

MAR 04 2015

NEW YORK CITY DEPARTMENT OF HOUSING  
PRESERVATION AND DEVELOPMENT

In the Matter of the Application of

DAYTON BEACH PARK #1 CORP.

NOTICE OF APPLICATION  
FOR INCREASE IN  
CARRYING CHARGES

For an increase in the maximum average monthly  
carrying charges from the present maximum  
average monthly carrying charges of \$182.38 per  
room to \$194.24 per room,  
pursuant to the provision of Article 2 of the  
New York State Private Housing Finance Law.

TO: ALL TENANT-COOPERATORS OF  
DAYTON BEACH PARK #1 CORP.

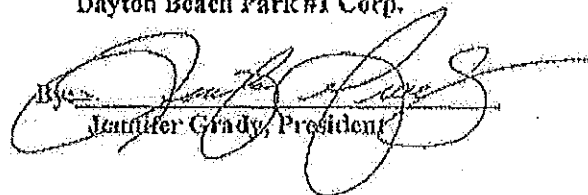
PLEASE TAKE NOTICE, that upon the annexed Application of Dayton Beach Park #1 Corp. to the Department of Housing Preservation and Development of the City of New York (HPD), the HPD will be requested to approve an increase in the maximum average monthly carrying charges, inclusive of utilities, in the housing development of Dayton Beach Park #1 Corp. from the present maximum average monthly carrying charges of \$182.38 per room to \$194.24 per room, to be implemented as soon as possible.

PLEASE TAKE FURTHER NOTICE that a public hearing will be held at the time and place designated by HPD in the attached cover letter from HPD, and at that time evidence will be introduced in support of said Application by the undersigned. Interested parties may appear in person to comment or may provide written comments to HPD.

YOU MAY APPEAR IN PERSON OR BY ATTORNEY.

Dated: Rockaway Beach, New York  
February 28, 2015

Dayton Beach Park #1 Corp.

  
Jennifer Grady, President

Norris McLaughlin & Marcus, P.A.  
Attorneys for Applicant  
875 Third Avenue, 8<sup>th</sup> Floor  
New York, New York 10022  
(212) 808-0700

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NEW YORK CITY DEPARTMENT OF HOUSING  
PRESERVATION AND DEVELOPMENT

In the Matter of the Application of :

DAYTON BEACH PARK #1 CORP. :

For an increase in the maximum average monthly  
carrying charges from the present maximum  
average monthly carrying charges of \$182.38 per  
room to \$194.24 per room,  
pursuant to the provision of Article 2 of the  
New York State Private Housing Finance Law.

APPLICATION FOR  
INCREASE IN  
CARRYING CHARGES

TO: New York City Department of Housing  
Preservation and Development

Applicant, Dayton Beach Park #1 Corp. respectfully shows and alleges:

1. Dayton Beach Park #1 Corp., (the "Cooperative") is a Mitchell-Lama housing company, duly organized under Article 2 of the New York State Private Housing Finance Law and incorporated on September 11, 1962. The Cooperative owns and operates a limited profit cooperative housing development known as **Dayton Beach Park #1 Corp.**, located at 8100, 8200, 8400, 8600 and 8800 Shore Front Parkway, in the Borough of Queens, City and State of New York, containing 1,144 residential apartments which, in turn, contain 5,486 rental rooms.

2. The first building was completed for occupancy on or about October 6, 1964 and occupancy was commenced shortly thereafter.

3. The Cooperative receives the maximum real estate tax exemption (shelter rent) provided by law.

4. The present average monthly carrying charge, inclusive of utilities, is \$182.38 per rental room.

5. The capitalization of the Cooperative, both actual and authorized, is 9,466 shares of common stock, having a par value of \$500.00 per share.

6. The carrying charges as presently fixed, are insufficient to cover payments which must be made by the Cooperative to meet all its expenses as described by Section 31 of the Private Housing Finance Law and the pending refinance of the underlying mortgage. It is the judgment of the Board of Directors of the Cooperative that a carrying charge increase is in the best interest of the Cooperative to satisfy its responsibility to provide its tenant/cooperators with safe and sanitary housing accommodations and to prevent the deterioration of the financial position of the Cooperative. The insufficiency of the presently authorized maximum carrying charges to cover the payments authorized under Section 31 of the Private Housing Finance Law is due to changes and conditions or causes beyond the control of the Cooperative, including but not limited to the costs and damage incurred as a result of Hurricane Sandy.

7. The amount of increase in the monthly apartment carrying charges the Cooperative is applying for is \$11.86 per month per room, to be implemented as soon as possible.

8. The Cooperative hereby submits the following exhibits and schedules prepared by the Cooperative's certified public accountants, Bloom & Streit, LLP, to support its Application:

- (a) Exhibit I: Accountant's Application for Carrying Charge Increase.
- (b) Exhibit II: Schedule of Other Income and Three Year Projection of Operations on a Cash Flow Basis.
- (c) Exhibit III: Schedule of Operating Expenses.
- (d) Exhibit IV: Schedule of Utility Expenses, Interest and Amortization and Actual Allocation to Reserves.
- (e) Exhibit V: The Cooperative's most recent audited financial statement.

**WHEREFORE, Dayton Beach Park #1 Corp. respectfully requests that:**

1. A public hearing, pursuant to Notice as required by law, be directed at which the Cooperative may submit evidence in support of this Application.

2. An Order be issued by the Department of Housing Preservation and Development of the City of New York, approving an increase of the maximum average monthly apartment carrying charges of the development in the sum of \$11.86 from \$182.38 per rental room per month to \$194.24 per rental room per month, inclusive of utilities, to be implemented as soon as possible, or by such amount as the Department of Housing Preservation and Development shall determine to be sufficient to meet the Cooperative's expenses contemplated and prescribed by Section 31 of the Private Housing Finance Law, effective at the earliest possible date.

