

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
FINANCIAL STATEMENTS
YEARS ENDED
FEBRUARY 28, 2023 AND 2022

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sadore Lane Gardens, Inc.

Opinion

We have audited the accompanying financial statements of Sadore Lane Gardens, Inc. (a cooperative housing corporation), which comprise the balance sheets as of February 28, 2023 and 2022, and the related statements of revenues and expenses, shareholders' deficit 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 Sadore Lane Gardens, Inc. as of February 28, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sadore Lane Gardens, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Sadore Lane Gardens, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

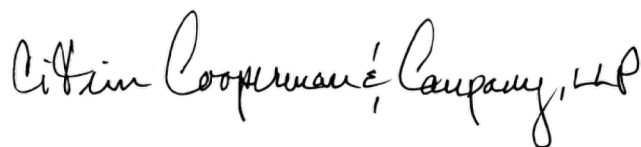
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sadore Lane Gardens, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sadore Lane Gardens, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 3 of the financial statements, management has not estimated the remaining lives and replacement costs of the common property and, therefore, has omitted the information about the estimates of future costs of major repairs and replacements and related estimated useful lives of the common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

White Plains, New York
December 19, 2023



SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
BALANCE SHEETS
FEBRUARY 28, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 468,841	\$ 5,192,322
Escrow and reserve funds	250,000	250,000
Assessment receivables	53,321	78,606
Prepaid expenses, real estate taxes and other assets	285,097	249,208
Property and equipment, net	<u>13,041,785</u>	<u>8,884,116</u>
TOTAL ASSETS	\$ <u>14,099,044</u>	\$ <u>14,654,252</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 575,347	\$ 511,446
Mortgage note payable, net of unamortized debt issuance costs	<u>18,792,877</u>	<u>18,762,931</u>
Total liabilities	<u>19,368,224</u>	<u>19,274,377</u>
Commitments and contingencies (Notes 7, 8, 9 and 13)		
Shareholders' deficit:		
Common stock - \$1 par value; 120,000 shares authorized, 104,003 shares issued and outstanding	104,003	104,003
Additional paid-in capital	2,734,939	2,734,939
Accumulated deficit	<u>(8,034,702)</u>	<u>(7,379,688)</u>
	(5,195,760)	(4,540,746)
Less: receivable from sponsor	<u>73,420</u>	<u>79,379</u>
Total shareholders' deficit	<u>(5,269,180)</u>	<u>(4,620,125)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ <u>14,099,044</u>	\$ <u>14,654,252</u>

See accompanying notes to financial statements.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Maintenance assessments	\$ 5,589,003	\$ 5,584,878
Parking fees	269,890	253,937
Laundry receipts	50,400	50,400
Storage fees	50,321	50,350
Rental income	7,200	14,245
Other	<u>61,250</u>	<u>56,729</u>
Total revenues	<u>6,028,064</u>	<u>6,010,539</u>
Expenses:		
Administrative	991,530	887,129
Utilities	1,318,090	1,030,871
Building operations	315,691	270,577
Payroll and related costs	866,184	850,440
Union welfare and pension	343,972	314,614
Interest and debt expense	665,656	665,656
Real estate taxes and water and sewer charges	1,226,816	1,192,205
Repairs, maintenance, and supplies	<u>531,655</u>	<u>376,863</u>
Total expenses	<u>6,259,594</u>	<u>5,588,355</u>
Excess of revenues over expenses before other income (expense)	<u>(231,530)</u>	<u>422,184</u>
Other income (expense):		
Interest and dividend income	11,129	7,970
Paycheck Protection Program loan forgiveness (Note 13)	-	224,649
Gain on sale of cooperative unit	-	104,257
Depreciation	<u>(434,613)</u>	<u>(331,168)</u>
Other income (expense), net	<u>(423,484)</u>	<u>5,708</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ (655,014)</u>	<u>\$ 427,892</u>

See accompanying notes to financial statements.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

