

**2615 PARK AVENUE ASSOCIATES**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

# 2615 PARK AVENUE ASSOCIATES

## FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
2615 Park Avenue Associates  
Minneapolis, Minnesota

### Opinion

We have audited the accompanying financial statements of 2615 Park Avenue Associates, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, changes in net assets (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 2615 Park Avenue Associates as of December 31, 2021 and 2020, and the changes in its net assets (deficit) and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 2615 Park Avenue Associates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

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; 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.

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 2615 Park Avenue Associates' 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 included 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 2615 Park Avenue Associates' 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 2615 Park Avenue Associates' 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.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the replacement reserve study on pages 21 to 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Additionally, we have not applied procedures to determine whether the funds designated for future major repairs and replacement are adequate to meet such future costs because that determination is outside the scope of our audit.

*Casey, Menden, Faust & Nelson, P.A.*

December 17, 2023

# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 3,130,104	\$ 204,768
Cash - loan restricted	7,618	32,631
Total cash	<u>3,137,722</u>	<u>237,399</u>
Restricted escrows and reserves:		
Real estate tax escrow	48,372	58,034
Insurance escrow	30,522	-
Completion/repair escrow	1,500	-
Member accounts receivable	16,262	6,568
Prepaid expense	65,116	2,151
Fixed assets	7,000,998	6,628,337
Accumulated depreciation	<u>(4,689,996)</u>	<u>(4,606,441)</u>
Total assets	<u>\$ 5,610,496</u>	<u>\$ 2,326,048</u>

See accompanying notes to financial statements

# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND MEMBERS'</u> <u>EQUITY (DEFICIT)</u>		
Accounts payable	\$ 69,247	\$ 26,529
Accrued payroll and related	1,152	1,152
Prepaid assessments	11,021	11,862
Accrued income taxes	-	4,417
Mortgage payable	4,778,125	1,155,225
Line of credit	-	185,000
Less: unamortized debt issuance costs	<u>(82,436)</u>	<u>(14,637)</u>
Net mortgages payable	<u>4,695,689</u>	<u>1,325,588</u>
Total liabilities	<u>4,777,109</u>	<u>1,369,548</u>
Members' equity (deficit)		
Certificate of initial capital value	357,632	357,632
Paid-in surplus	5,167,804	5,167,804
Additional paid-in capital	248,299	248,299
Treasury stock	(142,123)	-
Accumulated excess (deficit) of revenues over expenses	<u>(4,798,225)</u>	<u>(4,817,235)</u>
Total members' equity (deficit)	<u>833,387</u>	<u>956,500</u>
Total liabilities and fund balances	<u>\$ 5,610,496</u>	<u>\$ 2,326,048</u>

See accompanying notes to financial statements

# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Assessments	\$ 997,846	\$ 1,029,259
Garage assessments	109,598	106,174
Tower rental income	31,451	26,352
Tax passthrough	126,456	84,651
Comcast bulk rate	37,714	37,883
Laundry income	5,817	5,613
Stock transfer fees	3,000	3,000
Interest	255	192
Miscellaneous	<u>18,782</u>	<u>27,413</u>
Total revenues	<u>1,330,919</u>	<u>1,320,537</u>

See accompanying notes to financial statements



# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Expenses:		
Payroll and related	268,308	257,656
Professional fees	36,918	18,528
Other administrative	28,209	21,528
Insurance	63,423	62,048
Repairs and maintenance	194,905	312,627
Grounds and related	39,795	33,737
Utilities	184,104	164,105
Trash removal	15,976	15,369
Depreciation expense	164,582	159,021
Real estate taxes	127,688	125,478
Interest expense	186,796	94,624
Corporate income taxes	1,205	6,721
Major repairs and replacements	<u>-</u>	<u>-</u>
Total expenses	<u>1,311,909</u>	<u>1,271,442</u>
Excess (deficit) of revenues over expenses	<u>19,010</u>	<u>49,095</u>
Beginning accumulated excess (deficit) of revenues over expenses	<u>(4,817,235)</u>	<u>(4,866,330)</u>
Ending accumulated excess (deficit) of revenues over expenses	<u>\$ (4,798,225)</u>	<u>\$ (4,817,235)</u>