Dated: Rockaway Beach, New York  
February 28, 2015

Dayton Beach Park #1 Corp.

By: 

Jennifer Grady, President

Norris McLaughlin & Marcus, P.A.  
Attorneys for Applicant  
875 Third Avenue, 8<sup>th</sup> Floor  
New York, New York 10022  
(212) 808-0700

# EXHIBIT I

CITY of New York  
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT  
DIVISION OF HOUSING SUPERVISION  
MITCHELL - LAMA PROGRAM

## APPLICATION FOR RENT / CARRYING CHARGE INCREASE

☒ Cooperative  
☐ Rental

Development Name: DAYTON BEACH PARK HL CORP.  
Address (es): 8100, 8200, 8400, 8600, 8800 SHORE FRONT PARKWAY  
Borough: QUEENS No. of Separate Buildings 5  
Tax Block / Lot (s): BLOCK 16130, LOT 1; BLOCK 16131, LOT 1

Apartment Breakdown:	No. Units	No. Rooms
Residential Apartments	1,144	5,486
Professional Apartments	4	
Rent-free staff apartments	3	
Other:		
<b>TOTAL</b>	<b>1,151</b>	<b>5,486</b>

No. of commercial spaces / b/y: NONE  
No. of boilers: 6  
Heating fuel: OIL/GAS Oil Type: #2  
No. of Elevators: 15

Tax Exemption: ☐ 80% A.V.  
☒ Taxes = 10% Shelter Rent  
☐ Other: \_\_\_\_\_

No. of Housing Co. Employees:	Superintendents	3
	Handymen	6
	Security Guards	0
	Office Staff	NGHT. EMPLOYEES
	Other:	13
		2
	<b>TOTAL</b>	<b>24</b>

Management Co.: None FIRST SERVICE RESIDENTIAL  
Address: 622 THIRD AVE., FLR 15, NY, NY 10017  
Phone: 212-634-8900  
Site Manager: VALARIE HERNANDEZ-dir tel 212-324-9027  
Fire Insurance: Coverage: \$ 75,000,000  
Carrier: LEXINGTON INS.

Reserve Bank Accounts:

Bank Name	Account No.	Current Balance	Check or HPD Signature Required
CITI SMITH BARNEY	414-03926-16	7,298	
CAPITAL ONE	7047468898	728,319	
TOTAL		733,617	

Average Rent / Carrying Charges per Room per Month (Including Utilities):

Current (Gross Annual Rent / C.C. / No. Of Rental Rooms / 12) = \$182.385

Proposed Increase (s):

	% Increase	New Rent / C.C. Per Room Per Month
First Year	6.5%	\$194,240
Second Year	0%	\$194,240

Application Prepared By:

Name William J. Rank  
 Title Partner  
 Firm Gloom and Street LLP  
 Telephone No. 914-253-8484  
 Date 24-Feb-15

# EXHIBIT II



**SCHEDULE A : PROJECTED INCOME AND EXPENSES INCLUDING PROPOSED RENT / CARRYING CHARGE INCREASES**

NOTE: Proposed rent / carrying charge increases must be sufficient so that total income equals or exceeds total expenses.

	ACTUAL - LAST FISCAL YEAR ENDED	PROJECTIONS		
		CURRENT	FY ENDED	FY ENDED
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
<b>INCOME</b>				
1. Gross Residential Rents (including Utilities)	12,006,767	11,983,750	12,787,207	12,787,207
2. Surcharge Retention	169,245	200,000	200,000	200,000
3. Other Income (Schedule D)	656,393	712,400	919,290	923,290
4. TOTAL GROSS INCOME	12,832,405	12,896,150	13,906,497	13,910,497
5. Vacancy/Loss	(158,364)	(87,279)	(92,900)	(92,900)
6. TOTAL INCOME	12,674,041	12,808,880	13,813,597	13,817,597
<b>EXPENSES</b>				
7. Operating Expenses (Schedule E)	6,139,870	5,814,820	5,988,900	6,174,508
8. Utility Costs (Schedule E)	4,034,109	3,450,000	3,588,000	3,713,000
9. Real Estate Taxes	975,092	936,000	1,023,000	1,011,000
10. Interest & Amortization (Schedule E)	1,967,734	2,662,802	2,887,944	2,887,944
11. Actual Allocation to Reserves (Schedule F)	58,367			
12. TOTAL EXPENSES	13,175,172	12,863,622	13,497,844	13,784,444
13. Net Cash Flow	(342,767)	(54,742)	315,753	33,153
14. Reserve Account Balances (Total)	733,617	771,770	as of 1/31/15	

NOTE: ANY PROJECTIONS ON SCHEDULES A, B, C, AND D WHICH DIFFER SIGNIFICANTLY FROM WHAT WOULD BE EXPECTED DUE TO NORMAL COST INFLATION SHOULD BE EXPLAINED ON AN ATTACHED SHEET.

## SCHEDULE B - OTHER INCOME

	ACTUAL - - LAST FISCAL YEAR ENDED 6/30/2014	PROJECTIONS		
		CURRENT 6/30/2015	FY ENDED 6/30/2016	FY ENDED 6/30/2017
1. Professional Apts.	19,756	60,000	120,000	120,000
2. Commercial Spaces				
3. Garage	242,417	245,000	306,250	306,250
4. Parking Spaces				
5. Community Rooms				
6. Swimming Pool				
7. Air Conditioners	185,172	200,000	250,000	250,000
8. Washing Machines				
9. Laundry Rooms	86,400	86,400	95,040	95,040
10. Other Vending Machines				
11. Tenant Television				
12. Roof Rentals				
13. Interest on Investments	10,538	11,000	12,000	12,000
14. Others (Late Fees)	29,056	30,000	30,000	30,000
15.				
16. Misc	83,054	80,000	106,000	110,000
TOTAL OTHER INCOME	656,393	712,400	919,290	923,290