	<u>Common Stock</u>		Additional	Accumulated	<u>Treasury Stock</u>		Receivable	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Shares</u>	<u>Amount</u>	<u>from</u>	<u>Total</u>
			<u>Capital</u>				<u>Sponsor</u>	
Balance - March 1, 2021	103,844	\$ 103,844	\$ 2,735,098	\$ (7,807,580)	159	\$ (145,700)	\$ (87,125)	\$ (5,201,463)
Excess of revenues over expenses	-	-	-	427,892	-	-	-	427,892
Sale of cooperative unit	159	159	(159)	-	(159)	145,700	-	145,700
Payment from sponsor	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,746</u>	<u>7,746</u>
Balance - February 28, 2022	104,003	104,003	2,734,939	(7,379,688)	-	-	(79,379)	(4,620,125)
Excess of revenues over expenses	-	-	-	(655,014)	-	-	-	(655,014)
Payment from sponsor	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,959</u>	<u>5,959</u>
BALANCE - FEBRUARY 28, 2023	<u>104,003</u>	<u>\$ 104,003</u>	<u>\$ 2,734,939</u>	<u>\$ (8,034,702)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (73,420)</u>	<u>\$ (5,269,180)</u>

See accompanying notes to financial statements.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Excess (deficit) of revenues over expenses	\$ (655,014)	\$ 427,892
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) by operating activities:		
Gain on sale of cooperative unit	-	(104,257)
Depreciation	434,613	331,168
Amortization of deferred finance costs	29,946	29,946
Forgiveness of Payroll Protection Program liability (Note 13)	-	(224,649)
Changes in assets and liabilities:		
Assessment receivables	25,285	(15,451)
Prepaid expenses, real estate taxes and other assets	(35,889)	157,520
Accounts payable, accrued expenses and other liabilities	<u>(39,260)</u>	<u>(5,350)</u>
Net cash provided by (used in) by operating activities	<u>(240,319)</u>	<u>596,819</u>
Cash used in investing activities:		
Purchases of property and equipment	<u>(4,489,121)</u>	<u>(1,996,855)</u>
Cash flows from financing activities:		
Payment of sponsor receivable	5,959	7,746
Proceeds received under Paycheck Protection Program	-	224,649
Net proceeds from sale of cooperative unit	<u>-</u>	<u>249,957</u>
Net cash provided by financing activities	<u>5,959</u>	<u>482,352</u>
Net decrease in cash, cash equivalents and restricted cash	(4,723,481)	(917,684)
Cash, cash equivalents and restricted cash - beginning	<u>5,442,322</u>	<u>6,360,006</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	<u>\$ 718,841</u>	<u>\$ 5,442,322</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 635,710</u>	<u>\$ 635,710</u>
Purchases of property and equipment unpaid at year end	<u>\$ 103,161</u>	<u>\$ 176,951</u>

See accompanying notes to financial statements.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 1. ORGANIZATION

Sadore Lane Gardens, Inc. (the "Corporation") is a cooperative housing corporation that was incorporated in the state of New York on March 1, 1984. The Corporation owns five buildings known as Sadore Lane Gardens located in Yonkers, New York (the "Property"). The buildings consist of 778 units; as of February 28, 2023, there were 718 units owned by tenant-shareholders and 60 units owned by Garden Towers, Inc. (the "Sponsor"). During the year ended February 28, 2022, the Corporation sold the sole unit it owned.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842") as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statements of revenues and expenses. The Corporation adopted Accounting Standards Codification ("ASC") 842 under the modified retrospective method at March 1, 2022.

The Corporation adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Corporation used hindsight in determining lease term and considerations for impairment.

The Corporation made the accounting policy election to not recognize leases with a lease term of 12 months or less ("Short-term" leases) on the accompanying balance sheets and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

The Corporation performed an analysis of contracts containing leases as of March 1, 2022 and entered into during the year ended February 28, 2023, and determined the operating lease right-of-use assets and lease liabilities were immaterial to the financial statements individually and in the aggregate, and accordingly are not recognized in the accompanying financial statements.

Use of Estimates

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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Short-Term Investments

The Corporation considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist principally of money market funds.

Restricted Cash

Pursuant to a mortgage refinance, the Corporation was required to set aside a reserve fund, as defined in the mortgage agreement (see Note 8). Restricted cash included in assets on the balance sheets represents amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is repaid.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sums to the total of such amounts shown in the statements of cash flows as of February 28, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 468,841	\$ 5,192,322
Escrow and reserve funds	<u>250,000</u>	<u>250,000</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ <u><u>718,841</u></u>	\$ <u><u>5,442,322</u></u>