See accompanying notes to financial statements

## 2615 PARK AVENUE ASSOCIATES

### STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)

YEARS ENDED DECEMBER 31, 2021 AND 2020

	Certificate of Initial Capital Value	Paid-in Surplus	Additional Paid-in Capital	Treasury Stock	Accumulated Excess (deficit) Revenues over Expenses	Total
BALANCE, at January 1, 2020	\$ 357,632	\$ 5,167,804	156,515	\$ (58,566)	\$ (4,866,330)	\$ 757,055
Sale of Unit 603	-	-	91,784	58,566	-	150,350
December 31, 2020 excess (deficit) of revenues over expenses	-	-	-	-	49,095	49,095
BALANCE, at December 31, 2020	\$ 357,632	\$ 5,167,804	\$ 248,299	\$ -	\$ (4,817,235)	\$ 956,500
Purchase, renovation of Unit 411	-	-	-	(142,123)	-	(142,123)
December 31, 2021 excess (deficit) of revenues over expenses	-	-	-	-	19,010	19,010
BALANCE, at December 31, 2021	<u>\$ 357,632</u>	<u>\$ 5,167,804</u>	<u>\$ 248,299</u>	<u>\$ (142,123)</u>	<u>\$ (4,798,225)</u>	<u>\$ 833,387</u>

See accompanying notes to financial statements

# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess (deficit) of revenues over expenses	\$ 19,010	\$ 49,095
Adjustments to reconcile excess (deficit) of revenues over expenses to cash flows from operating activities:		
Depreciation expense	164,582	159,021
Loss (gain) on disposal of fixed assets	-	(11,000)
Amortization of debt issuance costs	2,362	2,728
Decrease (increase) in operating assets:		
Members accounts receivable	(9,694)	(2,257)
Special assessment receivable	-	23,118
Prepaid insurance	(62,965)	2,179
Increase (decrease) in operating liabilities:		
Accounts payable	42,719	(25,581)
Accrued payroll	-	(9,342)
Prepaid assessments	(841)	4,395
Accrued income taxes	(4,417)	1,777
Net cash flows from operating activities	<u>150,756</u>	<u>194,133</u>
Cash flows from investing activities:		
Proceeds from sale of fixed assets	-	11,000
Purchases, disposal of fixed assets, net	<u>(461,616)</u>	<u>(225,934)</u>
Net cash from investing activities	<u>(461,616)</u>	<u>(214,934)</u>

See accompanying notes to financial statements

# 2615 PARK AVENUE ASSOCIATES

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Mortgage payable, net	3,437,900	(229,328)
Incurrence of debt issuance costs, net	(62,234)	-
Proceeds from sales of units	-	150,350
Redemptions, renovation of equity shares	(142,123)	-
Net cash from financing activities	<u>3,233,543</u>	<u>(78,978)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	2,922,683	(99,779)
Cash, cash equivalents and restricted cash - beginning of year	<u>295,433</u>	<u>395,212</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 3,218,116</u>	<u>\$ 295,433</u>
Supplemental disclosure:		
Income taxes paid	<u>\$ 1,205</u>	<u>\$ 2,304</u>
Interest paid	<u>\$ 104,008</u>	<u>\$ 93,512</u>

See accompanying notes to financial statements

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 1 - NATURE OF ORGANIZATION

2615 Park Avenue Associates is a nonprofit cooperative housing association incorporated in the State of Minnesota on January 31, 1947. The Cooperative is responsible for the operation and maintenance of common property. The Cooperative consists of 112 residential units, commercial spaces and parking garages located in Minneapolis, Minnesota.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The Cooperatives' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

#### Unclassified Balance Sheet

The current/noncurrent distinction is deemed in practice to have little or no relevance to cooperatives. Accordingly, the Cooperative has presented an unclassified balance sheet in accordance with industry standards.

#### Revenue Recognition

The Cooperative adopted ASU 2014-09 and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The majority of the Cooperative's revenues come from sources that are outside the scope of ASC 606, such as rental activities under the Occupancy Agreement. Revenue streams subject to ASC 606 include: T-Mobile, Comcast bulk rate, parking fees, late fees, and interest income. Such fees are ancillary to the Cooperative and are recognized as revenue at the point in time such fees are incurred. The adoption of this new guidance did not have a material impact on the Cooperative's financial statements.

