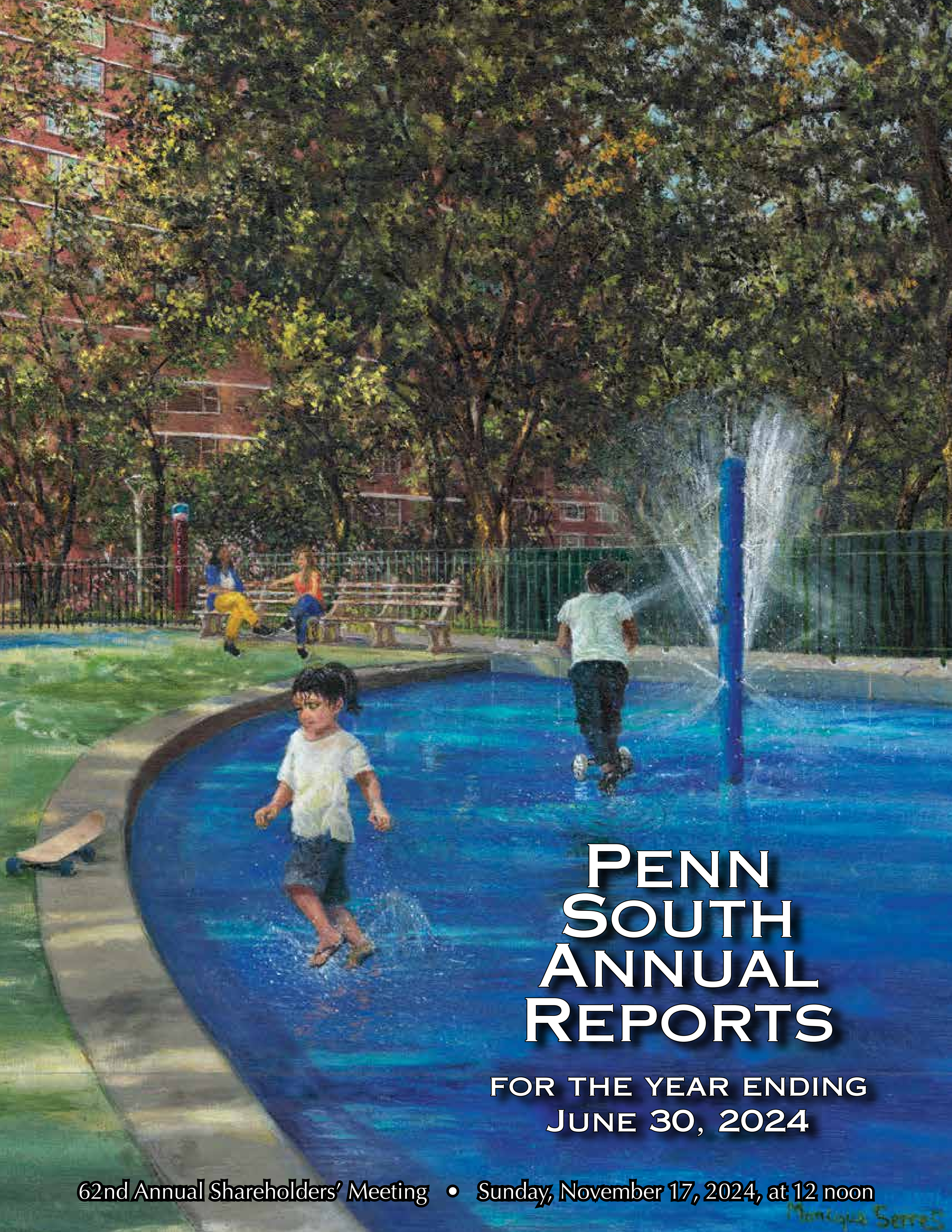


Penn South Annual Reports

for the year ending
June 30, 2024

62nd Annual Shareholders' Meeting • Sunday, November 17, 2024, at 12 noon

Mutual Redevelopment Houses, Inc.

OFFICERS

FRONT COVER: "Little girl playing in Pinwheel Park" by Monique Serres.
EDITING: Mario Mazzoni and Elizabeth Zimmer
LAYOUT: Mario Mazzoni

President's Report

for the 62nd Annual Shareholders' Meeting
by Ambur Nicosia

New Shared Spaces Open to Cooperators

Throughout the 62-year history of Penn South, a hallmark of our cooperative has been our commitment to enriching lives through building community. One way we do this is by providing opportunities for residents to meet and gather around common interests. It has been an especially exciting year as we opened three new shared spaces on our campus.

Green Space

On West 25th Street we transformed a fenced-off patch of lawn into an inviting outdoor gathering spot. A stone pathway winds around an approximately 5,000-square-foot area, leading to benches, barbecues, raised planters, and a water feature. The new Green Space is open to all residents for a membership fee and a commitment to contribute to the maintenance of the space. It opened in July 2024 and already boasts some of the highest membership numbers of any co-op facility.

Art Studio

In September 2024 we opened the Art Studio in Building 10. This new facility is a collective space for visual artists throughout the co-op to work in a variety of media. I am very pleased to offer cooperators a room dedicated to exploring and expressing talents in the visual arts. In prior decades, the co-op rented rooms on the ground floors of some buildings to individual artists for private studios. We had to reclaim these rooms for material storage and staging during major construction projects. When the construction finished, the Board wanted to offer space for visual artists, but under a different model. Private studios could only be offered to a few artists at a time, and there was an extensive waiting list for these limited spaces. Moving forward, we wanted to create a collective space open to all cooperators. This would eliminate the need for long waiting lists while creating new opportunities for members of our community to meet and gather. I am pleased that we made that vision a reality.

The new Green Space awaits its grand opening. Photo by Matthew Caughey, May 2024.

We repurposed a community room that was underutilized and redeveloped it into the Art Studio. The space is equipped with tables, easels, a slop sink, drying racks, and lockers for members to store supplies. Cooperators of all experience levels are welcome to join for a modest fee.

Adult Recreation Room

Cooperators who visit the Youth Recreation Room often ask “Are adults allowed to use this space, too?” A room dedicated to playing games and lounging with friends appeals to people of all ages. The Board wanted to meet the demand among adults for a space to gather for games, but felt that it was important to keep the Youth Room a kid-centered family space. By consolidating the storage of building materials, we freed up a room in Building 2A, which we developed into the Adult Recreation Room. The space has a pool table, ping pong table, card table, darts, and other games. Memberships are available to adults who live in the co-op.

These three spaces opened in 2024, but they were many years in the making. Much of the planning was done by subcommittees that include Board members and non-Board members alike. We benefit by tapping the knowledge and enthusiasm of the larger community. I want to recognize board members Lloyd Blasen and David Goldsheft who co-chair the Shared Space Committee. Their dedication was essential in bringing the vision of these facilities to life. I also want to thank General Manager Ryan Dziedziech and Assistant General Manager—Operations John Seemer for their commitment to these initiatives and numerous efforts behind the scenes to make these projects possible.

Opening the Waiting Lists Via Limited Lotteries

As we approached the bottom of our existing studio and one-bedroom waiting lists, we worked with our supervising city agency to hold lotteries in 2023 to select new external applicants. As always, news that our waiting lists were opening caused great excitement. Over 17,000 people submitted entries with hopes of moving into our cooperative community.

The lottery process occurred during the fall of 2023 and was conducted entirely by the city. Once winners were selected, the city sent lists of winners to the co-op Management Office. Our staff mailed complete applications in early 2024 and concluded the review of these applications this past spring. We added a total of 711 new applicants to our studio and one-bedroom waiting lists, and we look forward to welcoming these new people to Penn South as neighbors over the coming years.

MAG Partners Building Rises

I am pleased to report that construction of the MAG Partners building at 335 Eighth Avenue is proceeding smoothly and is currently ahead of schedule.

Our old commercial building was dismantled during August and September 2023, and the official groundbreaking ceremony occurred in early October. Over the next six months workers excavated the site and

On the Open House tour, cooperators enjoy the Jeff Dullea Intergenerational Garden. Photo by Mario Mazzoni, September 2024.


Painting still life portraits at the Art Studio. Photo by Mario Mazzoni, Septeember 2024.

installed the footings and foundation for the new building. This was by far the noisiest period of construction. The MAG Partners team implemented measures that we requested to minimize disruption for residents, but there was only so much mitigation possible considering the nature of the work. I want to share my appreciation to cooperators for their patience during this period of the build, especially those who live closest to the site.

General Manager Ryan Dziedziech and I engage with the MAG Partners team throughout the week to ensure that work proceeds as planned and that our community's concerns are addressed. We also bring in professional consultants to verify that all aspects of the project conform to the terms of our ground lease.

The new structure began to rise above ground in March 2024, and by the end of May it had already reached its peak height of seven stories. This past summer crews installed windows and rooftop mechanical equipment and began installing the building's facade. Presently, the construction is expected to finish at the end of 2025.

To keep the community well informed during the many phases of this project, there are monthly construction update emails, a page on the co-op website, and we are hosting Town Hall meetings at key stages.

To liven up the view of this construction area, we worked with Artbridge, a local nonprofit, to install a mural on the section of plywood fencing that faces the interior of Penn South. I'm very pleased that the artwork selected for display was made by one of our cooperators, Joseph Meloy. His whimsical and colorful artwork runs along the southern perimeter of Sandbox Park, and will remain there until the construction fencing comes down. I encourage everyone to view it.

New Commercial Tenants Open for Business

Our commercial tenants play a vital role in helping to keep maintenance fees low by contributing to our operating income. In the most recent budget, these rents accounted for $7.2 million, or 15 percent of our total revenue. We have worked diligently to achieve full occupancy of our commercial spaces.

Our newest tenant is Pier 23, a casual-dining restaurant that specializes in seafood dishes. The restaurant opened in September 2024 on Eighth Avenue between West 23rd and West 24th streets. In February 2024 we welcomed Gourmet Market, a grocery and deli on the corner of Ninth Avenue and West 25th Street. I strongly encourage all cooperators to frequent these and all of our commercial tenants. The rent paid by these stores and offices provides an important source of revenue for the co-op, and it's in our shared interest that these businesses thrive.