# EXHIBIT III

## SCHEDULE C - OPERATING EXPENSES

	ACTUAL - - FISCAL YEAR ENDED	PROJECTIONS		
		CURRENT	FY. ENDED	FY. ENDED
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Supplies	379,442	275,000	300,000	320,000
Extermination	43,953	20,000	21,000	22,000
Permits	7,046	7,000	7,200	7,500
Landscaping	92,474	98,000	103,000	105,000
Repairs and Maintenance :	-	-	-	-
Plumbing	187,864	100,000	105,000	110,000
Electrical	-	28,000	28,800	30,000
Heating System	57,145	63,000	64,800	68,000
Snow Removal	43,918	49,000	50,400	52,000
Uniforms	3,671	7,000	7,200	7,500
Intercom	29,070	35,000	36,000	38,000
Other	283,025	250,000	275,000	300,000
Elevator	101,477	100,000	104,000	106,000
Contract				
Repairs				
Personnel				
Maintenance Salaries	1,336,500	1,375,000	1,415,000	1,450,000
Security Salaries				
Office Salaries				
Other Salaries				
Payroll Taxes	131,195	135,000	140,000	144,000
Employee benefits	443,224	465,000	485,000	510,000
Security Contract	604,432	550,000	550,000	550,000
Legal	217,276	175,000	180,000	190,000
Accounting	38,325	30,000	31,500	31,500
Management Fee	428,820	428,820	435,000	440,000
Insurance	1,416,239	1,475,000	1,505,000	1,535,000
Office Expenses	292,774	149,000	155,000	160,000
Other	-	-	-	-
TOTAL	6,139,870	5,814,820	5,998,900	6,174,500

# EXHIBIT IV

## SCHEDULE D: UTILITY EXPENSES

	ACTUAL - LAST FISCAL YEAR ENDED	PROJECTIONS		
		CURRENT	FY ENDED	FY ENDED
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Heating Fuel: Gas & Oil	1,577,282	1,000,000	1,050,000	1,075,000
Oil				
Electricity	1,309,929	1,250,000	1,285,000	1,325,000
Gas	61,234	60,000	63,000	66,000
Water and Sewer	1,085,664	1,140,000	1,190,000	1,245,000
TOTAL UTILITIES	4,034,109	2,450,000	3,588,000	3,711,000

## SCHEDULE E: INTEREST &amp; AMORTIZATION (DEBT SERVICE)

Hitchell-Lama Debt Service				
Article 8A Loan Debt Serv.				
Other Debt Service	1,967,734	2,662,802	2,887,944	2,887,944
TOTAL DEBT SERVICE	1,967,734	2,662,802	2,887,944	2,887,944

## SCHEDULE F: ACTUAL ALLOCATION TO RESERVES

Painting Reserve				
Replacement Reserve	58,367			
Contingency				
TOTAL	58,367			

# EXHIBIT V

DAYTON BEACH PARK NO. 1 CORP.  
FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013



DAYTON BEACH PARK NO. 1 CORP.

TABLE OF CONTENTS

JUNE 30, 2014 AND 2013

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
Balance Sheets	2
Statements of Loss	3
Statements of Retained Earnings (Deficit)	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-17
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	18
Schedule of Budget with Actual Operating Amounts	19-20



**BLOOM AND STREIT LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

ROGER BENMAN, CPA  
WILLIAM J. RANK, CPA, CFP  
MARK COHEN, CPA

**INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors  
DAYTON BEACH PARK NO. 1 CORP.**

We were engaged to audit the accompanying financial statements of Dayton Beach Park No. 1 Corp., which comprise the balance sheets as of June 30, 2014 and June 30, 2013, and the related statements of loss, retained earnings (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

As discussed in Note 13, as a result of Superstorm Sandy, which occurred on or about October 29, 2012, the cooperative suffered significant damage to its property. However, at this time, management is unable to determine a monetary estimate of the damage and resulting remediation costs. Additionally, while management anticipates that the cooperative's insurance carriers will provide coverage for the damage, they are unable to determine an estimate of the amount of insurance recovery at this time. Because there are no estimates for the anticipated remediation costs to the cooperative, nor to the anticipated recoveries from the cooperative's insurance carriers, we were unable to perform appropriate procedures to obtain sufficient and appropriate audit evidence relating to such loss, if any. We could not determine the effect of adjustments, if any, on the financial position of the cooperative as of June 30, 2014 and June 30, 2013, or on its financial performance and cash flows for the years then ended.

*Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements.

*Bloom and Streit LLP*

BLOOM AND STREIT LLP  
Certified Public Accountants  
January 12, 2015



# DAYTON BEACH PARK NO. 1 CORP.

## Balance Sheets

As of June 30,

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents:		
Petty Cash	300	300
Operating Accounts	34,356	12,145
Money Markets	7,298	9,117
Operating Reserve Account	726,319	797,287
Refundable Application Deposits	29,048	29,019
Equity Account	<u>124,313</u>	<u>105,103</u>
Total Cash and Cash Equivalents	921,634	952,971
Tenants' Accounts Receivable, net of allowance for doubtful accounts of \$775,001 and \$611,712, respectively	539,878	488,576
Miscellaneous Accounts Receivable	92,981	82,255
Other Receivables	137,615	0
Exchange - Superstorm Sandy (Note 13)	3,332,216	595,909
Mortgagee Escrow Deposits	440,132	193,658
Prepaid Expenses	<u>1,303,837</u>	<u>1,158,943</u>
<b>Total Current Assets</b>	<u>6,768,294</u>	<u>3,472,311</u>
<b>FUNDS</b>		
Repair Escrow	2,480,875	4,547,954
First Sale Assessment Account	<u>0</u>	<u>92,733</u>
<b>Total Funds</b>	<u>2,480,875</u>	<u>4,640,687</u>
<b>PROPERTY AND EQUIPMENT -</b>		
Net Book Value	<u>23,586,301</u>	<u>24,598,834</u>
<b>OTHER ASSETS</b>		
Tenant Security Account	8,545	8,545
Deferred Financing Expenses	<u>388,269</u>	<u>408,264</u>
<b>Total Other Assets</b>	<u>396,814</u>	<u>416,809</u>
<b>TOTAL ASSETS</b>	<u>33,232,284</u>	<u>33,128,641</u>