Deferred Finance Costs

Debt issuance costs are reported in the accompanying balance sheets as a direct deduction from the face amount of the related debt. Debt issuance costs are amortized to "Interest and debt expense" in the accompanying statements of revenues and expenses using the straight-line method, which approximates the effective interest method, over the life of the related promissory note. The Corporation incurred deferred finance costs of \$299,456 as a result of refinancing its mortgage note payable (see Note 8). Accumulated amortization amounted to \$92,333 and \$62,387 as of February 28, 2023 and 2022, respectively. Amortization expense for each of the next five years is expected to be \$29,946.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Buildings, building improvements and equipment are depreciated over the estimated useful lives. Building improvements are capitalized, while repairs and maintenance are charged to expense when incurred.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer, and excludes any abatements and amounts collected on behalf of third parties. The Corporation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer, net of applicable provisions for any abatements and amounts collected on behalf of third parties. Maintenance assessments, parking and other ancillary services are offered by the Corporation throughout the course of the year and disaggregated revenue by type, is depicted on the face of the statements of revenues and expenses. Tenant-shareholders are subject to monthly maintenance assessments to provide funds for the Corporation's operating expenses, repairs and replacements. Tenant-shareholder receivables at the balance sheet dates represent maintenance assessments due from tenant-shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-shareholders whose assessments are delinquent for 30 days or more. No maintenance fees receivable at February 28, 2023 and 2022, were considered uncollectible. Any excess assessments at year end are retained by the Corporation for use in the succeeding year.

The Corporation records a contract asset when it has a right to payment from a customer that is conditional on events other than the passage of time. The Corporation also records a contract liability when a customer prepays but the Corporation has not fulfilled its performance obligation. The Corporation did not have any material unsatisfied performance obligations, contract modifications, contract assets or liabilities as of February 28, 2023 and 2022.

The Corporation is leasing a unit to an employee under a month-to-month operating lease. Rental income is recognized monthly. The Corporation also leased a unit to a tenant under a one-year non-cancelable operating lease. Rental income was recognized when due in accordance with the provisions of the lease. This unit was sold by the Corporation in December 2021.

All other sources of revenue are recognized in the results of operations as control is transferred.

Income Taxes

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the years ended February 28, 2023 and 2022, is patronage income within the meaning of Subchapter T.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Corporation accounts for current and deferred income taxes and, when appropriate, deferred tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for financial reporting purposes and for income tax purposes. Where, based on the weight of all available evidence, it is more likely than not that some amount of the recorded deferred tax assets will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

Uncertain Tax Positions

In accordance with FASB ASC 740, *Income Taxes*, the Corporation has applied the "more likely than not" threshold to the recognition and derecognition of tax positions. The standard also provides guidance on the measurement of tax positions, balance sheet classification, interest and penalties, accounting in interim periods, disclosures, and transition. Using this guidance, the Corporation had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements as of February 28, 2023 and 2022.

The Corporation files income tax returns in the U.S. federal jurisdiction and in New York State. The Corporation is subject to U.S. federal and state tax examinations by taxing authorities.

Payroll Protection Program

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a for-profit-entity. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Corporation believes it most appropriate to account for the Paycheck Protection Program ("PPP") loan proceeds under the debt model. Under the debt model, the Corporation recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Corporation has been legally released from its obligation by the lender. The Corporation deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Corporation, mainly related to the third-party approval process for forgiveness.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued but not yet Effective Accounting Pronouncements

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. This ASU added a new impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The CECL model applies to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments.

The CECL model does not have a minimum threshold for recognition of impairment losses and entities will need to measure expected credit losses on assets that have a low risk of loss. These changes become effective for the Corporation on March 1, 2023. The Corporation is evaluating the effect that ASU 2016-13 will have on its financial statements and related disclosures.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Corporation has evaluated subsequent events through December 19, 2023, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of the costs of major repairs and replacements that may be required in the future, nor has it developed a plan to fund those needs. When funds are required for future major repairs and replacements, the Corporation plans to either borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE 4. CONCENTRATIONS OF CREDIT RISK

At February 28, 2023 and 2022, and routinely throughout each year, the Corporation maintained cash deposits with financial institutions and brokerage firms in excess of federally insurable limits. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to such balances.

The balances of the Corporation's money market funds are in excess of the insurance coverage provided by the Security Investor Protection Corporation. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk regarding its investments.

The Corporation had a total of 15 and 16 employees at February 28, 2023 and 2022, respectively. Approximately 67% and 81% of the Corporation's employees were represented by a union for the years ended February 28, 2023 and 2022, respectively (see Note 10).