EV Charging Stations

Penn South opened two electric vehicle (EV) charging stations on the Penn South campus this year. The stations were put into operation on January 11, 2024, following a grand opening celebration attended by all of our local elected officials.

The charging stations are open to the public, located in the alley behind our retail building on

Ninth Avenue. The electricity we sell is produced at our powerhouse, and thanks to efficiencies and different regulatory requirements at our facility, the Penn South powerhouse creates a smaller carbon footprint per unit of electricity than the Con Edison electrical grid. Moreover, we are expanding the options for owners of electric cars, helping encourage a broader shift in our society to technologies that reduce carbon emissions.

These chargers are also providing the co-op with a new source of revenue. With the options for charging electric vehicles still relatively limited, we have seen a steady flow of customers ever since the stations opened. So far this year an average of 35 customers per day purchase electricity from our chargers. We are collecting approximately $12,000 per month of gross revenue and will recoup our investment in the infrastructure in a short timeframe.

Annual Events and New Community Activities

The Parents Committee sponsored two Halloween celebrations last year. One event was geared towards toddlers and occurred on October 29, 2023 in Pinwheel Park. The other was an all-ages outdoor event on October 31 in the Active Recreation Area which included trick-or-treating on the pathways and dancing on the blacktop. On April 14, 2024, the group hosted a Spring Candy Hunt, followed by crafts and games in a community room.

On April 6, 2024, the co-op hosted our first Open House Tour of campus facilities since the onset of Covid-19.

The 39th Annual Penn South Flea Market took place on May 18, 2024, hosted by the Parents Committee and PSSS. As always, the event drew hundreds to West 25th Street for a festive day of selling and shopping.

The Parents Committee, with support from the Board of Directors, hosted the ever-popular Community Day Barbecue on June 22, 2024, featuring food, drink, music, and inflatable bouncy play areas for children. Neighbors gathered from across the campus to mingle and enjoy the offerings.

Acknowledgements

I would like to express my gratitude to the entire co-op staff, and especially to General Manager Ryan Dziedziech for his leadership. On behalf of all cooperators, let me express appreciation for their outstanding service, dedication, and professionalism all year long.

I also want to thank and recognize my fellow members of the Board of Directors, as well as the many volunteers who give back to this community through the Co-op Council, Penn South Social Services, the Penn South Program for Seniors, and various co-op groups.

I'm proud of the many ways our community gives meaning to the cooperative spirit.

Ambur Nicosia, President

Ryan Dziedziech and Ambur Nicosia at the 335 Eighth Avenue groundbreaking. Photo by MAG Partners, October 2023.

Manager's Report

for the 62nd Annual Shareholders' Meeting
by Ryan Dziedziech

Co-op Receives Capital Project Funding

Penn South welcomed our first cooperators more than 62 years ago, and a core challenge of running the co-op today is planning for the replacement of our aging infrastructure. Our mandate is to ensure that our physical property remains in good condition while preserving affordability. To achieve this, we are focusing on careful fiscal planning and diligent pursuit of grants and incentive programs.

At the beginning of this year, President Ambur Nicosia and I met with Erik Bottcher, our representative in the New York City Council, to discuss the challenges we face in the coming years with funding numerous capital infrastructure projects. I shared a list of necessary projects on the horizon, and the multi-million-dollar costs associated with them.

I am pleased to report that as a result of our request, Penn South was awarded $700,000 in local government funding, most of it earmarked for one of our key initiatives: the replacement of our apartment electrical submeters, which are currently 38 years old. The project is estimated to cost $1.5 million in total, and the City Council funding would offset a substantial portion. I want to thank our local City Council Member Erik Bottcher as well as Council Speaker Adrienne Adams for allocating this funding.

The City Council funding was awarded on a competitive basis, but Penn South also relies on statutory programs. The longstanding J-51 program has played a vital role in financing capital improvements by providing a tax exemption and abatement equivalent to a percentage of money spent on vital infrastructure projects. Over the decades Penn South has saved tens of millions of dollars through this program.

The New York State Legislature and the Governor recently passed a successor to the J-51 law, renaming it the Affordable Housing Rehabilitation Act (AHRA). Currently, the New York City Council is developing guidelines for how the program will be implemented at the local level, including what types of work will qualify for the program. The Penn South Management team and Board have been advocating to our elected officials for years to expand the list of qualifying projects. The J-51 program did not cover certain items like underground utility pipes that are unique to campus-style developments like ours. It also failed to cover the replacement of aging electrical submeters, even though these are covered when they are installed for the first time.

HPD promised us that these projects will be eligible for tax abatement when the City Council establishes guidelines for AHRA. Until this is finalized, we will continue to make our case to City Hall.

I want to commend President Ambur Nicosia for her advocacy. In May 2024 she testified before the New York City Council on the importance to Penn South of receiving this government support, which is essential to preserving our long-term affordability.

Planning for capital projects is an ongoing exercise. While our schedule of capital projects extends more than a decade, we are constantly evaluating the condition of our systems and adjusting plans accordingly. We aim to maximize the useful life of our infrastructure without straining it and risking emergency repairs, which are costlier. As an example, we replaced the roofs on four of our buildings in 2022 and 2023, based on assessments from our engineers. However, these engineers determined that the roofs on our other six buildings—now 37 years old—can serve us a few years longer. Similarly, industry standards suggest that our elevators were due for replacement last year based on their age. Thanks to our diligent maintenance of this equipment, however, our elevators have been determined by experts to have additional years of reliable service.

The replacement of our underground utility pipes is a case study in balancing physical needs with budgetary considerations. We are hopeful that tax abatements will be extended to this type of work in the future, so waiting to replace certain sections

Building the masonry facade of 335 Eighth Avenue. Photo by Mario Mazzoni., September 2024

of pipe could come with savings. However, many stretches of pipe date to the initial construction of Penn South, and some of these sections must be addressed in the near term. We are carefully staggering the replacement of these pipes over the course of years, addressing the most critical areas first.

Financing these capital projects is an ongoing focus. I encourage you to read the *Treasurer's Report* in this booklet, which includes a summary of the major capital projects we completed in the last fiscal year, and a preview of projects in the fiscal year currently underway. The *Treasurer's Report* also highlights other budget challenges. Certain expenditures are continuing to rise faster than historical trends. Our auditors noted that our current budget depletes our cash reserves below recommended levels. We also need to prepare for a decrease in revenue over time from "first sales"—the income we receive when apartments sell at the triple-equity tier for the first time. While the 7.5 percent increase in Basic Maintenance puts us on better footing, further increases may be needed.

Meeting New Energy Efficiency Standards

In the coming years, a major focus of the co-op will be on complying with local laws that set stringent standards for energy efficiency and greenhouse gas emissions.

The most immediate effort underway involves the replacement of a diesel engine in our powerhouse with a gas engine, a project that is on track to be completed in mid-2025. This will bring our powerhouse closer to meeting the requirements of Local Law 38 of 2015. Further measures will be necessary.

The other major law we must grapple with is Local Law 97 of 2019, which deals primarily with the carbon footprint of buildings. Many properties of our size must achieve the emission reduction targets outlined in this law by next year or start paying hefty fines. As an affordable housing development, we were thankfully granted an extra decade to bring our residential buildings into compliance.

Achieving carbon reduction targets can be complicated and expensive. We have already achieved significant energy savings in recent years through upgrades to our heating and cooling system, powerhouse equipment, and common-area lighting. Finding ways to produce energy with renewable resources has been a tougher challenge, but one we've been exploring for years. In the *2019 Annual Reports* we shared detailed findings from an initial engineering study into the viability of installing rooftop solar panels and green roofs on our buildings. Considering the rapid pace of development in this sector, we commissioned a new study in 2023, this time focusing more broadly on the possibilities for generating power from solar, wind, and other renewable energy sources on our campus. As I shared in the *2023 Annual Reports*, we are constrained by the physical limitations of our property; by government incentive programs that are not geared to operations like ours; and by the fact that many initiatives require connection to the main Con Edison electrical grid.

Technological innovation and new legislative measures are constantly altering the equation, and we are exploring all paths, including reconnecting our powerhouse to the Con Edison grid. Our engineers recently prepared a study on the feasibility and efficacy of installing large battery farms for electrical storage on our campus following changes to the building code. And we are continuing to meet with government agencies and officials as well as nearby institutions to explore the idea of partnering in the development of a community geothermal heat pump.

Finally, I am constantly exploring ways to fund these initiatives. There are some promising opportunities that we are actively pursuing. The Federal government's Inflation Reduction Act of 2022 included the creation of the Greenhouse Gas Reduction Fund, which finances infrastructure investments that address the climate crisis. On a local level, the NYC Accelerator Program provides resources and assistance related to reducing the carbon footprint of buildings. With my team, I am looking at how Penn South can qualify for funding, share expenses, or otherwise offset the cost of environmental initiatives to make them viable for our community.

Gas Repiping Project

As we have shared over the past few years, we are now subject to stricter inspection standards for our gas piping infrastructure. Ever since the City Council passed legislation in 2016 that established new requirements, I have been working with our engineers to develop plans for the proactive replacement of certain key areas of gas piping around our campus.

If an inspection reveals leaks, Con Edison will immediately shut off service to the entire building. Searching for leaks and repairing them one-by-one involves multiple visits to apartments for invasive, messy repairs over the course of weeks or months, all while the building has no service. We developed a novel approach that involves installing a new pipe main in the building lobby adjacent to the old main and moving the risers to the new main without requiring a building-wide shutdown at all. This is more convenient for residents and saves the co-op a tremendous amount of money. We had dozens of meetings with supervisors at Con Edison and the Department of Buildings over the course of years to discuss this approach, and in the summer of 2023 we received the go-ahead to proceed.

Our first installation occurred in Building 1. We succeeded in our biggest goal of avoiding a building-wide shutdown while replacing the aging gas main. These methods do require that we sacrifice one riser per building, shutting it down for testing and repair before making the first connection to the new main. I want to thank residents of the C-line in Building 1 for their patience as we performed this work in their apartments. This work also required drilling through the floors of apartments on the first floor and interrupting their gas service until final connections are made. Thanks to the cooperators on the first floor for their cooperation on this phase of the work.