#### Cash Equivalents and Cooperative Investment Policy

Investment instruments purchased with a maturity of three months or less are considered to be cash equivalents. Certificates of deposit and other securities with original maturities over three months are classified as short-term investments. At December 31, 2021 and 2020, there were no cash equivalents.

The Cooperative adopted ASU 2016-18, which requires that restricted cash and cash equivalents be included in the beginning and ending cash and cash equivalents in the statements of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the statements of cash flows.

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash Equivalents and Cooperative Investment Policy (Continued)

The Cooperative has adopted an investment policy restricting appropriate reserve investments to: bank liquid accounts; money market mutual funds investing only in U.S. treasuries and Treasury backed securities; FDIC insured certificates of deposit limited to \$100,000 per financial institution; and treasury bills, notes or bonds purchased with intent to hold to maturity.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total in the statements of cash flows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,130,104	\$ 204,768
Restricted cash:		
Cash - loan restricted	7,618	32,631
Real estate tax escrow	48,372	58,034
Insurance escrow	30,522	-
Completion/repair escrow	1,500	-
Total cash, cash equivalents and restricted cash as shown in the statements of cash flows	<u>\$ 3,218,116</u>	<u>\$ 295,433</u>

#### Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method. A summary is as follows:

	<u>2021</u>	<u>2020</u>	<u>Years</u>
Land and land improvements	\$ 47,000	\$ 47,000	10 to 30
Building and improvements	6,682,643	6,309,982	10 to 40
Furnishings and equipment	271,355	271,355	5 to 10
Total fixed assets	7,000,998	6,628,337	
Accumulated depreciation	(4,689,996)	(4,606,441)	
Fixed assets, net	<u>\$ 2,311,002</u>	<u>\$ 2,021,896</u>	

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in income.

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Debt Issuance Costs

Debt issuance costs of \$84,798 were incurred in connection with obtaining the Cooperative's financing in 2021. These costs are recorded at cost and are being amortized using the effective interest method over the life of the financing of 10 years. Debt issuance costs of \$49,525 were incurred in connection with obtaining the Cooperative's previous financing. These costs were recorded at cost and were being amortized using the effective interest method over the life of the financing of 15 to 20 years. The remainder of the debt issuance costs for the previous financing were written off in 2021. Accumulated amortization totaled \$2,362 and \$34,888 at December 31, 2021 and 2020, respectively.

Debt issuance costs, net of accumulated amortization, are reported as a reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Future amortization of these fees is as follows:

2022	\$	9,338
2023		9,154
2024		8,964
2025		8,767
2026		8,563
Thereafter		37,650
	\$	<u>82,436</u>

#### Advertising

Advertising costs primarily relate to rental of Cooperative owned units, sales of cooperative owned, and member unit sales. The Cooperative expenses advertising costs for unit sales as incurred. Advertising costs totaled \$ -0- and \$ -0- in 2021 and 2020, respectively.

#### Comprehensive Income

GAAP establishes standards for the reporting and disclosure of comprehensive income and its components which will be presented in association with 2615 Park Avenue Associates' financial statements. Comprehensive income is defined as the change in a business enterprise's equity during a period arising from transactions, events or circumstances relating to non-owner sources, such as unrealized gains or losses on available-for-sale securities. It includes all changes in equity during a period except those resulting from investments by or distributions to owners. Net income and comprehensive income were the same for the years ended December 31, 2021 and 2020.

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Concentrations, Risks and Uncertainties

##### Estimates

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.

##### Assessments Receivable

Cooperative members are subject to monthly assessments to provide funds for the Cooperative's operating expenses, future capital acquisitions and major repairs and replacements. Any excess assessments at year end are retained by the Cooperative for use in future years. Assessments receivable at the balance sheet date represent fees due from unit owners and are secured by the unit owner's stock certificate. The Cooperative's policy is to pursue collections on members whose assessments are delinquent. Management believes that all assessments receivable are collectible and has not provided for an allowance for doubtful accounts. While the ultimate uncollectible amounts may differ, Management believes that any loss would not materially impact the Cooperative's financial position. Due to uncertainties in the collection process, however, it is at least reasonably possible management's estimate will change during the next year. That change cannot be estimated.

