair), respectively (see note 5).

14. Future Major Repairs and Maintenance *(continued)*

Funds are being accumulated in the replacement reserve based on estimated future costs for repairs and replacements of common property components, actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacements reserve may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Corporation may seek increased regular assessments, pass special assessments, delay major repairs and replacements or take other actions until funds are available. U.S. GAAP requires that information about the estimates of future costs of major repairs and replacements, although not a part of the basic financial statements be presented to supplement the basic financial statements.

15. Claims and Litigation

Claims and litigation to which the Corporation is a party arise from time to time in the ordinary conduct of the Corporation's business. In the opinion of management, claims and litigation outstanding against the Corporation as of June 30, 2023 are either without merit or the ultimate loss, if any, would not have a material adverse effect on the financial position or operations of the Corporation.

16. Risks and Uncertainties

Inflation

The impact of rising inflation depends on a business's unique economic circumstances. The effects of inflation can become unpredictable and may increase the cost of certain goods and services. The Corporation's risk management program monitors and seeks to minimize potential adverse effects to the Corporation.

Interest Rates

Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation's policy is to maintain a fixed rate on its long-term debt borrowings.

17. Prepaid Expenses and Other

Prepaid expenses and other consists of:

	June 30	
	2023	2022
Prepaid Expenses		
Insurance	$ 2,959,838	$ 130,658
Prepaid real estate tax	1,034,402	-
Prepaid interest and mortgage insurance premium	379,465	390,154
Fuel inventory	330,757	151,028
Supplies inventory	242,250	344,330
Prepaid other	60,835	81,482
Total Prepaid Expenses	5,007,547	1,097,652
Other		
Ground lease costs, net	887,483	947,388
Net deferred leasing costs	116,927	142,369
Other	6,975	13,003
Total Other	1,011,385	1,102,760
Total	$ 6,018,932	$ 2,200,412

18. Net Carrying Charges

Net carrying charges consist of:

	Years Ended June 30	
	2023	2022
Gross maintenance charges	$ 27,901,274	$ 27,586,952
Real estate tax STAR exemptions	(184,141)	(188,063)
Bad debt (expense)	(461,885)	(314,151)
Net Carrying Charges	$ 27,255,248	$ 27,084,738

19. Tenant-Cooperator Reimbursements

Tenant-cooperator reimbursements consists of:

	Years Ended June 30 2023	2022
Painting	$ 595,955	$ 762,176
Floorings	276,117	321,030
Kitchen cabinets	148,136	186,950
Repairs	115,681	118,070
Cleaning	4,920	5,445
Total	$ 1,140,809	$ 1,393,671

20. Other Tenant-Cooperator Revenue

Other tenant-cooperator revenue consists of:

	Years Ended June 30 2023	2022
Late fees	$ 117,189	$ 48,041
Apartment exchange fees	63,000	57,000
Administrative fees	18,554	20,547
Bike storage fees	15,848	16,394
Community room	7,140	600
Record change fee	400	-
Architecture fees	-	800
Total	$ 222,131	$ 143,382

21. Other Commercial Income

Other commercial income consists of:

	Years Ended June 30 2023	2022
Additional rent - real estate taxes	$ 71,007	$ -
Water charges	44,626	57,815
Parking fees	27,600	28,400
Lease termination	7,500	238,314
Total	$ 150,733	$ 324,529

22. Other Income

Other income consists of:

	Years Ended June 30	
	2023	2022
Prior year bad debt recovery	$ -	$ 37,886
Non-refundable security deposit	40,024	31,915
Reimbursements from groups and clubs	-	26,764
Security deposit post 90 days	16,500	-
Miscellaneous	26,988	40,163
Total	$ 83,512	$ 136,728

23. Repairs and Maintenance

Repairs and maintenance consists of:

	Years Ended June 30	
	2023	2022
Power/Co-Generation Plant		
Electric	$ 489,111	$ 372,583
Supplies	256,839	178,804
Service contracts	122,637	134,373
Heating and air cooling	63,198	71,986
Lubrication	35,064	35,475
Total Power/Co-Generation Plant	966,849	793,221
Other		
Building repairs and supplies	5,124,968	4,511,964
Painting and decorating	852,661	1,201,938
Elevator systems	471,612	426,673
Exterminating	97,934	77,632
Electrical repairs	85,048	202,492
Uniforms	83,034	84,047
Janitorial supplies	78,456	86,569
Tree removal service	41,571	18,422
Security	24,729	14,344
Vehicles	5,607	3,622
Total Other	6,865,620	6,627,703
Total	$ 7,832,469	$ 7,420,924