Besides avoiding the shutdown, the other great news is the cost savings we achieved. Engineers estimate that we are saving upwards of $700,000 per single-

A cookout at the Green Space. Photo by Mario Mazzoni, September 2024

core buildings, and $1.4 million per double-core buildings, compared with the traditional approach of testing and repairing while service is off.

Given the age of our infrastructure, similar work is likely to be necessary in other buildings. We have allocated $665,000 in the FY2025 budget for this purpose. Plans and schedules will be developed based on the findings from ongoing inspections by our engineers.

Electronic Key Access Expands

This fall we are launching a major expansion of our electronic door access system. For more than 15 years we have provided cooperators with electronic keys (e-keys) to access membership facilities like the Gym, Ceramics Studio, Woodworkers Club, Youth Room, and Toddler Room. We installed additional e-key readers on the back and side entrances to our buildings in 2011 to facilitate egress and increase safety while hundreds of contractors were on-site for our multi-year project to replace our heating and cooling system. Later, we provided staff with e-key access to those doors as well.

Many cooperators asked if the electronic door system could be used by residents as well, since e-keys offer many conveniences. For people with mobility issues, e-keys are easier to use. Rather than using individual keys for different locations, we can offer cooperators a single e-key that works at all locations they have permission to access such as their building, the parking lot, and community facilities where they have memberships. E-keys will be an additional option for residents; we will not remove mechanical key locks at our building entrances.

For cooperators who already have an e-key for facilities, we will automatically expand their access to their building's entrances. Those without e-keys will be able to request one via the Penn South Resident Portal or at the Management Office. The first e-key is free and available to every member of the household.

Landscaping Initiatives

Following years of research and discussion with our landscaping consultant, we just completed our trial year of low-maintenance lawn care. This involves less watering, the exclusive use of organic fertilizer, and in some areas, a decrease in mowing. Last year we chose three test plots as trials: a patch of lawn on West 25th Street adjacent to Building 4; a lawn at the side of Building 8B that fronts West 28th Street; and a strip of sloped grass between Buildings 9 and 10 that spans the entire mid-block between Eighth and Ninth avenues, bound by West 28th and West 29th streets. The reviews have been mixed, with some missing the golf-course-green look and others appreciating the meadow aesthetic. Our overall goal is to keep our grounds beautiful without the use of pesticides or chemical fertilizers, and within these boundaries we can keep experimenting with techniques.

Our other environmental initiative in the landscaping department involves the reintroduction of native plants, which are acclimated to the climate and require less maintenance. These plants also support local biodiversity by providing habitats for pollinators and contributing to the local food web. This is a piecemeal effort that only occurs when existing plants require replacement, and the results so far have been positive.

A lively day of shopping and socializing at the 2024 Flea Market. Photo by Vanessa Lopera/Rota6, May 2024.

The grounds near Building 7 bloom in spring. Photo by Mario Mazzoni, April 2024.

Finally, I want to provide an update on the replacement of trees that were removed to make way for the MAG Partners building. As part of our ground lease agreement, the developer promised to pay the full cost of supplying and installing an equivalent number of trees throughout our campus at places we designate. The new trees will be planted at various locations on our grounds this fall.

Prepare Now for NSPIRE Inspections

As part of our favorable HUD-insured loan, Penn South is subject to rigorous inspections by firms hired by the government agency. Our next cycle of inspections will occur in 2025 and we will be subject for the first time to new, much stricter standards called NSPIRE (National Standards for the Physical Inspection of Real Estate). Compared with the previous REAC inspections we completed, NSPIRE focuses more on conditions inside individual apartments.

Numerous factors make these inspections more challenging. The appointments are randomized, and we will receive no advance notice about which units they will visit. Also, some items being evaluated fall outside the purview of what the housing company has historically overseen. For example, shareholders in Penn South purchase their own refrigerators and stoves (as with most co-ops) and are responsible for the equipment maintenance. However, if appliances owned by shareholders are found deficient during NSPIRE inspections, the housing company will receive a lower grade. There are consequences if the co-op does not receive a high score on these inspections. It is vital that shareholders maintain their appliances in good repair. For repairs to your apartment or other conditions in your home, please reach out to the Maintenance Department to notify us of issues as soon as possible.

Acknowledgements

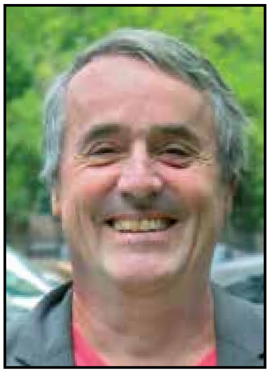
I would like to recognize the hard work and commitment of the entire staff who serve this cooperative community night and day, all year long.

I wish to thank the entire Board of Directors for their hard work. This year the Board had to tackle the challenging issue of setting our finances on a new track. After diligently evaluating all the options they chose a responsible path, aware that it might be criticized or misunderstood by some. I commend the Board for their courage with this, and I want to specifically thank President Ambur Nicosia and Treasurer Matthew Barile for their leadership on the matter.

Our work benefits from the great collaborations we have with Penn South Social Services (PSSS) and the team at their largest program, the Penn South Program for Seniors (PSPS). I also want to thank everyone who steps up to serve this community through the Co-op Council and our numerous Penn South Groups.

Success is a team effort, and together we give our best to this community.

Ryan Dziedziech, General Manager



Treasurer's Report

for the year ended June 30, 2024
by Matthew Barile

This past year required a course adjustment with our finances. Seven years of one-percent annual increases—preceded by two years with no increase—were insufficient to keep up with rising operating expenses, especially as inflation shot up in recent years. We also saw our reserves for important capital projects depleting at a rate that was not sustainable. We were fortunate to be in a position to keep maintenance increases minimal during the Covid-19 crisis, but it became clear this year that we needed to make adjustments.

We announced the need for a larger maintenance increase in the *2023 Annual Reports* at a point when we were in the early stages of determining our needs. We also made this the focus of our presentations at the Annual Meeting in November 2023. This was an intentional decision to inform shareholders as early as possible, even though we could not provide specifics at the time. Over the following months, the Board worked closely with our Management Finance team and our third-party auditors to determine our fiscal needs in the near and long term. Then, the Board evaluated options for minimizing the impact on shareholders and spreading out the costs as much as possible.

On January 8, 2024, I sent a memo to all cooperators reminding them of issues raised in the 2023 *Treasurer's Report*, and solicited questions from shareholders. Our team then shared a detailed presentation on our finances with the co-op and answered shareholder questions at a Town Hall meeting on January 31, 2024,

In February 2024 the Board voted to increase Basic Maintenance by 7.5 percent, effective in July, the beginning of Fiscal Year 2025 (FY2025). The Board also increased the annual minimum maintenance increase to three percent—a number that more accurately reflects what is required to keep pace with typical levels of inflation. Initial estimates of our need involved higher increases, but the Board scrutinized our budget to find all possible ways to minimize the amount.

Finally, we implemented three years of annual increases for parking and storage, both of which are limited-supply amenities with long waiting lists. Storage rates hadn't increased for eleven years, and parking rates had stayed flat for twelve years. Rate increases for parking and storage are being phased in over a three-year period, with the first taking effect at the start of this fiscal year. Even when the last of these increases takes effect, the rates we charge for these amenities will still be a fraction of market prices.

The measures enacted by the Board put us back on track with respect to our operating budget and give us the resources we need to continue rebuilding our infrastructure and keeping our property in good physical repair.

Budgeting Process

Our budgeting process now engages all Board members throughout the year. This enables us to provide updates to residents earlier in the fiscal year. However, I want to stress that budgeting is not an exact science; it is an ongoing process. We cannot predict inflation rates or other unforeseen events.

The cycle begins each September when we receive our audited financial statement for the fiscal year that just ended. Over the following three months the Board will evaluate the audit to determine if the already-approved three percent standard minimum increase will be enough, or if additional amounts are required. The decision will be made at the January Board meeting, to take effect that July at the start of the next fiscal year. If an additional increase is necessary, the Board will share information about this need to all shareholders in February, giving the entire community ample time to make personal preparations.

Once the total budget number is set, the Board will work with Management to develop a more detailed breakdown of anticipated costs within each expense category for the upcoming fiscal year.

This budget will be adopted by the Board at its June meeting.

Budgets are guides, but conditions change during the year and the financial outlook requires constant monitoring. This new budgeting process more deeply engages the entire Board in the process throughout the year.

Fuel Prices

In Fiscal Year 2024 (FY2024) shareholders paid a monthly fuel passthrough of $8.27 per room to cover the sharp rise in fuel costs. The charge was removed in July 2024. As we reported extensively in the past two years, the co-op enjoyed a decade of historically low fuel prices in the 2010s, but this has come to an end.

The fuel passthrough is a tool for raising funds to cover short-term price jumps, but all signs suggest that higher fuel prices will persist, and that the increase in operating expense for this category will be long-term. Rather than continuing a fuel passthrough in FY2024, we folded this expense into the basic maintenance increase that took effect at the start of this fiscal year.

Management and the Board continue to evolve our energy strategy. We work with fuel purchasing consultants to monitor markets and make strategic decisions about these contracts. We are in the process of replacing one of our diesel engines with a natural gas engine, which will reduce expenses as well as emissions. And we are constantly researching alternative energy sources and exploring their viability for our operation.

Commercial Tenants

I'm happy to report that our commercial spaces are fully rented. We welcomed two new tenants this year. Gourmet Market, located on Ninth Avenue and West 25th Street, started paying rent in January 2024 and opened to the public in February 2024. Pier 23, located on Eighth Avenue between West 23rd and West 24th streets, began paying rent in October 2024.

The full financial benefit of our ground lease with MAG Partners is starting to show on our books. According to our contract, the first two years of payments were at interim levels while the old building was emptied and demolished, but the full payment schedule is now in effect. Payments jumped from $1.34 million in calendar year 2023 to $2.10 million in calendar year 2024, but since our fiscal year runs from July through June, only a portion of this is reflected in our FY2024 financial statement. FY2024 income from the ground lease was $1.72 million, and in FY2025 this will rise to

Building 4 and the Empire State Building. Photo by Mario Mazzoni, September 2024.