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 5. RECEIVABLE FROM SPONSOR

Pursuant to the offering plan, as amended, the Corporation was to receive \$1,000,000 from the Sponsor from the proceeds of the sale of the Corporation's shares of common stock held by the Sponsor (the "Sponsor Shares"). As of February 28, 2023, the Corporation has received a total of \$926,580 since inception, of which \$5,959 was received during the year ended February 28, 2023. Collection of the remaining balance of \$73,420 is subject to the Sponsor's sale of the Sponsor Shares. Amounts due from the Sponsor are noninterest bearing and are deemed fully collectible.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at February 28, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,467,964	\$ 1,568,638
Buildings	8,888,950	8,888,950
Building improvements	14,641,321	12,742,109
Equipment	931,979	987,913
Building improvements in progress	<u>-</u>	<u>150,322</u>
	28,930,214	24,337,932
Less: accumulated depreciation	<u>15,888,429</u>	<u>15,453,816</u>
Property and equipment, net	<u>\$ 13,041,785</u>	<u>\$ 8,884,116</u>

Depreciation expense amounted to \$434,613 and \$331,168 for the years ended February 28, 2023 and 2022, respectively.

NOTE 7. REVOLVING LINE OF CREDIT

On February 28, 2020, the Corporation entered into a revolving line of credit agreement with Valley National Bank (the "LOC Loan") that allows the Corporation to borrow up to a maximum of \$3,000,000. The LOC Loan matures on March 1, 2030, and bears interest at a prime rate (as defined in the LOC Loan). At February 28, 2023, there was no outstanding balance on the LOC Loan.

NOTE 8. MORTGAGE PAYABLE

On February 28, 2020, the Corporation refinanced its mortgage with a previous lending institution and entered into a new mortgage agreement with Valley National Bank in the amount of \$19,000,000 (the "Mortgage") with payments commencing on April 1, 2020. The Mortgage is secured by the property and bears interest at a fixed rate of 3.30% per annum and an effective rate of 3.50% (as a result of the impact of the amortization of deferred financing costs). The Mortgage requires monthly payments of interest only through March 1, 2030 at which time, the outstanding principal balance and any unpaid interest will be due. The outstanding balance of the Mortgage on the accompanying balance sheets at February 28, 2023 and 2022, was reflected net of unamortized debt issuance costs of \$207,123 and \$237,069, respectively.

Interest expense was \$635,710 for each of the years ended February 28, 2023 and 2022.

SADORE LANE GARDENS, INC.
(A Cooperative Housing Corporation)
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

NOTE 8. MORTGAGE PAYABLE (CONTINUED)

The Mortgage also requires the Corporation to establish and maintain a reserve account with a minimum balance of \$250,000. The Corporation is required to maintain such balance in the account for the entire loan term and the funds can be used for capital repairs and improvements on the condition the balance is restored to \$250,000 within six months.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Agreement for Management Services

The Corporation entered into a managing agent agreement with Prime Locations, Inc. ("Prime"), whereby Prime is responsible for processing all day-to-day bookkeeping transactions and contracting for goods and services (including labor) required in the normal operations of the properties, subject to board approval in certain instances. In January 2016, the management agreement was renewed through 2020 and provides that Prime shall receive an initial annual fee of \$280,000 (increased annually by 3%). On July 1, 2021, the management agreement was renewed again through December 2025 and provides for an annual fee of \$325,000 (increased annually by 3.5%). During the years ended February 28, 2023 and 2022, fees of \$338,337 and \$326,963, respectively, were paid to Prime under this agreement.

Agreement for Parking Garage Services

The Corporation entered into a parking management agreement with a managing agent to manage the garages and outside parking. The agreement authorizes the agent to offer these services to the tenant-shareholders for rates specified in the agreement. In August 2015, the Corporation renewed its parking management agreement through October 2025. Effective January 2018, the parking agreement was modified and the agent was to remit a monthly fee of \$23,258 to the Corporation. In March 2019, the parking agreement was modified again and the monthly payments were reduced to \$23,096. For the years ended February 28, 2023 and 2022, parking fees received from the agent amounted to \$269,890 and \$253,937, respectively.

Agreement for Maintenance of Laundry Facilities

The Corporation entered into an agreement with a maintenance contractor (the "Contractor"). Pursuant to the agreement, the Contractor provided, installed and will maintain the laundry machines for the Property, which the tenant-shareholders will pay to use. In May 2018, the laundry agreement was extended through December 31, 2034. In accordance with the agreement, the Corporation received \$50,400 from the contractor for each of the years ended February 28, 2023 and 2022.

Agreement for Landscaping Maintenance

In March 2020, the Corporation entered into a new agreement for a three-year renewal of its previous agreement through December 2023 with a landscaping maintenance company to assume maintenance of the lawns. Total annual fees under the new contract are approximately \$104,000.