Three owners accounted for 66.5% of the assessments receivable balance at December 31, 2021.

##### Cash Accounts

The Cooperative maintains its checking, savings and escrows accounts with financial institutions insured by Federal Deposit Insurance Corporation (FDIC). In case of bank failure, FDIC ensures interest bearing account balances up to \$250,000. Balances as a single institution over \$250,000 may be subject to risk. The Cooperative may have such exposure in the years ended 2021 and 2020.

##### Lender Concentration

100% of the Cooperative's borrowings are from one financial institution at December 31, 2021. This indebtedness is scheduled to mature September 2031. 100% of the Cooperative's borrowings are from a different financial institution at December 31, 2020. This indebtedness was scheduled to mature June 2026, but was refinanced in 2021.



# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Method of Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs were allocated based on factors determined by the Cooperative and their management company.

The costs of providing the programs and supporting service activities have been directly charged. Management and general costs primarily consist of accounting fees and miscellaneous administrative expenses. The table below presents expenses by both their nature and their function for the years 2021 and 2020:

	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total (Summarized)
Administrative	\$ 295,249	\$ 38,186	\$ -	\$ 333,435	\$ 297,712
Utilities	184,104	-	-	184,104	164,105
Operating and maintenance	250,676	-	-	250,676	361,733
Taxes and insurance	192,316	-	-	192,316	194,247
Financial	186,796	-	-	186,796	94,624
Depreciation	164,582	-	-	164,582	159,021
Total Expenses	<u>\$ 1,273,723</u>	<u>\$ 38,186</u>	<u>\$ -</u>	<u>\$ 1,311,909</u>	<u>\$ 1,271,442</u>

### NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY

At December 31, 2021, the Cooperative has \$3,146,366 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of unrestricted cash of \$3,130,104 and net accounts receivable of \$16,262 (accounts receivable less an allowance for doubtful accounts of \$-0-). At December 31, 2020, the Cooperative had \$211,336 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$204,768 and net accounts receivable of \$6,568 (accounts receivable less an allowance for doubtful accounts of \$-0-).

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Cooperative structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 4 - RESTRICTED ESCROW DEPOSITS AND FUNDED RESERVES

The mortgage agreement requires that monies be escrowed for payment of real estate taxes, insurance and other repairs.

#### Repair Escrow:

Repair escrow held by Arbor Multifamily Lending, LLC. Disbursements made by Arbor Multifamily Lending, LLC.

#### Insurance Escrow:

Insurance escrow with monthly deposits determined by Arbor Multifamily Lending, LLC and held by Arbor Multifamily Lending, LLC. Disbursements made by Arbor Multifamily Lending, LLC.

#### Tax Escrow:

Real estate tax escrow with monthly deposits determined by Arbor Multifamily Lending, LLC and held by Arbor Multifamily Lending, LLC. Disbursements made by Arbor Multifamily Lending, LLC. The previous real estate tax escrow held by National Cooperative Bank, N.A. was released at the time of the refinancing.

#### Operating and Replacement Reserve:

The Cooperative was required to maintain a general operating and replacement reserve account in an amount equal to 10% of the Cooperative's budgeted gross annual operating income as a condition of the National Cooperative Bank, N.A. mortgage. This account was released at the time of the refinancing.

A summary of the mortgagor controlled general operating and replacement reserve account is as follows:

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 32,631	\$ 32,594
Monthly deposits	7,618	-
Additional deposits	-	-
Interest earned	1	37
Withdrawals	<u>(32,632)</u>	<u>-</u>
Ending Balance	<u>\$ 7,618</u>	<u>\$ 32,631</u>

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 5 - INCOME TAXES

Cooperative associations are taxed as regular corporations. Under provisions of the Internal Revenue Code the Cooperative is generally taxed only on non-patronage income, like the antenna income, at regular federal and state corporate tax rates.

The Cooperative has evaluated for uncertain tax positions and feels there are none. Federal and state taxing authorities generally have the right to examine returns for three years from the date of filing. Any interest or penalties incurred by the Cooperative would be included in operating expenses in the accompanying financial statements. No interest or penalties are reflected in the 2021 and 2020 financial statements.