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>CURRENT LIABILITIES</b>		
Cash Overdraft - Operating Account	0	81,169
Accounts Payable and Accrued Expenses (Note 13)	4,953,957	4,779,401
Accrued Interest on Mortgage (Note 7)	3,474,991	1,507,257
Rents Received in Advance	242,698	213,338
Equity and Amortization Payable	124,313	105,103
Applicants' Deposits Payable	29,048	33,976
STAR Payable	76,531	80,184
Mortgage Payable - due within one year (Note 7)	<u>2,110,762</u>	<u>1,277,712</u>
Total Current Liabilities	<u>11,012,299</u>	<u>8,078,140</u>
<b>LONG-TERM LIABILITIES</b>		
First Mortgage Payable, net of current portion (Note 7)	30,187,567	31,020,617
Tenant Security Deposits Payable	<u>8,545</u>	<u>8,545</u>
Total Long-Term Liabilities	<u>30,196,112</u>	<u>31,029,162</u>
<b>STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Common Stock \$560 par value; Authorized 5,500 shares;		
Issued and Outstanding 5,460 shares	3,057,600	3,057,600
Paid-in Capital	2,370,733	2,370,733
First Sale Capital Assessment - (Note 8)	296,593	470,614
Retained Earnings (Deficit)	<u>(13,701,054)</u>	<u>(11,877,607)</u>
Total Stockholders' Equity (Deficiency)	<u>(7,976,127)</u>	<u>(5,978,660)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>	<u>33,232,284</u>	<u>33,128,641</u>

See accompanying notes and auditors' report

# DAYTON BEACH PARK NO. 1 CORP.

## Statements of Loss

For the years ended June 30,

	<u>2014</u>	<u>2013</u>
<b>INCOME</b>		
Carrying Charges	9,995,523	9,983,790
Loss: Vacancies	(158,364)	(54,220)
Utility Income	2,011,244	2,041,384
Appliance Charges	185,172 ✓	196,007
Garage and Parking Income	242,417 ✓	244,425
Surcharge Income	169,245 ✓	189,015
Laundry Room Income	86,400 ✓	86,400
Non-Residential Rental Income	19,756 ✓	59,723
Storage Income	0	20,365
Lates Fees	29,056 ✓	31,584
Interest Income	10,538 ✓	10,742
Miscellaneous Income	83,054 ✓	52,999
Lost Revenue Resulting From Superstorm Sandy (Note 13)	<u>0</u>	<u>(711,203)</u>
<b>Total Income</b>	<u>12,674,041</u>	<u>12,151,011</u>
<b>EXPENSES</b>		
Administrative Expenses	977,194	937,719
Utilities Expenses	4,034,109	3,243,882
Maintenance Expenses	3,164,970	3,162,919
Taxes and Insurance Expenses (Note 14)	2,972,797	2,571,768
Financial Expenses	<u>1,967,734</u>	<u>2,015,422</u>
<b>Total Expenses Before Depreciation and Amortization</b>	<u>13,116,805</u>	<u>11,931,709</u>
<b>NET INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	(442,764)	219,302
Depreciation and Amortization of Mortgage Financing Expenses	<u>(1,380,683)</u>	<u>(1,402,913)</u>
<b>NET LOSS FOR THE YEAR</b>	<u>(1,823,447)</u>	<u>(1,183,611)</u>

See accompanying notes and auditors' report

DAYTON BEACH PARK NO. 1 CORP.

Statements of Retained Earnings (Deficit)

For the years ended June 30,

	<u>2014</u>	<u>2013</u>
RETAINED EARNINGS (DEFICIT) - Beginning of Year	(11,877,607)	(10,693,996)
Net Loss for the Year	<u>(1,823,447)</u>	<u>(1,183,611)</u>
RETAINED EARNINGS (DEFICIT) - End of Year	<u>(13,701,054)</u>	<u>(11,877,607)</u>

*See accompanying notes and auditors' report*

# DAYTON BEACH PARK NO. 1 CORP.

## Statement of Cash Flows

For the years ended June 30,

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Net Loss for the Year	(1,823,447)	(1,183,611)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and Amortization	1,380,683	1,402,913
Revenue allocated to financing activities	0	(239,946)
Decrease (Increase) in operating assets:		
Tenants' Accounts Receivable	(51,302)	(104,265)
Other Receivables	(148,341)	69,735
Exchange - Superstorm Sandy (Note 13)	(2,736,307)	(595,909)
Mortgagee Escrow Deposits	(246,475)	129,066
Prepaid Expenses	(144,894)	(420,119)
Increase (Decrease) in operating liabilities:		
Accounts Payable (Note 13)	22,585	3,943,010
Accrued Interest Payable	1,967,734	1,337,244
Rents Received in Advance	29,360	82,926
Deposits and Exchanges	10,629	(209,711)
Net cash (used) provided by operating activities	<u>(1,739,775)</u>	<u>4,211,332</u>
<b>Cash Flows From Investing Activities</b>		
(Increase) Decrease in First Sale Escrow	92,733	(311)
Decrease in Reserve for Replacements	2,067,079	(4,221,077)
Purchase of Property and Equipment	<u>(277,353)</u>	<u>(265,750)</u>
Net cash provided (used) by investing activities	<u>1,882,459</u>	<u>(4,487,138)</u>
<b>Cash Flows From Financing Activities</b>		
Portion of Carrying Charges applied to Monthly Amortization of Mortgage	0	239,946
Monthly Amortization of Mortgage	0	(239,946)
First Sale Capital Assessment Proceeds (Refunds)	<u>(174,020)</u>	<u>(183,769)</u>
Net cash used by financing activities	<u>(174,020)</u>	<u>(183,769)</u>
<b>Decrease in Cash and Cash Equivalents (carryforward)</b>	<b>(31,337)</b>	<b>(459,575)</b>

See accompanying notes and auditors' report



DAYTON BEACH PARK NO. 1 CORP.