$2.12 million. Each year thereafter the rent paid by MAG Partners increases according to a schedule, with a reset period every 25 years to make sure that Penn South is receiving its fair share of any favorable shifts in market conditions.

Soaring Insurance Costs

Last year we reported on the rapidly rising cost of insurance. Unfortunately, this trend has only worsened. The newest contract we signed in May 2024 came with the sharpest year-over-year price increase yet, jumping by $627,000.

Insurance costs rose from $1.41 million in FY2020 to $3.45 million for the year covering FY2025, a 245% jump in only five years. Throughout this period our level of coverage has remained the same. Our insurance broker shops our policy to carriers that service our market each year, and the rates we pay are the best available.

The factors causing insurance costs to rise are numerous and have varied each year. In 2023, it was the policy covering our physical property that shot up. Catastrophic events such as natural disasters are becoming more prevalent, and construction costs have risen sharply. Consequently, insurance carriers re-evaluated properties around the country to determine their exposure and risk if extensive repairs or even rebuilding are required. At Penn South, insurers readjusted the replacement value of our buildings, grounds, and infrastructure to be 38 percent higher than their previous valuation.

In the most recent contract we signed, the sharp increase in our insurance was not for coverage of our physical property, but rather for our general policy and umbrella policy covering casualty and liability. For more than two decades, Hanover was our carrier for this policy, but the company recently decided to withdraw entirely from the residential market. Our long track record with Hanover built trust with the insurer over time, and this helped us secure favorable rates. With the exit of Hanover, we not only lost the benefit of our long-term relationship; the marketplace of available insurers also shrank, reducing competition. Our insurance brokers worked to secure the best rate available, but nothing came close to the rate we previously enjoyed.

The rapid rise in insurance costs is not just affecting Penn South; it is straining the budgets of numerous operations. I have been in conversation with the leadership of other large affordable housing developments across the city, and with government agencies, to see if we can develop a collective solution to this problem. This is new territory, but we are starting to make a compelling case to numerous stakeholders that reigning in insurance costs is an important facet of preserving long-term affordability.

Repair Expenses Decline; Projects Spread Out

Our operating expenses related to Repairs and Maintenance (R&M) dropped by $917,100 in FY2024. This is primarily because the FY2023 expenses included a few major emergency repairs, such as a sewer line break under the Building 3 lobby that cost over $378,000 to remedy, and an underground water break near West 25th Street that caused water to enter the powerhouse, costing

Cutting the ribbon to open the new electric vehicle charging stations. Photo by Mario Mazzoni, January 2024.

Discovereing treasure at the Penn South Flea Market. Photo by Vanessa Lopera/Rota6, May 2024.

$123,500 to fix. The type of repairs performed at those locations required them to be classified as R&M expenses. Additionally, repairs to powerhouse equipment cost $489,000 in FY2023, but this subcategory of R&M fell by nearly three-quarters in FY2024. Although FY2024 did include major underground pipe breaks—one near Building 5, and the other by Building 9—in both cases the repair work was eligible to be classified as a capital expense and therefore appears within the category "Underground Utility Pipe Replacement" on the Capital Projects list on page 23.

In addition to facing fewer repair costs, we were able to strategically postpone certain non-critical, non-emergency capital projects. This in turn reduced our drawdowns from the Reserve for Replacement (R4R) account. We budgeted $8.89 million in capital expenses for FY2024 but only spent $6.09 million. At the end of FY2024 the account had $12.33 million.

Our list of capital projects was initially developed in conjunction with engineering consultants and our partners at HUD. The budgeting process begins by looking at the age of critical equipment and projecting when replacement will be needed, based on typical lifespans.

A few projects we expected to undertake could be delayed because analysis shows that replacement or upgrade is not yet necessary. The largest of these projects is elevator modernization. We expected this to be necessary by now based on industry averages for replacement. However an analysis of our elevators by our independent consultants concluded that our equipment has additional years of reliable use. Another project we were anticipating to undertake this year was the replacement of our roof water tanks. Engineers determined that this was not yet needed, and we now expect to replace the tanks in 2028 or 2029.

Finally, we achieved savings on our powerhouse engine replacement. Our consultants informed us that certain parts were set to increase by tens of thousands, so we avoided this by purchasing the parts early before the increases took effect. We also preserved many parts from the diesel engine that we are dismantling and are repurposing for the natural gas engine that is being custom-built for our powerhouse. This measure saved us $97,000.

New Sources of Revenue

We have begun collecting revenue from the installation of our new electric vehicle (EV) charging stations. In the first six months of operation, we collected an average of $12,000 of gross revenue per month from these stations. They were open for slightly less than half of FY2024.

The co-op received $175,901 in administrative fees for our housing lottery, although this is not a recurring source of revenue. These payments came from applicants who joined our waiting lists, and were primarily intended to offset expenses directly related to the lottery such as mandatory advertising

Neighbors mingle while lined up for food at the 2024 Community Day Barbecue. Photo by Vanessa Lopera/Rota6, June 2024.

and overtime for staff who processed the applications. The remainder is available for initiatives related to new shareholder onboarding, orientation, and other initiatives that support cooperator education and communication.

Finally, we collected surcharges from shareholders who under-reported incomes on their 2020 Income Affidavits. The next section provides detail on the surcharge audit that resulted in this revenue.

Surcharge Audit

Surcharge is a fundamental aspect of our affordability structure at Penn South. The co-op collected $5.6 million in surcharge income this year, 12% of our total revenue.

The audits of Income Affidavits were paused for a few years, but they have resumed through our supervising agency, the New York Department of Housing Preservation and Development (HPD). The incomes reported by shareholders are cross-checked by the New York State Department of Taxation and Finance. The audit of Income Affidavits begins one year after the forms are due and takes approximately a year to complete. If discrepancies are found, the co-op collects money it is owed in the following fiscal year. In FY2024 we received approximately $210,000 based on under-reported income on 2020 Income Affidavits. In the current fiscal year we are billing a similar amount for under-reported income on 2021 Income Affidavits. We are glad to finally be collecting this revenue, but the failure to receive accurate information on the original initial Income Affidavit is very discouraging.

Our co-op was created to provide affordable housing to New Yorkers who are otherwise priced out of the private market. When shareholders who live in Penn South see their incomes rise beyond our Maximum Allowable Incomes, we do not ask them to leave our community, but we do require them to pay their fair share in the form of a surcharge. The amount of surcharge is proportional to the amount of income a household takes in during a particular year that exceeds our caps. The system is designed to achieve fairness and equity, so it is disheartening when individuals do not follow the rules.

The $210,000 we received in FY2024 through the surcharge audit comes from just 55 households who underreported their 2020 income. In the next audit, for tax year 2021, the number of households under-reporting income declined to 45 households, but includes eight households who under-reported two years in a row.

Capital Projects—Completed and Upcoming

We completed repairs to our facades in FY2024. Based on the inspection and remediation cycle mandated by law, this project occurs approximately once per decade. The physical work took approximately two years, but billing fell into multiple fiscal years. In FY2024 we paid $1.3 million to close out this $8.47 million project.

The roofs on Buildings 2, 3, 8 and 10 were replaced during FY2022 and FY2023, but a balance of $278,596 for this work was billed in FY2024—a fraction of the $4.27 million total expense for the work. While the roofs on our other six buildings are 37 years old, engineers assessed that they have a few additional years of life. We are not planning to replace any roofs in FY2025.

We spent $830,063 on supplies to replace 972 circuit breaker panels in apartments. This multi-year project has occurred in all buildings and is 97 percent complete. The remaining 70 panels will be replaced before the end of the year.

We spent $436,168 on upgrades to the domestic hot water system in Buildings 1 and 6 in FY2024, including the engineering costs for designing the new system. Similar work was performed in Building 8 during FY2023 at a cost of $421,618. Those three buildings experienced persistent issues regarding discoloration as well as temperature, pressure, and flow. The work achieved the results we were hoping for, and we are continuing to monitor the situation. We have budgeted $175,000 in FY2025 to perform this work in Building 4.

A mechanical firm is in the process of building a new gas engine for our powerhouse to replace one of our diesel engines. The build is occurring over a multi-year period and is expected to be complete in mid-2025. We paid $426,217 towards the total cost of this project FY2024, and are budgeting $1.72 million in FY2025. In total this project is expected to cost $2.3 million. With gas prices historically cheaper than oil, this new engine will lower overall fuel costs and this investment will pay for itself.

We spent $264,487 in FY2024 to upgrade the electrical meter rooms in two of our commercial buildings. Engineers assessed that the aging components required upgrading to bring the equipment up to code. We are budgeting $285,085 in FY2025

A Penn South tower amid surrounding buildings in Chelsea. Painting by Cyd Rosen.

for other necessary work in our commercial buildings. This expense was initially budgeted for FY2024 but the work was postponed.

As discussed in the *Manager's Report*, we replaced gas piping in Building 1 to meet the stringent gas inspection requirements of Local Law 152 of 2016. $461,916 of the costs related to this project were billed during FY2024, but the work in this building continued through the summer and some of the expenses will appear in FY2025. The overall cost of this project is significantly lower thanks to our innovative approach to the work. We expect similar work will be required in other buildings based on the age of our infrastructure, and we are budgeting $665,813 for this work in FY2025. Plans will be based on the findings of our engineer's inspections, which are ongoing.

We are budgeting $1 million for the replacement of the underground utility pipes that span Buildings 7 and 10. This critical part of our infrastructure is currently the most vulnerable according to inspections. Replacing this run of pipe involves excavating West 28th Street, a process that requires us to obtain additional permits and coordinate with city agencies.

Looking Forward

The finances of Penn South are improved, thanks in large part to the 7.5 percent maintenance increase enacted this year, and the excellent efforts of our Management team. The Board's vote was the product of months of deliberation and scrutiny, in consultation with our third-party auditors. These decisions were not made lightly, but were necessary to start catching up after years of rising costs. They are also helping build the reserves needed to continue repairing our aging infrastructure.