### NOTE 6 - LONG TERM DEBT

Long term debt consisted of the following:

	<u>2021</u>	<u>2020</u>
Mortgage payable - Arbor Multifamily Lending, LLC payable in monthly payments of \$21,809, including interest at 3.595% per annum, through September 2031, secured by all of the Cooperative's land, building and other assets.	\$ 4,778,125	\$ -
Mortgage payable - National Cooperative Bank (NCB) payable in monthly payments of \$20,860, including interest at 6.49% per annum, through May 2026, secured by all of the Cooperative's land, building and other assets.	-	\$ 1,155,225
Line of credit - National Cooperative Bank (NCB) payable in monthly principal payments of \$5,000 plus interest payments at 5.625%, through January 2024, secured by 2nd mortgage and lien on assessments.	-	<u>185,000</u>
Long-term debt	4,778,125	1,340,225
Less: unamortized debt issuance costs	<u>(82,436)</u>	<u>(14,637)</u>
Net long-term debt	<u>\$ 4,695,689</u>	<u>\$ 1,325,588</u>

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 6 - LONG TERM DEBT (Continued)

Amortization of debt issuance costs of \$2,362 and \$2,728 for the years ended December 31, 2021 and 2020 is reported as interest expense in the statement of revenues and expenses. Interest expense of \$186,796 and \$94,624 is reported in the statement of revenues and expenses for the years ended December 31, 2021 and 2020. Maturities of long term are as follows:

2022	\$	91,437
2023		94,779
2024		98,243
2025		101,834
2026		105,556
Thereafter		4,203,840
	\$	<u>4,695,689</u>

The Cooperative's former mortgage with the National Cooperative Bank placed certain loan covenants on the Cooperative. Those covenants were released at refinancing.

### NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Cooperative's governing documents allow the board, in its discretion, to allocate a portion of net income to reserves. Accumulated funds, which are estimated at \$3,116,364 at December 31, 2021 are commingled with operating monies and are often used for operating purposes. The Cooperative has conducted a study of future major repairs and replacements. The Cooperative should be funding for such major repairs and replacements over the estimated useful lives of the components based on future replacement costs, considering the amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Board of Directors of the Cooperative would need to consider increasing regular assessments, levying special assessments, incurring additional indebtedness or delaying major repairs and replacements until funds are available.

### NOTE 8 - MEMBER EQUITY

#### Common Stock:

The Cooperative has authorized 110,000 shares of common stock with a par value of \$3.40. Member shares are proportional to the square footage of their units. At December 31, 2021 and 2020 there were 105,186 shares of common stock outstanding.

# 2615 PARK AVENUE ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE 8 - MEMBER EQUITY (Continued)

#### Treasury Stock:

Member-shareholders may be forced by economic conditions to surrender their shares to the Cooperative. These shares, as well as repurchased shares, are recorded as treasury stock. Treasury stock is recorded at its Initial Share Value plus any consideration paid or receivable released. Gains and losses on the sale of treasury stock are recorded to paid-in surplus. Cooperatives do not charge assessments on units while that unit is owned by the Cooperative.

A summary of activity relating to treasury stock is as follows:

	<u>2021</u>	<u>2020</u>
Beginning of year	-	1
Surrendered during year	-	-
Purchased during year	1	-
Sold during year	-	(1)
End of year	<u>1</u>	<u>-</u>
Rent received on held certificates	\$ -	\$ -
Average purchase price, renovations on certificates purchased	\$ 142,123	\$ -
Average selling price on certificates sold	\$ -	\$ 150,350
Average gain on certificates sold	\$ -	\$ 109,306

### NOTE 9 - PENSION PLAN

The Cooperative has a “simple IRA” pension plan that covers certain employees who qualify in accordance with the plan document and rules under ERISA. The Cooperative contributes to each eligible employee’s plan an amount equal to 5% of the employee’s salary. For 2021 and 2020, the Cooperative contributed \$ -0- and \$-0-, respectively.

### NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 17, 2023, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

# 2615 PARK AVENUE ASSOCIATES

## SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2021  
(Unaudited)

In 2020, the Cooperative conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were based on estimated costs to repair or replace the common property components at the end of their useful lives assuming no annual inflation.