24. Labor

Labor consists of:

	Years Ended June 30	
	2023	2022
Power/co-generation plant	$ 2,508,121	$ 2,516,631
Handymen, Electricians, Plumbers, and Restoration	2,213,292	2,006,978
Security staff	1,682,604	1,536,100
Porters	1,602,908	1,503,484
Supervisory	714,371	640,273
Gardeners	502,806	507,023
Maintenance and administrative	125,775	132,836
Office non-union	325,109	81,622
Ceramics	3,349	2,405
Total	$ 9,678,335	$ 8,927,352

25. Payroll Overhead

Payroll overhead consists of:

	Years Ended June 30	
	2023	2022
Welfare and pension funds	$ 4,143,476	$ 4,184,018
Payroll taxes	924,675	899,361
Hospitalization insurance	706,687	600,713
Workers' compensation insurance	234,921	357,681
Group life and major medical insurance	9,906	9,009
Disability insurance	6,490	9,489
Other	3,784	-
Total	$ 6,029,939	$ 6,060,271

26. Utilities

Utilities consists of:

	Years Ended June 30	
	2023	2022
Water and sewer	$ 2,218,585	$ 2,335,558
Gas - power/co-generation plant	987,332	1,166,743
Oil - power/co-generation plant	934,605	919,850
Gas - domestic	184,593	147,892
Total	$ 4,325,115	$ 4,570,043

27. Management and Administrative

Management and administrative consists of:

	Years Ended June 30	
	2023	2022
Management salaries	$ 1,093,974	$ 1,165,259
Legal service	1,077,077	665,819
Office salaries	859,976	914,720
Professional services	836,760	798,705
Computer services	320,353	275,828
Stationery, printing and office supplies	231,193	295,288
Meetings	84,600	65,590
Accounting	68,950	63,800
Office equipment leasing and service agreements	53,675	43,974
Telephone	46,431	54,942
Bank service charges	13,098	13,545
Other	84,325	34,447
Total	$ 4,770,412	$ 4,391,917

28. Other Expenses

Other expenses consist of:

	Years Ended June 30	
	2023	2022
Contributions: Penn South Program for Seniors	$ 300,000	$ 418,000
Commissions	63,326	109,752
Conduit fee	63,003	61,635
Meter reading fees	29,898	38,052
Permits and licenses	20,717	44,152
Signage	39,250	17,143
Other	60,126	12,943
Total	$ 576,320	$ 701,677

29. Mortgage Interest and Costs

Mortgage interest and costs consist of:

	Years Ended June 30	
	2023	2022
Mortgage refinancing prepayment penalty	$ -	$ 10,410,118
HUD mortgage	4,884,959	5,245,375
Mortgage insurance premium	617,240	628,626
Amortization of debt premium	(427,098)	(249,781)
Second mortgage	152,781	154,375
Debenture interest	77,246	78,836
Amortization of deferred mortgage costs	26,592	1,720,183
Other	26,346	28,538
Total	$ 5,358,066	$ 18,016,270

30. Paycheck Protection Program Loan

On April 23, 2021, the Corporation received loan proceeds of $2,799,285 under Second Draw provisions of the PPP (the “PPP 2 Loan”) as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the “Economic Aid Act”). The Second Draw provisions of the Economic Aid Act provides for loans to qualifying entities based on range of 2.5 – 3.5 times their 2019 or 2020 average monthly payroll expenses.

30. Paycheck Protection Program Loan *(continued)*

The PPP 2 Loan bears interest at the rate of 1% per annum. Either the entire principal balance or a portion thereon of the PPP 2 Loan principal and accrued interest are forgivable as long as the borrower uses the proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the PPP 2 Loan proceeds are received ("PPP 2 Covered Period").

On September 30, 2021, the PPP 2 Loan was fully forgiven by the Small Business Administration. The forgiveness of the PPP 2 Loan has been reflected as revenue in the accompanying fiscal 2022 financial statements. Forgiven loans are subject to audit by the U.S. government after forgiveness has been granted. The Corporation believes it was eligible to receive the proceeds of the PPP 2 Loan.