However, we are not out of the woods. We are on track to end FY2025 with $5.4 million in cash—significantly less than the $7.6 million our auditors advise us to maintain. This is equivalent to three months of maintenance payments from shareholders. The auditors indicate that it is standard industry practice to keep the higher amount on hand at all times as a safeguard for unforeseen situations.

In the coming years we need to prepare for a decline in "First Sales" revenue. This is the money collected by the co-op the first time an apartment sells at the triple-equity tier. Shareholders who purchased at the single-equity or double-equity price tiers receive a return of their investment, with the difference in sale price going to the co-op. Over the past decade, First Sales income has averaged $5.9 million per year. In FY2024 we collected $5.3 million. First Sales is a one-time revenue source that is being depleted over time and will need to be replaced.

Our sister co-ops are facing the same financial challenges related to rising expenses and the need to replace aging infrastructure. Many of these other developments have enacted double-digit maintenance increases for multiple years to meet expenses. By contrast, Penn South is succeeding in our effort to spread out costs and maintenance increases and proactively manage our budget.

Prudent financial planning involves taking a long view of our needs, setting a course, and making constant adjustments as the conditions change. Our new budgeting process has engaged the full Board at a deeper level than I have seen at any other time in my 34 years serving on this Board. We are also sharing more data with residents, and at an earlier stage in the process. Making good on our commitment to long-term affordability requires good stewardship, and I am confident that our success rests in the collaborative relationship between our talented Management team, our expert consultants, and the many dedicated shareholders who step up to serve this community.

Matthew Barile, Treasurer

Mural by Joseph Meloy in Sandbox Park. Photo by Olivier Bernier/Rota6, September 2024.

Cooperative Council

June 2023 to May 2024

Building Representatives June 2023 to May 2024

1	Elizabeth Greenberg Lorraine Miller Patricia Zaback	2A	Margo DePaola Jessica Fortino Lindsay Levinson	2B	Judi Cheng Richard Pollak Deborah Woronoff
3A	Judith Dahill Abbe Eckstein Carol Krol	3B	Joseph London Ellen Schapiro	4	David Goodman Maureen E. Melle Raanan Geberer
5	Rita Cadio Brook Guinn-Darby Cynthia Smith	6A	Nancy Kurtz Evelyn Malave Donna Marie Smith	6B	Ray Keane Josh Rogers Helen Rosenberg
7A	Elsa Apestegui Karen Baskett Amy Zaager	7B	Michael Bournas-Ney Effie Gang Nathan Kaplan	8A	Mary Citarella Mikhail Kazatskiy Ashton Spann
8B	Veronica Baugh Lorene Gatson William Schaffner	9	Yolandra Dent-Rivera Tonianne Rossi Jason Crockwell	10	Patrick Hanafee Dorothy Omanoff Vaghela Joyce Wilcox

The Co-op Council provides shareholders a platform to engage, share ideas, and contribute to the betterment of life in Penn South. The Council holds monthly meetings from September through May, and supervisors from the Security and Maintenance departments attend to deliver updates and address concerns or suggestions.

All cooperators are invited to attend our meetings as observers to learn about various matters of broad interest to our community.

This past year members of the Council raised concerns about pedestrian safety and egress, especially around the the 335 Eighth Avenue development site, and were pleased by the diligent attention and quick response from Management and the Board.

We are also pleased with the progress made on a longstanding focus of the Council—packages left in building lobbies. This issue was exacerbated in recent years with the rise of online shopping, but Management efforts have improved the situation along with increased attention by cooperators.

I represeented the Council at our New Cooperator Group Orientations and Open House tours, which resumed in-person this year. The Council as a whole looks forward to contributing to other initiatives, such as re-education efforts around New York City's organics recycling program, which returned to Penn South in October 2024.

The Council also sponsored numerous social gatherings in building lobbies. These events help neighbors get to know each other and build a sense of community.

We thank the Board of Directors for allocating a budget for these well-loved occasions. We also thank the Board for its attention to issues raised by the Council throughout the year.

The entire co-op staff deserves our appreciation for their professionalism and service. We especially want to acknowledge Larry O'Neill, Security Director, and John Seemer, Assistant Manager of Operations, for attending our monthly meetings, providing detailed presentations, and following up diligently on our concerns. A big thank you also goes to Administrative Assistant Scarlett Johnson for her role in organizing our elections and managing the Council's administrative duties. Finally, thanks to all who serve on the Co-op Council for your contributions.

David Goodman,
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 FY2023	Actual FY2024	Budgeted FY2025
Revenue			
Income from Cooperators			
Net Carrying Charges	$ 27,255,248	$ 27,946,905	$ 30,262,299
Surcharges	5,374,741	5,610,168	5,700,000
Electricity Charges	1,275,464	1,435,179	1,460,000
Tenant-Cooperator Reimbursements - Net	1,140,809	1,194,542	1,200,000
Utility-Fuel Passthrough	-	1,110,981	-
Garage Rents	943,040	954,642	1,082,970
Cable TV Income	558,061	545,193	547,668
Laundry Income	378,000	378,000	560,900
Storage Locker Rentals	275,904	266,779	300,588
Lottery Application Adminsitrative Fee	-	175,901	-
Other Tenant-Cooperator Revenue	217,754	193,530	336,000
Total Income from Cooperators	37,419,021	39,811,820	41,450,425
Income from Commercial Tenants			
Stores and Offices	4,489,203	4,369,437	4,759,464
Ground Lease	704,788	1,718,829	2,121,000
Garage	561,498	561,498	561,498
Electricity Charges	362,048	234,140	250,000
Real Estate Tax Escalations	222,725	229,420	286,551
Other Commercial Income	150,733	82,397	93,900
Total Income from Commercial Tenants	6,490,995	7,195,721	8,072,412
Interest and Other Income			
Interest Income	638,281	1,175,217	1,045,375
Other Income	83,512	172,168	70,000
Total Interest and Other Income	721,793	1,347,385	1,115,375
Total Revenue	44,631,809	48,354,926	50,638,212
Expenses			
Labor	9,678,335	9,572,707	10,000,000
Repairs and Maintenance	7,832,469	6,915,289	7,278,798
Payroll Overhead	6,029,939	6,399,558	6,756,396
Real Estate Tax - Net	3,473,207	3,283,484	3,650,461
Utilities	4,325,115	5,656,504	5,225,739
Management and Administrative	4,770,412	4,375,762	4,519,465
Insurance	2,529,387	3,063,205	3,436,916
Cable TV Fee	559,116	537,953	547,668
Other Expenses	576,320	547,045	576,472
Total Expenses	39,774,300	40,351,507	41,991,916
Income Before Other (Charges) and Credits	4,857,509	8,003,419	8,646,296
Other (Charges) and Credits			
Mortgage Interest and Costs	(5,358,066)	(5,251,344)	(5,619,349)
Depreciation	(6,569,311)	(6,774,217)	(7,000,000)
Straightline Rent Adjustment – Ground Lease	3,219,785	6,058,399	5,656,228
Income (Loss) Before Prior Year Real Estate Tax Abatements & Credits	(3,850,083)	2,036,257	1,683,175
Prior Year Real Estate Tax Abatements & Credits	188,785	688,249	200,000
Net Income (Loss)	$ (3,661,298)	$ 2,724,506	$ 1,883,175

Mutual Redevelopment Houses, Inc. **Cash Position**	Actual FY2023	Actual FY2024	Budgeted FY2025
Cash Flows From Operating Activities			
Net Income (Loss)	$ (3,661,298)	$ 2,724,506	$ 1,883,175
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	6,569,311	6,774,217	7,000,000
Amortization of Debt Premium	(427,098)	(425,397)	(423,314)
Amortization of Deferred Mortgage Costs	26,592	26,592	26,592
Deferred Rent	(63,711)	(66,052)	(68,552)
Expected credit losses	461,885	327,071	400,000
Straightline Rent Adjustment – Ground Lease	(3,219,785)	(6,058,399)	(5,656,228)
Changes in Certain Other Accounts	(1,825,996)	(1,365,516)	-
Net Cash Provided (Used) by Operating Activities	(2,140,100)	1,937,022	3,161,674
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	(11,699,260)	(6,096,231)	(5,508,778)
Cash Flows From Financing Activities			
Principal Payments of Mortgages	(3,253,065)	(3,342,064)	(3,433,290)
Additional Paid-in Capital for First Sales	8,209,525	5,335,819	5,000,000
Net (Repayment) from Issuance of Income Debentures	(44,700)	(27,400)	(30,000)
Net Cash Provided by Financing Activities	4,911,760	1,966,355	1,536,710
Net (Decrease) in Cash and Cash Equivalents and Restricted Cash	(8,927,600)	(2,192,854)	(810,394)
Cash and Cash Equivalents and Restricted Cash — Beginning of Year	42,191,649	33,264,049	31,071,195
Cash and Cash Equivalents and Restricted Cash — End of Year	$ 33,264,049	$ 31,071,195	$ 30,260,801

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	6,465,666	6,082,320	5,444,995
Restricted Cash			
Replacement and other reserves	15,435,427	12,338,441	11,487,065
General Operating Reserve	8,080,439	9,563,507	10,221,336
Investments in U.S Treasury Notes	1,987,695	2,712,173	2,712,173
Mortgage Escrow Deposits	347,543	369,754	390,232
Ground Lease Deposit Account	947,279	5,000	5,000
	$ 33,264,049	$ 31,071,195	$ 30,260,801

Notes to Cash Position

On page 32 of the FY24 Audited Financial Statements, Statement of Cash Flows, the line item *"cash and cash equivalents and restricted cash — end of year*" is listed as $7,426,552. 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, 2024, Mutual Redevelopment Houses held $23,644,643 in Treasuries and CDs in our *Restricted Reserve for Replacement and General Operating Reserve* accounts.

On page 21, Cash Position, 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 $31,071,195 (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).

On page 21, Cash Position, some of the amounts listed for FY2023 differ from what appeared in the *2023 Annual Reports* because of retroactive adjustments.