Statements of Cash Flows

For the year ended June 30,

	<u>2014</u>	<u>2013</u>
Decrease in Cash and Cash Equivalents (brought forward)	(31,337)	(459,575)
Cash and Cash Equivalents at Beginning of Year	<u>952,971</u>	<u>1,412,546</u>
Cash and Cash Equivalents at End of Year	<u>921,634</u>	<u>952,971</u>
Supplemental Disclosure: Interest Paid	<u>0</u>	<u>678,178</u>

See accompanying notes and auditors' report

## DAYTON BEACH PARK NO. 1 CORP.

### Notes to Financial Statements

June 30, 2014 and 2013

Note 1

#### Organization

Dayton Beach Park No. 1 Corp. (the "Cooperative") is a cooperative housing corporation incorporated in the State of New York. The cooperative is a Mitchell-Lama housing company and is supervised by The City of New York Department of Housing Preservation and Development. The cooperative owns the land and five (5) thirteen-story buildings located in Queens, New York. The buildings are comprised of 1,144 residential units, a management office, 3 professional apartments and a health and fitness club. The cooperative's outstanding stock is owned by the residential tenants of the building. The primary purpose of the cooperative is to manage the operations of the buildings and maintain the common elements.

Note 2

#### Summary of Significant Accounting Policies

The financial statements have been presented in accordance with the accounting principles prescribed by the audit and accounting guide for common interest realty associations issued by the American Institute of Certified Public Accountants. The guide describes conditions and procedures unique to the industry (including cooperative housing corporations and condominium associations) and illustrates the form and content of the financial statements of common interest realty associations as well as informative disclosures relating to such statements. In addition, the guide requires that all revenues from tenant-stockholders, including maintenance charges and special assessments, be recognized as revenue in the statements of loss.

For purposes of the statements of cash flows, the cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Tenant-stockholders are subject to monthly charges to provide funds for the cooperative's operating expenses, future capital acquisitions, and major repairs and replacements. Tenants' Accounts Receivable at the balance sheets date represent various fees due from tenant-stockholders. Any excess charges at year end are retained by the cooperative for use in the succeeding year.

Property and equipment is being carried at cost. The buildings have been fully depreciated in previous years. Building equipment is being depreciated over estimated useful lives of twenty-seven and one-half years, using the straight-line method. Office Equipment and vehicles are being depreciated over estimated useful lives from five to seven years, using the straight-line method.

DAYTON BEACH PARK NO. 1 CORP.

Notes to Financial Statements

June 30, 2014 and 2013

Note 2

Summary of Significant Accounting Policies - continued

The cooperative accounts for certain revenue items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges and special assessments allocated for mortgage amortization and capital improvements which are being accounted for as contributions to additional paid-in capital for income tax purposes whereas such items are recognized as revenue for financial reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3

Concentration of Credit Risk

The cooperative maintains various bank and money market accounts that at times may exceed insured credit limits. The cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

Note 4

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established to show shareholders' arrears at their net realizable value. As of June 30, 2014 and June 30, 2013, the allowance for doubtful accounts totaled \$775,001 and \$611,712, respectively.

Note 5

Repair Escrow

At the closing of the current mortgage on December 5, 2003, pursuant to a repair escrow agreement with the lender, the cooperative deposited \$23,073,000 into a Repair Escrow account, held by the lender. The Repair Escrow account was established to assure that certain repairs and improvements would be made, and such funds would be made available to the cooperative to fund such certain repairs and improvements. As a condition of the mortgage, monthly additions to the Repair Escrow are to be made in the amount of \$14,250. Since inception of the Repair Escrow, funds exceeding \$23,000,000 have been disbursed for assorted repairs and improvements. The balance of the Repair Escrow was \$326,877 as of June 30, 2012.

# DAYTON BEACH PARK NO. 1 CORP.

## Notes to Financial Statements

June 30, 2014 and 2013

### Note 5

#### Repair Escrow-- continued

During the year ended June 30, 2013, the Repair Escrow account received monthly contributions totaling \$71,250 and had earned interest income of \$599. Initial Superstorm Sandy insurance recovery proceeds (See Note 13) received during the year ended June 30, 2013, totaling \$4,250,000, were deposited into this Repair Escrow. On February 13, 2013, funds totaling \$100,773 were released to fund insurance premiums. As of June 30, 2013, the balance in the Repair Escrow was \$4,547,954. During the year ended June 30, 2014, the Repair Escrow account received monthly contributions totaling \$57,000 and had earned interest income of \$1,367. Additional Superstorm Sandy insurance recovery proceeds (See Note 13) received during the year ended June 30, 2014, totaling \$4,250,000, were deposited into this Repair Escrow. Throughout the year ended June 30, 2014, funds totaling \$6,375,446 were released for storm-related remediation costs. As of June 30, 2014 and June 30, 2013, the balance in the Repair Escrow was \$2,480,875 and \$4,547,954, respectively.

### Note 6

#### Property and Equipment

Property and Equipment consists of the following:

	2014	2013
Land	2,184,260	2,184,260
Buildings	19,535,420	19,535,420
Building Improvements	37,346,037	36,997,883
Equipment and Vehicles	<u>329,320</u>	<u>329,320</u>
	59,395,037	59,046,883
Less: accumulated depreciation	<u>35,808,736</u>	<u>34,448,049</u>
Total Property and Equipment	<u>23,586,301</u>	<u>24,598,834</u>

Depreciation expense for the years ended June 30, 2014 and June 30, 2013 was \$1,360,698 and \$1,382,918, respectively.