Estimated remaining useful lives and estimated current replacement costs have not been revised since the date of the study and do not take into account the effects of any expenditures or differences in the estimates.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated Cash Balance at Dec. 31, 2021</u>
SEE ATTACHED SCHEDULE		<u>See Attached</u>	<u>\$ 3,116,364</u>

See independent auditor's report





**RESERVE EXPENDITURES**

2615 Park  
Avenue Associates  
Minneapolis, Minnesota

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050			
						Useful	Remaining	Unit (2020)	Per Phase (2020)	Total (2020)																			
<b>Exterior Building Elements</b>																													
1.020	1	1	Square Feet	Awning, Canvas and Frame	2029	10 to 15	9	19,000.00	19,000	19,000	0.4%																		
1.130	1	1	Allowance	Canopy, Lobby Entrance, Repairs (Incl. Roof)	2033	to 20	13	9,000.00	9,000	9,000	0.1%																		
1.160	1	1	Allowance	Doors and Windows, Entrances, Repairs and Refinishing	2022	6 to 8	2	4,200.00	4,200	4,200	0.2%			5,899															
1.287	1,300	1,300	Linear Feet	Roof, Anchors, Installation	2025	N/A	5	110.00	143,000	143,000	1.3%																		
1.300	27,670	27,670	Square Feet	Roofs, Build-up, Initial (Incl. Removal and Reinstallation of Solar System)	2025	to 25	5	18.00	498,060	498,060	11.9%																902,167		
1.301	27,670	27,670	Square Feet	Roofs, Build-up, Subsequent	2050	to 25	30	16.50	456,555	456,555	6.8%																826,986		
1.540	14,400	3,600	Linear Feet	Sealants, Windows and Doors, Phased	2026	5 to 20	6 to 21	5.00	21,500	86,400	1.2%	29,652					32,738										36,146		
1.820	60,400	60,400	Square Feet	Walls, Masonry, Inspections and Repairs, Initial (Incl. Sealants)	2021	N/A	1	12.00	724,800	724,800	5.6%																		
1.821	80,400	60,400	Square Feet	Walls, Masonry, Inspections and Repairs, Subsequent	2031	8 to 10	11	6.00	362,400	362,400	8.2%						549,277												
1.980	2,030	1,015	Square Feet	Windows, Common, Renovation, Phased	2031	45 to 55	11 to 12	65.00	65,975	131,950	1.4%																		
1.981	2,030	1,015	Square Feet	Windows, Common, Storm Windows, Replacement, Phased	2031	to 25	11 to 12	25.00	25,375	50,750	0.5%																		
<b>Interior Building Elements</b>																													
2.060	1	1	Allowance	Club Room, Renovation, Complete	2033	to 20	13	33,000.00	33,000	33,000	0.4%																		
2.061	1	1	Allowance	Club Room, Renovation, Partial	2023	to 5	3	4,000.00	4,000	4,000	0.2%																		
2.100	2	2	Each	Elevator Cab Finishes, Freight and Passenger, Stain Finishes and Repairs	2021	to 10	1	3,000.00	6,000	6,000	0.2%			5,713						6,308							6,964		
2.155	3	1	Allowance	Exercise Equipment, Cardiovascular, Phased	2025	5 to 15	5 to 15	3,000.00	3,000	9,000	0.2%																5,434		
2.200	2,060	2,060	Square Yards	Floor Coverings, Carpet, Hallways	2027	8 to 12	7	100.00	208,000	208,000	4.4%					300,193													
2.300	65	65	Square Yards	Floor Coverings, Vinyl, Freight Elevator Lobbies	2027	10 to 15	7	60.00	3,900	3,900	0.1%																		