Mutual Redevelopment Houses, Inc. **Capital Projects**	Actual FY2023	Actual FY2024	Budgeted FY2025
Façade Repairs	4,384,813	1,302,619	0
Apartment Circuit Breaker Panel Replacement	610,571	830,063	0
ADA Access for Garage	53,384	10,066	0
Concrete Sidewalk and Pathway Replacements	103,935	86,202	450,000
Site Drainage - Rear of Bldg. 8	62,025	0	0
Terrace Waterproofing & Drainage (19th Floor)	84,640	0	420,000
New Green Space - West 25th St.	27,359	77,283	0
Roof Replacement - Bldgs. 2, 3, 8, & 10	3,497,684	278,596	0
Apartment Roof Fans	0	94,450	102,880
General Building Improvements	401,326	404,126	400,000
Computers and Software	134,388	131,875	40,000
Gas Piping Replacement - Local Law 152/2016	39,701	461,916	665,813
Youth Room Renovation	88,624	4,010	0
Domestic Hot Water Upgrades	421,618	436,168	175,000
Underground Utility Pipe Replacement	1,719,170	1,034,161	1,000,000
Comm. Bldg. #3 Upgrades	0	119,592	285,085
Standpipe & Sprinkler Upgrades	2,713	0	0
Electrical Meter Rm Upgrade - Comm. Bldgs. 1 & 3	667	264,487	0
EV Charging Stations	0	134,400	120,000
Gardening Heavy Equipment	0	0	50,000
Powerhouse New Natural Gas Engine	66,641	426,217	1,720,000
Emergency Generator	0	0	80,000
Total Capital Improvements	**$ 11,699,260**	**$ 6,096,231**	**$ 5,508,778**

Note to Capital Projects:

The numbers budgeted above for the Fiscal Year Ending June 30, 2025 (FY2025) include proposed HUD-required capital improvements that will be funded from our Reserve for Replacement account.

Mutual Redevelopment Houses, Inc.

Audited Financial Statements

and Supplemental Schedules

for the years ended
June 30, 2024 and June 30, 2023

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, 2024 and 2023, 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 the Corporation as of June 30, 2024 and 2023 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 the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 14, the Corporation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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 the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

PKF O'Connor Davies, LLP

September 27, 2024

Mutual Redevelopment Houses, Inc.

Balance Sheets

	June 30 2024	June 30 2023
ASSETS		
Property, Plant and Equipment (notes 2 and 3)		
Land	$ 5,809,973	$ 5,809,973
Buildings and improvements	311,842,196	306,296,491
Power/co-generation plant	21,720,387	21,301,736
Furniture and equipment	2,261,843	2,129,968
Total Property, Plant and Equipment	341,634,399	335,538,168
Less: Accumulated depreciation	(144,420,419)	(137,646,202)
Net Property, Plant and Equipment	197,213,980	197,891,966
Cash and cash equivalents (note 2)	6,082,320	6,465,666
Receivables		
Tenant-Cooperators		
Regular, less allowance for expected credit losses of $981,859 in 2024 and $736,124 in 2023 (note 2)	4,263,647	3,722,157
Commercial tenants	114,968	53,749
Net Receivables	4,378,615	3,775,906
Restricted Assets		
Replacement and other reserves (note 5)	12,338,441	15,435,427
General operating reserve (note 5)	9,563,507	8,080,439
Mortgage escrow deposits (note 5)	369,754	347,543
Ground lease deposit account (note 11)	5,000	947,279
Total Restricted Assets	22,276,702	24,810,688
Other Assets		
Investment in U.S. Treasury Note (note 2)	2,712,173	1,987,695
Prepaid expenses and other (note 17)	6,044,953	6,018,932
Deferred rent asset - ground lease (note 2)	9,278,184	3,219,785
Commercial security deposits	817,711	798,707
Escrow deposit with The City of New York	65,800	65,800
Total Other Assets	18,918,821	12,090,919
Total Assets	$ 248,870,438	$ 245,035,145

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Balance Sheets

	June 30	
	2024	2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgage loans payable, net (notes 4 and 5)	$ 193,879,295	$ 197,620,164
New York City Council Capital Grant/8-A Loan (note 5)	5,000,000	5,000,000
Income debentures payable (note 8)	1,881,674	1,909,074
Debenture interest payable	2,390,965	2,341,592
Accounts payable and accrued expenses	4,091,502	5,773,728
Accrued mortgage and loan interest payable	396,376	403,768
Deferred rent (note 7)	567,632	633,684
Carrying charges and rents received in advance	753,558	687,171
Prepaid ground rent (note 11)	3,156,041	1,995,212
Commercial security and applicants deposits	1,371,926	1,349,608
Total Liabilities	213,488,969	217,714,001
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	132,440,599	127,104,780
Accumulated deficit	(110,978,465)	(113,702,971)
Total Shareholders' Equity	35,381,469	27,321,144
Total Liabilities and Shareholders' Equity	$ 248,870,438	$ 245,035,145

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Operations

	Years Ended June 30 2024	2023
REVENUE		
Income from Cooperators		
Net carrying charges (note 18)	$ 27,946,905	$ 27,255,248
Surcharges (note 10)	5,610,168	5,374,741
Electricity charges	1,435,179	1,275,464
Tenant-cooperator reimbursements (note 19)	1,194,542	1,140,809
Utility Surcharge (note 10)	1,110,981	-
Garage rents	954,642	943,040
Cable TV income	545,193	558,061
Laundry income	378,000	378,000
Storage locker rentals	266,779	275,904
Lottery application administrative fee	175,901	-
Other tenant-cooperator revenue (note 20)	193,530	217,754
Total Income from Cooperators	39,811,820	37,419,021
Income from Commercial and Ground Tenants		
Stores and office (note 11)	4,369,437	4,489,203
Ground lease (note 11)	1,718,829	704,788
Garage	561,498	561,498
Electricity charges	234,140	362,048
Real estate tax escalations	229,420	222,725
Other commercial income (note 21)	82,397	150,733
Total Income from Commercial Tenants	7,195,721	6,490,995
Investment and Other Income		
Investment income	1,175,217	638,281
Other income (note 22)	172,168	83,512
Total Investment and Other Income	1,347,385	721,793
Total Revenue	48,354,926	44,631,809
EXPENSES		
Labor (note 24)	9,572,707	9,678,335
Repairs and maintenance (note 23)	6,915,289	7,832,469
Payroll overhead (note 25)	6,399,558	6,029,939
Real estate tax - net (note 13)	3,283,484	3,473,207
Utilities (note 26)	5,656,504	4,325,115
Management and administrative (note 27)	4,375,762	4,770,412
Insurance	3,063,205	2,529,387
Cable TV fee	537,953	559,116
Other expenses (note 28)	547,045	576,320
Total Expenses	40,351,507	39,774,300
Income before Other (Charges) and Credits	8,003,419	4,857,509
Other (Charges) and Credits		
Mortgage interest and costs (notes 5 and 29)	(5,251,344)	(5,358,066)
Depreciation (note 2)	(6,774,217)	(6,569,311)
Straight-line rent adjustment - ground lease (note 2)	6,058,399	3,219,785
Income (Loss) before Prior Years' Real Estate Tax Abatements and Credits	2,036,257	(3,850,083)
Prior years' real estate tax abatements and credits (note 13)	688,249	188,785
Net Income (Loss)	$ 2,724,506	$ (3,661,298)

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Changes in Shareholders' Equity
For the Years Ended June 30, 2024 and 2023

	Capital Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
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
Changes in: Additional paid-in capital (First sale)	-	-	5,335,819	-	5,335,819
Net income	-	-	-	2,724,506	2,724,506
June 30, 2024	139,193	$ 13,919,335	$ 132,440,599	$ (110,978,465)	$ 35,381,469

See notes to financial statements

Mutual Redevelopment Houses, Inc.

Statements of Cash Flows	Years Ended June 30 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 2,724,506	$ (3,661,298)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	6,774,217	6,569,311
Amortization of debt premium	(425,397)	(427,098)
Amortization of deferred mortgage costs	26,592	26,592
Deferred rent	(66,052)	(63,711)
Expected credit losses	327,071	461,885
Straight-line rent adjustment - ground lease	(6,058,399)	(3,219,785)
Changes in certain other accounts		
Receivables	(929,780)	801,209
Prepaid expenses and other	(26,021)	(4,765,908)
Commercial security and applicant deposits	3,314	(21,592)
Accounts payable and accrued expenses	(1,682,226)	278,236
Accrued mortgage and loan interest payable	(7,392)	(7,189)
Debenture interest payable	49,373	36,726
Carrying charges and rents received in advance	66,387	(142,690)
Prepaid ground rent	1,160,829	1,995,212
Net Cash Provided (Used) by Operating Activities	1,937,022	(2,140,100)
CASH FLOWS FROM BY INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,096,231)	(11,699,260)
Net redemptions (purchases) of certificates of deposit	750,000	(287,000)
Net redemptions (purchases) of U.S. Treasury Notes	(5,075,201)	6,086,950
Net Cash Provided (Used) by Investing Activities	(10,421,432)	(5,899,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of mortgages	(3,342,064)	(3,253,065)
Additional paid-in capital for first sales	5,335,819	8,209,525
Net (repayment) from issuance of income debentures	(27,400)	(44,700)
Net Cash Provided by Financing Activities	1,966,355	4,911,760
Net (Decrease) in Cash & Cash Equivalents & Restricted Cash	(6,518,055)	(3,127,650)
Cash & cash equivalents and restricted cash - beginning of year	13,944,607	17,072,257
Cash & cash equivalents and restricted cash - end of year	$ 7,426,552	$ 13,944,607

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	$ 6,082,320	$ 6,465,666
Restricted Cash		
Replacement and other reserves (notes 2 and 5)	518,155	4,789,969
General operating reserve (notes 2 and 5)	451,323	1,394,150
Mortgage escrow deposits	369,754	347,543
Ground lease deposit account	5,000	947,279
	$ 7,426,552	$ 13,944,607
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest expense	$ 5,031,753	$ 5,122,175

See notes to financial statements

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.

In connection with the Corporation's mortgage with Wells Fargo Bank, N.A. ("Wells Fargo") (see Note 5), 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

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 Accounting Standards Update No. 2016-02 ("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 as of July 1, 2022 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.