DAYTON BEACH PARK NO. 1 CORP.

Notes to Financial Statements

June 30, 2014 and 2013

Note 7

Mortgage Payable

The property is encumbered by a mortgage held by Wells Fargo Bank. Such mortgage was obtained on December 5, 2003 in the principal amount of \$37,200,000. The mortgage requires monthly payments of \$229,531, calculated on a thirty-year amortization schedule.

These payments are first applied to interest calculated at a rate of 6.27% per annum. This mortgage will mature on January 1, 2034. Any prepayment made during the first 15 years is subject to payment of a prepayment penalty based on the defeasance type yield maintenance formula. Prepayment made during the final 15 years is subject to payment of a prepayment penalty of 1%. Prepayment may be made without penalty during the 90 days preceding maturity.

As a result of significant damage to the real property of the cooperative, and the related anticipated remediation costs caused by Superstorm Sandy (see Note 13), the cooperative was granted an initial 90 day forbearance period of its monthly mortgage debt service and escrow payments. Subsequent forbearance periods were granted, providing a moratorium period of monthly mortgage debt service payments until July 1, 2014. At the conclusion of the forbearance periods, all unpaid debt service payments, including principal and interest that would otherwise have been due during the forbearance period, including the then current period, will become due and payable. At the sole discretion of the lender, repayment of this sum may be extended over some modified term. The lender has agreed to extend the payment date of such unpaid debt service payments (the "Extended Forbearance Payment"), until March 1, 2015.

Principal maturities of the mortgage as of June 30th are as follows:

2015	2,110,762
2016	886,809
2017	944,038
2018	1,004,961
2019	1,069,814
Thereafter	<u>26,281,944</u>
	<u>32,298,328</u>

Interest expense on the mortgage was \$1,967,734 and \$2,015,422 for the years ended June 30, 2014 and June 30, 2013, respectively.

## DAYTON BEACH PARK NO. 1 CORP.

### Notes to Financial Statements

June 30, 2014 and 2013

**Note 8**

**First Sale Capital Assessment**

In December 2006, the Board of Directors approved a resolution in order to increase funds for capital improvement projects. The resolution was subsequently approved by the New York City Housing Development Corp. The First Sale Capital Assessment as referred to herein, is the amount equal to one half of the equity and amortization charged to an incoming shareholder. This assessment shall be placed by the cooperative in its First Sale Assessment account and shall be withdrawn and used by the cooperative only for capital improvement projects.

In May 2010, the Board of Directors approved a resolution to return the First Sale Capital Assessment to eligible shareholders. The resolution was later approved by New York City Housing Development Corp. The refunds, which began on April 1, 2011, will be credited to the shareholders over 48 months as a reduction of their carrying charges. During the years ended June 30, 2014 and June 30, 2013, a total of \$174,020 and \$183,769 has been refunded, respectively. As of June 30, 2014 and June 30, 2013, \$296,593 and \$470,614 remained to be refunded to the eligible shareholders.

**Note 9**

**Real Estate Taxes - Tax Abatements**

The cooperative is entitled to and has received tax abatements on behalf of its stockholders from the State of New York during 2014 and 2013. The abatements, which include STAR, Senior Citizens, and DRIE abatements (where applicable) are passed on to the stockholders by direct payment or as a credit against carrying charges. Undistributed abatements, if any, as of the fiscal year end have been included on the Balance Sheets in Current Liabilities as STAR Payable.

As the abatements benefit the stockholders, the real estate tax expense reflected in these financial statements is gross of all the aforementioned tax abatements.

## DAYTON BEACH PARK NO. 1 CORP.

### Notes to Financial Statements

June 30, 2014 and 2013

Note 10

Benefits

The cooperative participated in the Building Service 32BJ Pension Fund, Employer Identification Number 13-1879376, Plan 001, for the years ended June 30, 2014 and 2013. The cooperative participated in this multi-employer plan, for the years ended June 30, 2014 and 2013 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expired April 15, 2014. The cooperative is in the process of negotiating a new contract and they have no intention of withdrawing from the plan.

The cooperative also participated in the JFEU Local 30 Pension Fund, Employer Identification Number 51-6045848, Plan 001, for the years ended June 30, 2014 and 2013. The cooperative participated in this multi-employer plan, for the years ended June 30, 2014 and 2013 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expired December 31, 2010.

The risks of participating in multi-employer plans are different from single-employer plans for the following reasons: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and 3) if the cooperative chooses to stop participating in its multi-employer pension plan, the cooperative may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

## DAYTON BEACH PARK NO. 1 CORP.

### Notes to Financial Statements

June 30, 2014 and 2013

Note 10      Benefits - continued

The zone status is based on information that the cooperative received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The most recent Pension Protect Act (PPA) zone status available for the Building Service 32 BJ Pension Fund is for the plan's year-end at June 30, 2013. The certified zone status for the plan was red and a rehabilitation plan has been implemented. It is possible that this rehabilitation plan may involve a surcharge to the cooperative. The most recent Pension Protect Act (PPA) zone status available for the JIEU Local 30 Pension Fund is for the plan's year-end at December 31, 2013. The certified zone status for this plan was green.

In addition to the Building Service 32 BJ Pension Fund, the cooperative also participated in a Health Fund for the years ended June 30, 2014 and 2013. The fund provides health benefits (medical, surgical, hospital, prescription drugs, behavioral health, optical, dental) and life insurance coverage for eligible participants and their covered dependents. Retired employees are eligible for health benefits if they retire before age 65, but after age 62; accumulated 15 combined years of pension service credit; worked both 90 days immediately before retirement and at least 36 months of the 60 months before retiring; and are receiving an early or regular retirement pension from the Building Service 32BJ Pension Fund. These benefits continue for the retired employee and eligible dependents until they become eligible for Medicare, until age 65, or until the retiree's pension is suspended, whichever occurs first.