2.520	1	1	Allowance	Kitchen, Renovation	2025	to 25	5	8,000.00	8,000	8,000	0.2%																	14,491	
2.600	1	1	Allowance	Lobby, Renovation	2028	to 20	8	50,000.00	50,000	50,000	1.2%																	87,051	
2.780	1	1	Allowance	Office and Meeting Room, Renovation	2020	to 20	0	10,000.00	10,000	10,000	0.2%																		
2.800	79,500	26,500	Square Feet	Paint Finishes, Hallways, Phased	2021	8 to 12	1 to 3	1.30	34,450	103,350	5.7%																		
2.801	3	3	Each	Paint Finishes, Stairwells	2027	to 25	7	16,000.00	48,000	48,000	0.5%																		
2.802	112	112	Each	Paint Finishes, Unit Entrance Doors	2021	8 to 12	1	270.00	30,240	30,240	0.9%																		
2.900	1	1	Each	Rest Rooms, Renovation, Womens Room (Excl. Fixtures)	2039	to 25	19	6,000.00	6,000	6,000	0.1%																		
2.901	2	2	Each	Rest Room, Renovation, Lobby and Mens Room (Excl. Fixtures)	2022	to 25	2	3,000.00	6,000	6,000	0.1%																		
<b>Building Services Elements</b>																													
3.060	1	1	Each	Air Handling Unit, Rooftop Heating and Cooling Unit, Location Served, 5-tons	2025	15 to 20	5	12,000.00	12,000	12,000	0.3%																	19,587	
3.100	2	2	Each	Boilers, Building Heat, 6,100-MBH, Capital Repairs (Incl. 2020 Rebuild)	2020	to 10	0	34,500.00	69,000	69,000	2.7%			98,549															
3.105	2	1	Each	Boilers, Building Heat, 6,100-MBH, Replacement, Phased	2046	to 60+	28 to 29	230,000.00	230,000	460,000	6.6%																	400,436 408,444	
3.150	2	2	Each	Boilers, Domestic Hot Water, 400-MBH	2033	15 to 20	13	13,000.00	26,000	26,000	0.3%																		
3.300	2	2	Each	Electrical System, Commercial Entities, Rewiring	2021	N/A	1	5,000.00	10,000	10,000	0.1%																		
3.301	1	1	Allowance	Electrical System, Laundry Room, Wiring Relocation	2021	N/A	1	4,500.00	4,500	4,500	0.0%																		
3.302	1	1	Allowance	Electrical System, Main Panels, Thermal Scans and Repairs	2024	to 70+	4	50,000.00	50,000	50,000	1.6%																	80,422	
3.360	1	1	Each	Elevator, Traction, Controls and Equipment, Freight	2050	to 30	30	100,000.00	100,000	100,000	1.5%																	181,136	
3.361	1	1	Each	Elevator, Traction, Controls and Equipment, Passenger	2026	to 40	6	100,000.00	100,000	100,000	0.9%																		
3.365	1	1	Each	Elevators, Traction, Hoists and Motors, Freight (Incl. 2020 Remaining)	2020	to 45	0	70,000.00	70,000	70,000	0.5%																		
3.366	1	1	Each	Elevators, Traction, Hoists and Motors, Passenger	2041	to 40	21	70,000.00	70,000	70,000	0.9%																		106,097
3.440	1	1	Each	Generator, Emergency, 125-KW (Includes Transfer Switch)	2031	to 35	11	92,000.00	92,000	92,000	0.9%																		
3.460	1	1	Each	Heat Exchanger, Building Heat (Incl. 2021 Repairs)	2021	to 25	1	8,000.00	8,000	8,000	0.1%																		
3.470	1	1	Each	Interroom Panel	2038	15 to 20	18	3,600.00	3,900	3,900	0.0%																		5,570
3.500	10	3	Each	Laundry Equipment, Washers and Dryers, Phased	2022	to 10	2 to 8	1,500.00	4,995	15,000	0.5%																	7,134 7,722 8,185 8,696	