Carrying charges, assessments and other operating revenues are reported as revenue when due and payable.

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 could be subject to monthly assessments to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Effective July 1, 2023, monthly carrying charges were increased by 1%. Effective July 1, 2024, carrying charges were increased by 7.5%.

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

2. Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

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 $6,058,399 and $3,219,785 during fiscal 2024 and 2023, respectively, for financial reporting purposes. The cumulative balance of the deferred rent asset as of June 30, 2024 and 2023 totaled $9,278,184 and $3,219,785, respectively.

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, 2024 and 2023, deposits were held in various 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, 2024 and June 30, 2023, the Corporation's uninsured cash and restricted cash on deposit totaled approximately $7,416,000 and $15,293,000, respectively.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset.

The adoption of this guidance on July 1, 2023 expanded the Corporation's required disclosures for its expected credit losses for accounts receivable but did not have a material impact on its financial statements.

Accounts Receivable

Prior to July 1, 2023, accounts receivable were recorded at the amount due from tenant-cooperators less an allowance for possible losses. The net amount of accounts receivable and corresponding allowance for possible losses were presented on the balance sheet. Receivable balances were assessed at every reporting date for collectability and an allowance was recorded if the receivable was considered uncollectable. Subsequent to July 1, 2023, accounts receivable are recorded at amortized cost less an allowance for expected credit losses that are not expected to be recovered. The amount of accounts receivable and corresponding allowance for expected credit losses are presented on the balance sheet. The Corporation maintains allowances for expected credit losses resulting from the expected failure or inability

2. Significant Accounting Policies *(continued)*

Accounts Receivable (continued)

of its tenant-cooperators to make required payments. The Corporation recognizes the allowance for expected credit losses at inception and reassesses at every reporting date based on the expected collectability of its receivables. The allowance is based on multiple factors including historical experience with uncollectible accounts, the credit quality of the tenant-cooperators, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. The Corporation's allowance for credit losses is based on the assessment of the collectability of its assets pooled together with similar risk characteristics.

The Corporation records a provision for expected credit losses using a historical loss-rate method. At each reporting period, the Corporation assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, the Corporation may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

The Corporation writes off receivables when there is information that indicates the tenant-cooperator is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Corporation's accounting policy election.

The following table provides a roll-forward of the allowance for credit losses that is deducted from accounts receivable due from tenant-cooperators to present the net amount expected to be collected.

	Year Ended June 30	
	2024	2023
Balance at beginning of year	$ 736,124	$ 567,463
Provision for expected credit losses	327,071	461,885
Write-offs	(81,336)	(293,224)
Balance at end of year	$ 981,859	$ 736,124

Total accounts receivable, net of allowance for expected credit losses, as of July 1, 2022 totaled $5,039,000 which was deemed collectible by management. As of July 1, 2022, carrying charges and rents received in advance totaled $829,861.

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, 2024 and 2023.

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, 2024 and 2023.

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.

2. Significant Accounting Policies *(continued)*

Fair Value Measurements (continued)

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.

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	
	2024	2023
Gym	$ 225,931	$ 166,419
Ceramics Studio	49,246	60,833
Woodworkers Club	21,867	16,609
Jeff Dullea Intergenerational Garden	9,124	11,957
Toddler Committee (includes Toddler Playroom)	8,724	4,224
Green Space	(20,652)	-
Art Studio	(2,005)	-
Parents Committee (includes Youth Room)	(391)	(158)
	$ 291,844	$ 259,884

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

Restricted Cash

The Corporation accounts for restricted cash in accordance with "Statement of Cash Flows (ASC 230): Restricted Cash," which requires inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The Corporation's restricted cash includes amounts held in deposit for payments of insurance expense, general operating reserves and reserves for capital improvements.

The June 30, 2024 and 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 $20,932,470 and $17,331,747, respectively, are not reflected in the ending cash, cash equivalents and restricted cash balances in the accompanying statements of cash flows.

2. Significant Accounting Policies *(continued)*

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, 2024.

3. Property, Plant and Equipment

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

	2024	2023
Land, at cost	$ 5,809,973	$ 5,809,973
Buildings and improvements, at cost, less accumulated depreciation of $125,029,039 in 2024 and $118,529,058 in 2023	186,813,157	187,677,238
Power/co-generation plant, at cost, less accumulated depreciation of $17,549,247 in 2024 and $17,364,085 in 2023	4,171,140	3,937,651
Furniture and equipment, at cost, less accumulated depreciation of $1,842,133 in 2024 and $1,753,059 in 2023	419,710	467,104
	$ 197,213,980	$ 197,891,966

4. Mortgage Costs

The Corporation's mortgage loans payable (see note 5) are presented net of unamortized deferred mortgage costs of $861,252 and $887,844 at June 30, 2024 and 2023, respectively. Amortization expense for each of the years ended June 30, 2024 and 2023 amounted to $26,592, and is reflected in mortgage interest and costs in the accompanying statements of operations.

Mortgage costs are as follows:

	June 30	
	2024	2023
Mortgage costs	$ 958,725	$ 958,725
Less accumulated amortization	97,473	70,881
Mortgage costs, net	$ 861,252	$ 887,844

5. Mortgages Payable

The Corporation's mortgage agreement (the "HUD Loan") with Wells Fargo Bank, N.A. ("Wells Fargo") is insured by HUD.

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 HUD Loan is collaterized by the underlying property and any improvements thereon. As of June 30, 2024 and June 30, 2023, the outstanding principal balance on the new HUD Loan was $170,484,383 and $173,663,824, respectively.

In connection with the mortgage refinancing, the Corporation incurred a $10,410,118 prepayment penalty at closing. 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 $9,307,842 and $9,733,239 as of June 30, 2024 and June 30, 2023, 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, 2024 and June 30, 2023 totaled $425,397 and $427,098, 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 and a non-critical repair escrow deposit. The Corporation is required to make monthly contributions of approximately $146,000 of replacement reserve deposits to the reserve account for the initial year, after which the amount is adjusted.

The balance of the replacement and other reserves as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Cash and cash equivalents	$ 518,155	$ 4,789,969
U.S. Treasury securities	11,607,286	9,682,458
Certificates of deposit - FDIC Insured	213,000	963,000
Total	$ 12,338,441	$ 15,435,427

5. Mortgages Payable *(continued)*

As of June 30, 2024, the Treasury notes and bills in the replacement reserve have various yield rates ranging from 5.20% to 5.27% and mature between August 2024 and December 2024. Certificates of deposits yield 2.2% and matured in July 2024. As of June 30, 2023, the Treasury notes and bills have various yield rates ranging from 0.125% to 2.625% and matured between July 2023 and December 2023. Certificates of deposits yield between 2.15% and 2.2% and matured at various dates ranging from July 2023 and July 2024. Investment income recognized earned on the Corporation's investments reflected in the reserves was $447,171 and $279,989 for the years ended June 30, 2024 and 2023, 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 securities were reinvested upon maturity.

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, 2024 and 2023 consisted of the following:

	2024	2023
Cash and cash equivalents	$ 451,323	$ 1,394,150
U.S. Treasury securities	9,112,184	6,686,289
Total	$ 9,563,507	$ 8,080,439

As of June 30, 2024, the Treasury bills have various yield rates up to 2.75% and mature between August 2024 and May 2025. As of June 30, 2023, the Treasury bills have various yield rates ranging from 0.5% to 1.375% and matured between July and August 2023. Investment income recognized earned on these investments was $415,727 and $64,955 for the years ended June 30, 2024 and 2023, respectively. The securities were reinvested upon maturity.

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, 2024 and 2023, the balance in the escrow deposit accounts totaled $369,754 and $347,543, 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, 2025. At June 30, 2024 and 2023, the outstanding principal was $14,948,322 and $15,110,945, respectively.

5. Mortgages Payable (continued)

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
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
2029	3,656,964	170,957	3,827,921
Thereafter	153,185,408	14,111,210	167,296,618
	$ 170,484,383	$ 14,948,322	$ 185,432,705

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

	2024	2023
HUD Loan	$ 170,484,383	$173,663,824
HDC Loan	14,948,322	15,110,945
	185,432,705	188,774,769
Plus unamortized debt premium	9,307,842	9,733,239
Less unamortized deferred mortgage costs	(861,252)	(887,844)
	$ 193,879,295	$ 197,620,164

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 a 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.

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

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, 2023, the 32BJ Plan was in endangered status (yellow zone) under the PPA. The 32BJ Plan trustees have implemented a funding improvement 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 $512,000 and $509,000 and to the Health Plan totaled approximately $1,934,000 and $1,747,000 for the years ended June 30, 2024 and 2023, 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, 2023, 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 $427,586 and $421,314 for the years ended June 30, 2024 and 2023, respectively.

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, 2024, the 153 Pension Plan is in critical status (red zone) under the PPA. The trustees of the 153 Pension Plan implemented a rehabilitation plan consistent with requirement. The Corporation's pension contributions to 153 Plan amounted to $8,883 and $12,859 for the years ended June 30, 2024 and 2023, respectively.

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

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 $270,914 and $210,795 to the 401(k) Plan for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, deferred garage rent totaled $567,632 and $633,684, 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	$ 999,200
2025	61,300
2026	69,700
2027	51,750
2028	54,400
2029	68,325
Thereafter	576,999
	$ 1,881,674

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, 2024 and June 30, 2023 were $5,610,168 and $5,374,741, respectively.

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 was paid in September 2023. As of June 30, 2024 and 2023, the balance of unapplied prepaid ground rent totaled $3,156,041 and $1,995,212, respectively, which has been reflected in the accompanying balance sheets. 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, 2024 and 2023 totaled $5,000 and $947,279, respectively.

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	
2025	$ 4,892,362	$ 2,121,000	
2026	4,968,510	2,163,420	
2027	4,807,512	2,206,688	
2028	4,651,429	2,250,823	
2029	2,489,121	2,295,839	
Thereafter	6,494,607	756,520,122	
	$ 28,303,541	$ 767,557,892	(*)

(*) 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, 2024 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.