The cooperative made the following contributions to the Building Service 32BJ Pension Fund:

	<u>2014</u>	<u>2013</u>
Total Pension Contributions	125,070	91,475
Total Health Contributions	325,483	294,293

The cooperative's contributions to the Building Service 32BJ plan were not greater than 5% of the plan's total contributions.



DAYTON BEACH PARK NO. 1 CORP.

Notes to Financial Statements

June 30, 2014 and 2013

Note 10

Benefits - continued

The cooperative's contributions to the Building Service 32BJ Pension Fund was not greater than 5% of the plan's total contributions.

In addition to the JIEU Local 30 Pension Fund, the cooperative also participated in a Health Fund for the years ended June 30, 2014 and 2013. The fund provides health benefits (hospitalization, medical, surgical, prescription drugs) and life insurance coverage for eligible participants and their covered dependents.

The cooperative made the following contributions to the JIEU Local 30 plans:

	<u>2014</u>	<u>2013</u>
Total Pension Contributions	2,873	3,967
Total Health Contributions	15,095	15,605

The cooperative's contributions to the JIEU Local 30 plan were not greater than 5% of the plan's total contributions.

Note 11

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources in excess of expenses properly attributable thereto may be subject to tax. The cooperative believes that all of its income is patronage sourced. Accordingly, no provisions for taxes, if any, that could result from the application of Subchapter T to the cooperative's income has been reflected in the accompanying financial statements.

The cooperative is a limited-profit housing company; and therefore, it is not subject to New York State or City of New York tax. Tax expense is \$-0- for the years ended June 30, 2014 and June 30, 2013.

# DAYTON BEACH PARK NO. 1 CORP.

## Notes to Financial Statements

June 30, 2014 and 2013

**Note 11**      Income Taxes - continued

As of June 30, 2014, the cooperative has available net operating loss carryforwards to apply to future taxable income in the approximate amount of \$13,780,000. If not used, these net operating losses expire beginning in 2015 and continuing through 2035.

In accordance with accounting rules for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns, the cooperative believes that its estimates are appropriate based on current facts and circumstances. The cooperative's tax filings are subject to audit by various taxing authorities. The cooperative's federal income tax return for the last three years remain open to examination.

**Note 12**      Future Major Repairs and Replacements

The cooperative has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future.

When replacement funds are needed to meet future needs for major repairs and replacements, the cooperative may borrow, utilize available cash, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

**Note 13**      Contingency Loss

As a result of Superstorm Sandy, on or about October 29, 2012, the cooperative suffered significant damage to its real property. Such damage resulted in, among other things, the displacement of shareholders and temporary inability to offer usual and customary services to the occupants of the cooperative. Accordingly, during the year ended June 30, 2013, the cooperative issued credits of carrying charges, parking, air conditioner, storage and utility charges totaling \$711,203. This amount has been included on the statement of loss as Lost Revenue Resulting from Superstorm Sandy. An insurance claim has been filed with the cooperative's Business Interruption Insurance carrier seeking recovery of such lost revenue. Recovery of this lost revenue, if any, is not included in these financial statements.

DAYTON BEACH PARK NO. 1 CORP.

Notes to Financial Statements

June 30, 2014 and 2013

Note 13

Contingency Loss - continued

In anticipation of restricted cash flow resulting from the storm damage, on November 6, 2012, the cooperative submitted a forbearance request to its mortgage lender. On or about December 17, 2012, the cooperative was granted an initial 90-day moratorium on payments of its mortgage debt service and escrow payments, retroactive to November 1, 2012 and continuing through January 1, 2013. Since that time, the cooperative has been granted additional forbearance periods through July 1, 2014 (See Note 7).

Remediation costs from the extensive damage caused by Superstorm Sandy cannot be determined at this time. However, initial remediation work has begun. As of June 30, 2013, storm-related costs incurred by the cooperative totaled \$4,845,909, of which \$2,740,167 was unpaid and was included on the cooperative's balance sheet in Accounts Payable and Accrued Expenses. As of June 30, 2014, cumulative storm-related costs incurred by the cooperative totaled \$11,832,216, of which \$2,913,647 was unpaid and is included on the cooperative's balance sheet in Accounts Payable and Accrued Expenses. Claims have been submitted to the cooperative's insurance carriers for storm related flood and wind damages. As of June 30, 2013, insurance recovery proceeds of \$4,250,000 were received as advance payments on account. During the year ended June 30, 2014, additional advance payments on account were received from the cooperative's insurance carriers totaling an additional \$4,250,000. Additional insurance recovery amounts, if any, cannot be determined at this time. As of June 30, 2014 and June 30, 2013, the cumulative amounts of costs incurred, in excess of the cumulative recovery received, is reflected on the cooperative's balance sheet as Exchange - Superstorm Sandy in the net amounts of \$3,332,216 and \$595,909, respectively.

As of June 30, 2014, a significant amount of remediation work was yet to be completed. No monetary estimate of the total damage, nor remaining remediation costs, is available; accordingly, no such costs, except those incurred as of June 30, 2014 and June 30, 2013, are reflected in these financial statements. Furthermore, an estimate of the total remaining insurance recovery amounts is unavailable; accordingly, no such insurance recovery amounts, except for those received as of June 30, 2014 and June 30, 2013, are reflected in these financial statements.

DAYTON BEACH PARK NO. 1 CORP.