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NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreement for Maintenance of Elevators

In July 22, 2020, the Corporation entered into a five-year agreement with an elevator contractor to assume maintenance of the elevators through July 2026. For the years ended February 28, 2023 and 2022, the Corporation paid approximately \$64,000 and \$56,000, respectively, to the elevator contractors.

Litigation Matters

During fiscal year ended February 28, 2023, the Corporation settled a case that was in the Supreme Court of the State of New York, County of Westchester where the plaintiff has asserted certain claims arising from an incident where he slipped and fell while on the grounds of the Property which resulted in bodily injuries. The settlement was paid in full by the Corporation's insurance carrier. As a result of the settlement, the Corporation was released from any further liability.

During fiscal year ended February 28, 2022, the Corporation settled a separate case where the plaintiff had asserted claims arising from an incident where he slipped and fell on the grounds of the Property which resulted in bodily injuries. The settlement was paid in full by the Corporation's insurance carrier. As a result of the settlement, the Corporation was released from any further liability.

NOTE 10. MULTIEMPLOYER PLAN

The Corporation contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. Substantially all of the Corporation's union employees are subject to a collective bargaining agreement and are covered under a multiemployer plan. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer 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, its portion of the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation chooses to stop participating in its multiemployer plan, it 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 currently has no intention of withdrawing from the plan.

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NOTE 10. MULTIEMPLOYER PLAN (CONTINUED)

The Corporation's participation in the plan for the years ended February 28, 2023 and 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. The most recent Pension Protection Act zone status available in 2022 is for the plan's year end at June 30, 2022 and 2021, respectively. The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are 65 to 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending or Implemented" column indicates if a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending or Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2022	2021			
Building Service 32BJ Pension Fund (a)	13-1879376/001	Yellow	Yellow	Yes	None	N/A

(a) The zone status was certified by the plan's actuary as of July 1, 2021 and 2020.

The Corporation was not listed on the Form 5500 as providing more than 5% of the total contributions to the multiemployer defined benefit pension plan.

The Corporation's portion of the projected benefit obligation, plan assets and unfunded liability of the multiemployer pension plans is not material to the Corporation's financial position. However, the failure of participating employers to remain solvent could affect the Corporation's portion of the plan's unfunded liability. Specific benefit levels provided by union pension plans are not negotiated with or known by the employer contributors.

The Corporation also participates in the Building Service 32BJ Health Fund (the "Health Fund"). The Health Fund provides health and other benefits to eligible participants employed by the Corporation. For the years ended February 28, 2023 and 2022, the Corporation contributed \$70,440 and \$62,901, respectively, to the multiemployer defined benefit pension plan and \$268,879 and \$247,190, respectively, to the Health Fund.

NOTE 11. INCOME TAXES

Net Operating Loss Carryforwards

At February 28, 2023 and 2022, the Corporation has federal and state tax loss carryforwards of approximately \$6,494,900 and \$5,807,400, respectively, which, if not utilized, will begin to expire February 28, 2027 through February 28, 2043.

The net operating loss carryforwards give rise to a deferred tax asset of \$1,363,929 and \$1,219,554 at February 28, 2023 and 2022, respectively, which has been fully reserved due to management's assessment that it is more likely than not that the loss carryforwards will not be utilized.

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NOTE 12. SALE OF UNIT AND TREASURY STOCK

In March 2017, the Corporation purchased 159 shares of common stock from a tenant-shareholder (the "Seller") for \$145,700. As a tenant-shareholder, the Seller of the shares had entered into a proprietary lease with the Corporation, which gave the Seller the right to occupy the designated unit and access to all common areas. Such rights were transferred to the Corporation upon its purchase of the shares. The Corporation reflected its purchased shares as "treasury stock" as of February 28, 2021, in the accompanying balance sheets.

In December 2021, the Corporation sold this unit and the related 159 shares of stock for \$265,000. The gain reported by the Corporation is \$104,257, which is net of closing expenses of \$15,043. As a result of this sale, the Corporation no longer holds any "treasury stock" as of February 28, 2023 and 2022, respectively.

NOTE 13. PAYCHECK PROTECTION PROGRAM

In March 2021, the Corporation received proceeds totaling \$224,649 under the PPP. The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provided for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may have been forgiven after 24 weeks so long as the borrower used the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage, interest and utilities, and maintains its payroll levels, as defined by the PPP. Not more than 60% of the amount forgiven could be attributable to non-payroll costs, as defined by the PPP.

On August 16, 2021, the Corporation received the loan forgiveness notice from the Small Business Administration for the full amount of the loan.