The temporary difference pertaining to the recognition of the ground lease rent under the straight-line method between tax and financial reporting was sufficient to offset taxable income for the fiscal year 2024 since the straight-line rent adjustment to increase the rent income by $6,058,399 (see note 11) is not recognized as income for tax reporting purposes.

At June 30, 2024, the Corporation has available operating loss carryforwards (“NOLs”) which total approximately $76.6 million for Federal income tax purposes, of which approximately $55.3 million expire during various years through fiscal 2038 and approximately $21.3 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 fiscal 2021 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, 2024. 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 2024 and 2023 totaling $688,249 and $188,785, 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:

2024/2025	$ 699,397
2025/2026	531,785
2026/2027	356,763

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 approximately $1,752,000. As of June 30, 2024 and 2023, the replacement reserve balance totaled $12,191,646 and $15,285,632 (the total reserve balance less escrows for 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, 2024 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	
	2024	2023
Prepaid Expenses		
Insurance	$ 3,469,520	$ 2,959,838
Prepaid real estate tax	603,840	1,034,402
Prepaid interest and mortgage insurance premium	373,083	379,465
Fuel inventory	280,950	330,757
Supplies inventory	214,395	242,250
Prepaid other	136,880	69,799
Total Prepaid Expenses	5,078,668	5,016,511
Other		
Ground lease costs, net	869,554	878,519
Net deferred leasing costs	95,784	116,927
Other	947	6,975
Total Other	966,285	1,002,421
Total	$ 6,044,953	$ 6,018,932

18. Net Carrying Charges

Net carrying charges consist of:

	Years Ended June 30	
	2024	2023
Gross maintenance charges	$ 28,434,118	$ 27,901,274
Real estate tax STAR exemptions	(160,142)	(184,141)
Expected credit losses	(327,071)	(461,885)
Net Carrying Charges	$ 27,946,905	$ 27,255,248

19. Tenant-Cooperator Reimbursements

Tenant-cooperator reimbursements consists of:

	Years Ended June 30	
	2024	2023
Painting	$ 538,149	$ 595,955
Floorings	297,705	276,117
Repairs	197,781	115,681
Kitchen cabinets	156,253	148,136
Cleaning	4,654	4,920
Total	$ 1,194,542	$ 1,140,809

20. Other Tenant-Cooperator Revenue

Other tenant-cooperator revenue consists of:

	Years Ended June 30	
	2024	2023
Late fees	$ 92,682	$ 117,189
EV charging income	48,700	-
Apartment exchange fees	45,300	63,000
Bike storage fees	15,428	15,848
Community room	8,110	7,140
Record change fee	1,000	400
Administrative fees (expense)	(17,690)	14,177
Total	$ 193,530	$ 217,754

21. Other Commercial Income

Other commercial income consists of:

	Years Ended June 30	
	2024	2023
Additional rent - real estate taxes	$ -	$ 71,007
Water charges	46,697	44,626
Parking fees	35,700	27,600
Lease termination	-	7,500
Total	$ 82,397	$ 150,733

22. Other Income

Other income consists of:

	Years Ended June 30	
	2024	2023
Prior year bad debt recovery	$ 78,615	$ -
Non-refundable security deposit	21,000	40,024
Security deposit post 90 days	16,074	16,500
Miscellaneous	56,479	26,988
Total	$ 172,168	$ 83,512

23. Repairs and Maintenance

Repairs and maintenance consists of:

	Years Ended June 30	
	2024	2023
Power/Co-Generation Plant		
Supplies	$ 166,103	$ 256,839
Electric	120,829	489,111
Heating and air cooling	116,291	63,198
Service contracts	112,045	122,637
Lubrication	71,937	35,064
Total Power/Co-Generation Plant	587,205	966,849
Other		
Building repairs and supplies	4,538,508	5,124,968
Painting and decorating	814,381	852,661
Elevator systems	551,753	471,612
Electrical repairs	135,749	85,048
Exterminating	95,039	97,934
Janitorial supplies	90,399	78,456
Uniforms	52,048	83,034
Tree removal service	28,753	41,571
Security	16,470	24,729
Vehicles	4,984	5,607
Total Other	6,328,084	6,865,620
Total	$ 6,915,289	$ 7,832,469

24. Labor

Labor consists of:

	Years Ended June 30	
	2024	2023
Power/co-generation plant	$ 2,519,658	$ 2,508,121
Handymen, Electricians, Plumbers, and Restoration	2,172,162	2,213,292
Security staff	1,558,301	1,682,604
Porters	1,514,858	1,602,908
Supervisory	769,889	714,371
Gardeners	501,717	502,806
Maintenance and administrative	156,364	125,775
Office non-union	379,758	325,109
Ceramics	-	3,349
Total	$ 9,572,707	$ 9,678,335

25. Payroll Overhead

Payroll overhead consists of:

	Years Ended June 30	
	2024	2023
Welfare and pension funds	$ 4,200,802	$ 4,143,476
Payroll taxes	956,217	924,675
Hospitalization insurance	758,078	706,687
Workers' compensation insurance	464,109	234,921
Group life and major medical insurance	10,257	9,906
Disability insurance	10,095	6,490
Other	-	3,784
Total	$ 6,399,558	$ 6,029,939

26. Utilities

Utilities consists of:

	Years Ended June 30	
	2024	2023
Water and sewer	$ 2,787,456	$ 2,218,585
Gas - power/co-generation plant	1,521,165	987,332
Oil - power/co-generation plant	1,248,384	934,605
Gas - domestic	99,499	184,593
Total	$ 5,656,504	$ 4,325,115

In anticipation of increasing utility costs, the Corporation approved an additional utility surcharge which was billed to the tenant-cooperators over a twelve month period from July 2023 through June 2024 at a monthly rate of $8.27 per room. Income from the utility surcharge billed to tenant-cooperators totaled $1,110,981 during the year ended June 30, 2024.

27. Management and Administrative

Management and administrative consists of:

	Years Ended June 30	
	2024	2023
Management salaries	$ 1,187,883	$ 1,093,974
Legal service	1,037,778	1,077,077
Office salaries	679,370	859,976
Professional services	478,058	836,760
Computer services	336,441	320,353
Stationery, printing and office supplies	267,534	231,193
Accounting	100,420	68,950
Meetings	97,130	84,600
Office equipment leasing and service agreements	64,386	53,675
Telephone	44,489	46,431
Bank service charges	13,834	13,098
Other	68,439	84,325
Total	$ 4,375,762	$ 4,770,412

28. Other Expenses

Other expenses consist of:

	Years Ended June 30	
	2024	2023
Contributions: Penn South Program for Seniors	$ 300,000	$ 300,000
Commissions	40,341	63,326
Conduit fee	64,371	63,003
Meter reading fees	32,657	29,898
Permits and licenses	18,028	20,717
Signage	61,489	39,250
Other	30,159	60,126
Total	$ 547,045	$ 576,320

29. Mortgage Interest and Costs

Mortgage interest and costs consist of:

	Years Ended June 30	
	2024	2023
HUD mortgage	$ 4,797,376	$ 4,884,959
Mortgage insurance premium	601,783	617,240
Amortization of debt premium	(425,397)	(427,098)
Second mortgage	151,172	152,781
Debenture interest	75,813	77,246
Amortization of deferred mortgage costs	26,592	26,592
Other	24,005	26,346
Total	$ 5,251,344	$ 5,358,066

* * * * *

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 Grogan, Assistant Finance Manager
Thomas Maloney, Human Resources Manager
Marcia Dwyer, Apartment Transfers and Shareholder Orientation Manager
Mario Mazzoni, Education & Communications Director
Blair Desmon, Executive Assistant
Monika Zajak, Legal Coordinator

ADMINISTRATION

Scarlett Johnson, Administrative Assistant
Emilia Vaisanen, Receptionist
Heather Tarazi, Administrative Assistant
Peter Diaz, Administrative Assistant

FINANCE

Georgette Greenidge, Bookkeeper
Albertha Davis, Accounts Payable Specialist
Sam Eldean, Financial Analyst
Brooks Monk, Accounting Assistant

APARTMENT ALLOCATIONS

Clarissa Rivera, Lead Apartment Transfer Agent
Britt Johnson, Apartment Transfer Agent
Alexa Santory, Administrative Assistant

FACILITIES

Matthew Caughey, Facilities Coordinator
Janusz Jaworski, 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
Frisco Eleston
Eddy Hilaire
Anton Leontiev
Erwin Meza
Rafael Perez
James Perilli
Darrell Quinones
Edward Robles
Edgar Sanchez
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
Charles Dalton
Robert Fellows
Vito Gadaleta
Tyler Hart
William Hartnett
Eoin Matthew Hassett
Michael Luka
Timothy Lyons
Dale 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
Otto Diaz, Gardening Supervisor
James Dempsey, Gardening Assistant Supervisor
Michael Pierre-Louis, Administrative Assistant
Charles Reed, Administrative Assistant

HANDYPERSONS

Agim Abazaj
Marcin Baczewski
Ryszard Biesiadecki
Andre Darrell
Xavier DelaCuadra
Ilmi Demhasaj
Leszek Galej
Gjon Gjinaj
Arkadiusz Grabowski
Pawel Gryczkowski
Manuel Guardiola
Jose Guzman
Daniel Libreros
Edwin Mieles
Norman Ng
Albeiro Nunez
Nelly Pizarro
Johany Quintero
Andre Rodriguez
Rafael Torres
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
Alexander Rodriguez

COMPACTOR CREW

Nicolas Bello-Romero
Kidany Pacheco
Alexis Roman
Mark Vargas

PLUMBERS

Anthony Chase
David Garcia

PORTERS

Richard Calderon
Mark Caraballo
Gilberto Cruz
Rolando Cruz
Victor Cruz
Karim Gentle
Guidalla Kont
Pablo Lizardo
Manuel Llano
Salvatore Longo
Rolando Lopez
Adriano Lucero
Darrell Martin
Jonathan Morales
Pablo Ortiz
Jerry Ottomanelli
Domingo Ozoria
Luis Polanco
Edwin Richards
Ray Ramirez
David Strachan
Tyhe Walker

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