* * * * *

PENN SOUTH

MANAGEMENT

Ryan Dziedziech, General Manager
Lisa Gluck, Assistant General Manager in Charge of Administration
John Seemer, Assistant General Manager in Charge of Operations
Gary Bachrach, Finance Manager
Giselle Viera, Assistant Finance Manager
Thomas Maloney, Human Resources Manager
Marcia Dwyer, Apartment Allocations Manager
Mario Mazzoni, Education & Communications Director
Blair Desmon, Executive Assistant
Monika Zajak, Legal Coordinator

ADMINISTRATION

Scarlett Johnson, Administrative Assistant
Noah Savini, Administrative Assistant
Heather Tarazi, Administrative Assistant

FINANCE

Georgette Greenidge, Bookkeeper
Albertha Davis, Accounts Payable Specialist
Sam Eldean, Financial Analyst
Eric Jacobsohn, Accounting Assistant

APARTMENT ALLOCATIONS

Clarissa Rivera, Lead Apartment Transfer Agent
Loriann Burke, Apartment Transfer Agent
Britt Johnson, Apartment Transfer Administrative Assistant

FACILITIES

Matthew Caughey, Facilities Coordinator
Danielle Pomorski, Ceramics Studio Manager

SECURITY DEPARTMENT

Larry O'Neill, Security Director
Raheem Soto, First Lieutenant

SERGEANTS

Rolando Urena
Thai Pham
Mjahid Yusuf

ADMINISTRATION

Naomi Bradshaw
Fawn McCain

SECURITY OFFICERS

Ray Alexander
Christopher Anderson
Ryan Armstrong
Raheem Askew
Remeeka Beal
Charlene Blue
Precious Cox
Ryan Heavey
Eddy Hilaire
Rafael Perez
James Perilli
Darrell Quinones
Edward Robles
Lamont Scott
Javone Seme
Michal Sitkowski
Kenneth Thomas

Co-op Staff

Powerhouse

Ed Johnson, Powerhouse Chief
Eoin Hasset, Assistant Powerhouse Chief

Jamie Ambia
Salvatore Coraci
Robert Fellows
Vito Gadaleta

Tyler Hart
William Hartnett
Eoin Matthew Hassett
Michael Luka
Timothy Lyons

Dale Maloney
John Maloney
Michael Perrotta
Anthony Roseto

Maintenance Department

Benjamin Mintz, Maintenance Manager
Jonathan Rivera, Apartment Restoration Supervisor
Medzid Balidemic, Porter Supervisor
Ralph Provvisiero, Purchasing & Stock Room Manager
Phillipe Ngolla, Head Electrician
Juan Duran, Head Plumber
Otto Diaz, Gardening Supervisor
James Dempsey, Gardening Assistant Supervisor
Michael Pierre-Louis, Administrative Assistant
Charles Reed, Administrative Assistant

HANDYPERSONS

Marcin Baczewski
Ryszard Biesiadecki
Xavier DelaCuadra
Ilmi Demhasaj
Leszek Galej
Gjon Gjinaj
Manuel Guardiola
Jose Guzman
Anthony Hernandez
Agron Lokai
Edwin Mieles
Norman Ng
Albeiro Nunez
Nelly Pizarro
Andre Rodriguez
Andrzej Trzeciak

ELECTRICIANS

Agron Demushi
Wandell Newkirk

RESTORATION CREW

Fadil Avdiu
Zbigniew Cisek
Vivian Henry
Czeslaw Kosiorowski
Hysen Sejfijaj
Visar Tofaj
Slawomir Trzpis

GARDENERS

Michael Chiriguaya
Gustavo Garcia
Jason Harris
Darwin Pesantez
Joshua Reese

COMPACTOR CREW

Nicolas Bello-Romero
Kidany Pacheco
Alexis Roman
Mark Vargas

PLUMBERS

Anthony Chase
David Garcia
James Granniss

PORTERS

Richard Calderon
Gilberto Cruz
Rolando Cruz
Victor Cruz
Karim Gentle
Guidalla Kont
Pablo Lizardo
Manuel Llano
Salvatore Longo
Adriano Lucero
Miguel Marte
Darrell Martin
Jonathan Morales
Pablo Ortiz
Jerry Ottomanelli
Domingo Ozoria
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