**RESERVE EXPENDITURES**

2815 Park  
Avenue Associates  
Minneapolis, Minnesota

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050		
						Useful	Remaining	Unit (2020)	Per Phase (2020)	Total (2020)																		
3.555	1	1	Allowance	Life Safety System, Control Panel	2039	15 to 20	19	6,000.00	6,000	6,000	0.1%																	
3.560	1	1	Allowance	Life Safety System, Emergency Devices (Incl. 2021 Rewiring by Elevators)	2021	to 25	1	103,500.00	103,500	103,500	1.6%																	
3.600	112	12	Units	Pipes, Riser Sections, Building Heating, Phased	2029	to 80+	9 to 17	5,600.00	69,684	627,200	6.7%	95,634	97,546															
3.605	112	12	Units	Pipes, Domestic Water, Waste and Vent, Phased	2029	to 80+	9 to 17	7,500.00	93,300	840,000	8.9%	128,081	130,543															
3.700	1	1	Each	Pump, Condensate Return (Incl. 2020 Valve Replacements)	2020	15 to 20	0	40,000.00	40,000	40,000	0.8%	54,911																
3.701	1	1	Each	Pump, Sump, Boiler Room (Incl. 2020 Budgeted)	2020	15 to 20	0	6,200.00	6,200	6,200	0.2%																11,230	
3.702	2	2	Each	Pumps, Sump, Garage	2020	15 to 20	0	6,000.00	12,000	12,000	0.4%																21,736	
3.840	96	96	Each	Solar Photovoltaic System - 40 MW	2050	to 25	30	2,300.00	220,800	220,800	3.3%																399,949	
3.860	2	2	Each	Storage Tanks, Domestic Hot Water	2048	to 30	28	8,000.00	16,000	16,000	0.2%																27,856	
3.855	1	1	Allowance	Storage Tank, Fuel Oil, 6,500 gallons	2027	to 50	7	35,000.00	35,000	35,000	0.3%																	
<b>Property Site Elements</b>																												
4.040	330	330	Square Yards	Asphalt Pavement, Mill and Overlay	2049	15 to 20	29	15.00	4,950	4,950	0.1%																8,790	
4.045	330	330	Square Yards	Asphalt Pavement, Total Replacement	2029	15 to 20	9	32.00	10,560	10,560	0.1%																	
4.110	400	95	Linear Feet	Concrete Curbs and Gutters, Partial	2021	to 65	1 to 30+	32.00	3,040	12,800	0.1%																5,399	
4.140	8,600	1,145	Square Feet	Concrete Sidewalks, Partial	2024	to 85	4 to 30+	13.00	14,885	111,800	0.5%								23,942									
4.500	1	1	Allowance	Landscape, Partial Replacements	2020	to 5	0	10,000.00	10,000	10,000	0.8%					14,859					16,406							18,114
4.745	130	130	Square Feet	Retaining Walls, Masonry (Incl. 2020 Budgeted)	2020	to 35	0	30.00	3,900	3,900	0.1%																7,064	
4.950	430	430	Square Feet	Waterproof Membrane and Concrete Structure Repairs, Fuel Storage Vault	2027	25 to 35	7	60.00	25,800	25,800	0.2%																	
<b>Garage Elements</b>																												
7.300	11,780	11,780	Square Feet	Concrete, Elevated Floor, Inspections and Capital Repairs	2025	10 to 15	5	4.00	47,120	47,120	1.0%																	70,018
7.350	10,740	2,150	Square Feet	Concrete, On-grade, Repairs and Perimeter Waterproof Coating (Including 2020 Budgeted)	2020	to 90	0 to 30+	19.00	40,850	204,060	1.8%																	73,994
7.400	2	2	Each	Doors and Operatores	2026	8 to 15	6	6,500.00	13,000	13,000	0.5%			18,567														23,548
7.460	1	1	Allowance	Exhaust System (Incl. 2020 Replacement of Fans)	2020	to 35	0	10,000.00	10,000	10,000	0.2%																	14,859
7.500	22,520	22,520	Square Feet	Fire Suppression System	2028	to 60	8	2.50	56,300	56,300	0.5%																	
7.600	63	63	Each	Light Fixtures	2040	to 30	20	350.00	22,050	22,050	0.3%																	32,765
7.800	11,780	11,780	Square Feet	Traffic Coating, Elevated Floors	2025	10 to 15	5	6.50	76,570	76,570	1.8%																	113,779
7.900	6	1	Each	Unit Heaters, Phased	2022	to 35	2 to 27	6,000.00	6,000	36,000	0.4%		8,401						9,276								10,241	
<b>Anticipated Expenditures, By Year (\$12,180,474 over 30 years)</b>												308,278	236,590	141,532	518,552	377,489	795,255	23,027	36,269	104,364	105,729	100,823	79,284	531,003	422,633	2,465,649		