Notes to Financial Statements

June 30, 2014 and 2013

- Note 13      Contingency Loss - continued  
The resulting contingency loss caused by Superstorm Sandy, if any, may be funded through utilization of cooperative funds, restructuring of the cooperative's debt, shareholder assessments, carrying charge increases, or some combination of some or all of these, or other, alternatives.
- Note 14      Insurance Expense  
Insurance policies maintained by the cooperative includes, among others, Property and General Liability insurance policies. Annual premiums for these policies, whose terms commenced prior to the occurrence of Superstorm Sandy, totaled \$369,455. Subsequent to Superstorm Sandy, the annual premiums for these policies increased to \$1,225,473 in the year ended June 30, 2013 and \$1,416,239 in the year ended June 30, 2014. Insurance expense of \$858,632 for the year ended June 30, 2013 reflects a blended rate of pre-and post-Superstorm Sandy policy terms for all insurance policies covering such full fiscal year.
- Note 15      Subsequent Events  
Management has evaluated subsequent events through January 12, 2015, the date at which the financial statements became available for issuance. Except as described above, no other events have occurred that would require adjustments to, or disclosure in, the financial statements.

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
DAYTON BEACH PARK NO. 1 CORP.

We were engaged to audit the financial statements of Dayton Beach Park No. 1 Corp., as of and for the years ended June 30, 2014 and 2013, and our report thereon dated January 12, 2015, which appears on Page 1, disclaimed an opinion on those financial statements. Our audits were to be performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget with actual operating amounts, which is the responsibility of the entity's management, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion that such information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bloom and Streit LLP*

BLOOM AND STREIT LLP  
Certified Public Accountants  
January 12, 2015

# DAYTON BEACH PARK NO. 1 CORP.

## Schedule of Budget with Actual Operating Amounts

	Budget Year Ended Jun. 30, 2014 (Unaudited)	Actual Year Ended Jun. 30, 2014	Actual Year Ended Jun. 30, 2013
<b>RECEIPTS</b>			
Carrying Charges (net of vacancies)	9,875,079	9,837,159	9,929,570
Utility Income	2,000,000	2,011,244	2,041,384
Appliance Charges	200,000	185,172	196,007
Garage and Parking Income	245,000	242,417	244,425
Surcharge Income	200,000	169,245	189,015
Laundry Room Income	86,400	86,400	86,400
Non-Residential Rental Income	60,000	19,756	59,723
Storage Income	35,000	0	20,365
Interest and Miscellaneous Income	100,000	122,648	95,324
Lost Revenue Resulting from Superstorm Sandy (Note 13)	0	0	(711,203)
<b>Total Receipts</b>	<b>12,801,479</b>	<b>12,674,041</b>	<b>12,151,011</b>
<b>EXPENDITURES</b>			
<b>ADMINISTRATIVE EXPENSES</b>			
Management Fee	428,820	428,820	403,820
Legal Expense	175,000	217,276	233,590
Auditing	28,000	38,325	20,000
Telephone	20,000	33,959	22,071
Consulting	50,000	0	0
Bad Debt Expense	50,000	182,034	163,340
Office and Administrative Expenses	50,000	76,781	94,898
<b>Total Administrative Expenses</b>	<b>801,820</b>	<b>977,194</b>	<b>937,719</b>
<b>UTILITIES EXPENSES</b>			
Fuel	1,000,000	1,577,282	959,432
Electricity and Gas	1,350,000	1,371,163	1,334,369
Water	1,000,000	1,085,664	950,082
<b>Total Utilities Expenses</b>	<b>3,350,000</b>	<b>4,034,109</b>	<b>3,243,882</b>
<b>MAINTENANCE EXPENSES</b>			
Payroll	1,500,000	1,338,500	1,433,288
Supplies	450,000	379,442	327,402
Repairs and Maintenance	875,000	648,644	623,594
Grounds Expense	140,000	92,474	82,982
Elevator Maintenance	100,000	101,477	61,010
Security	450,000	604,432	634,644
<b>Total Maintenance Expenses</b>	<b>3,515,000</b>	<b>3,164,970</b>	<b>3,162,919</b>

See auditors' report on supplementary information

**DAYTON BEACH PARK NO. 1 CORP.**

**Schedule of Budget with Actual Operating Amounts**

	Budget Year Ended <u>Jun. 30, 2014</u> (Unaudited)	Actual Year Ended <u>Jun. 30, 2014</u>	Actual Year Ended <u>Jun. 30, 2013</u>
<b>TAXES AND INSURANCE</b>			
Shelter Rent Taxes	1,000,000	975,092	1,125,494
Payroll Taxes	150,000	131,195	140,380
Licenses and Permits	8,000	7,046	5,316
Insurance (Note 14)	1,275,000	1,416,239	858,632
Union Welfare and Pension Fund	<u>500,000</u>	<u>443,224</u>	<u>441,946</u>
<b>Total Taxes and Insurance</b>	<u>2,933,000</u>	<u>2,972,797</u>	<u>2,571,768</u>
<b>FINANCIAL EXPENSES</b>			
Interest on First Mortgage (Note 7)	<u>1,906,819</u>	<u>1,967,734</u>	<u>2,015,422</u>
<b>Total Financial Expenses</b>	<u>1,906,819</u>	<u>1,967,734</u>	<u>2,015,422</u>
<b>CONTRIBUTIONS TO EQUITY AND RESERVES</b>			
Amortization of First Mortgage (Note 7)	755,983	0	239,946
Reserve for Future Expenditures:			
From Operations	<u>171,000</u>	<u>58,367</u>	<u>71,849</u>
<b>Total Contributions to Equity     and Reserves</b>	<u>926,983</u>	<u>58,367</u>	<u>311,796</u>
<b>Total Expenditures</b>	<u>13,433,622</u>	<u>13,175,172</u>	<u>12,243,505</u>
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>	<u>(632,143)</u>	<u>(501,131)</u>	<u>(92,494)</u>

*See auditors' report on supplementary information*