

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Financial Statements and  
Supplementary Information

June 30, 2018 and 2017



**BAKER TILLY**

Candor. Insight. Results.

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Table of Contents  
June 30, 2018 and 2017

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	5
Statements of Cash Flows	7
Notes to Financial Statements	9
<b>Supplementary Information</b>	
Supplementary Data Required by HUD	18
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
<b>Internal Control and Compliance Reports</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29
Schedule of Findings and Questioned Costs	31
Summary Schedule of Prior Year's Audit Findings	32
<b>Mortgagor's Certification</b>	33
<b>Management Agent's Certification</b>	34

## **Independent Auditors' Report**

Board of Trustees  
Brookdale Village Housing Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by HUD included in the report (shown on pages 18 to 24) is presented for purposes of additional analysis and is not a required part of the financial statements. The aforementioned information has been prepared in the prescribed format and following the instructions of the United States Department of Housing and Urban Development. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 28, 2018

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Financial Position

June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
<b>Assets</b>			
<b>Current Assets</b>			
1120	Cash, operations	\$ 305,282	\$ 490,271
1130	Tenant accounts receivable	46,835	40,299
1131	Allowance for doubtful accounts	(31,570)	(28,119)
1135	Accounts receivable, HUD	121,397	76,078
1140	Accounts and notes receivable, operations	6,803	4,592
1200	Prepaid expenses	25,897	33,127
1100T	Total current assets	<u>474,644</u>	<u>616,248</u>
<b>Deposits Held in Trust, Funded</b>			
1191	Tenant deposits	<u>317,698</u>	<u>307,444</u>
<b>Restricted Deposits and Funded Reserves</b>			
1310	Escrow deposits	1,287,155	982,468
1320	Reserve for replacements	1,374,690	1,190,166
1330	Other reserves	1,402,033	1,243,512
1300T	Total restricted deposits and funded reserves	<u>4,063,878</u>	<u>3,416,146</u>
<b>Fixed Assets</b>			
1410	Land and improvements	936,820	830,620
1420	Buildings	29,863,023	29,288,493
1440	Building equipment, portable	2,619,008	2,593,918
1465	Office furniture and equipment	15,702	15,702
1490	Miscellaneous fixed assets	84,787	142,842
1400T	Total fixed assets	33,519,340	32,871,575
1495	Less accumulated depreciation	<u>(24,456,461)</u>	<u>(23,627,923)</u>
1400N	Net fixed assets	<u>9,062,879</u>	<u>9,243,652</u>
<b>Other Assets</b>			
1590	Miscellaneous other assets	<u>18,955</u>	<u>18,955</u>
1500T	Total other assets	<u>18,955</u>	<u>18,955</u>
1000T	Total assets	<u>\$ 13,938,054</u>	<u>\$ 13,602,445</u>

See notes to financial statements

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Financial Position

June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
2110	Accounts payable, operations	\$ 648,893	\$ 522,273
2120	Accrued wages payable	114,007	93,274
2121	Accrued payroll taxes payable	8,577	7,135
2123	Accrued management fee payable	317	1,163
2131	Accrued interest payable, first mortgage	33,170	33,669
2170	Mortgage payable, first mortgage, current maturities	110,378	104,140
2210	Prepaid revenue	28,879	6,245
2122T	Total current liabilities	<u>944,221</u>	<u>767,899</u>
<b>Deposits Liabilities</b>			
2191	Tenant deposits held in trust (contra)	<u>317,698</u>	<u>306,787</u>
<b>Long-Term Liabilities</b>			
2320	Mortgage payable, first mortgage, net of current maturities	6,812,144	6,922,522
2322	Other mortgage payable	1,307,981	1,307,981
2331	Accrued interest payable, other mortgage payable (long-ter	104,365	91,285
2340	Debt issuance costs	<u>(486,249)</u>	<u>(504,234)</u>
2300T	Total long-term liabilities	<u>7,738,241</u>	<u>7,817,554</u>
2000T	Total liabilities	<u>9,000,160</u>	<u>8,892,240</u>
<b>Net Assets</b>			
3131	Unrestricted net assets	4,902,894	4,675,205
3132	Temporarily restricted net assets	<u>35,000</u>	<u>35,000</u>
3130	Total net assets	<u>4,937,894</u>	<u>4,710,205</u>
2033T	Total liabilities and net assets	<u>\$ 13,938,054</u>	<u>\$ 13,602,445</u>

See notes to financial statements

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
<b>Rental Revenue</b>		
5120	\$ 2,289,004	\$ 2,903,506
5121	2,613,719	2,633,775
5170	19,470	18,800
5190	1,273,478	628,890
5191	48,763	54,136
5100T	<u>6,244,434</u>	<u>6,239,107</u>
<b>Vacancies</b>		
5220	(199,303)	(136,299)
5200T	<u>(199,303)</u>	<u>(136,299)</u>
5152N	6,045,131	6,102,808
5300	121,397	101,456
<b>Financial Revenue</b>		
5440	19,404	7,106
5490	18,689	7,102
5400T	<u>38,093</u>	<u>14,208</u>
<b>Other Revenue</b>		
5910	25,364	31,585
5920	28,385	26,989
5945	-	138,419
5990	31,710	145,486
5900T	<u>85,459</u>	<u>342,479</u>
5000T	<u>6,290,080</u>	<u>6,560,951</u>
<b>Expenses</b>		
<b>Administrative Expenses</b>		
6203	17,752	106
6204	7,610	-
6250	2,663	2,097
6310	65,068	65,594
6311	65,866	54,099
6320	385,931	377,254
6330	90,696	84,309
6331	11,904	11,904
6340	16,473	8,774
6350	13,500	12,000
6351	10,044	10,455
6370	8,131	31,953
6390	6,590	5,041
6263T	<u>702,228</u>	<u>663,586</u>
<b>Utilities Expenses</b>		
6450	384,884	438,921
6451	165,311	173,083
6452	257,074	142,935
6453	262,844	275,202
6400T	<u>1,070,113</u>	<u>1,030,141</u>

See notes to financial statements

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating and Maintenance Expenses</b>		
6510 Payroll	\$ 490,654	\$ 465,994
6515 Supplies	66,182	117,104
6520 Contracts	983,949	580,770
6530 Security payroll/contract	334,419	349,793
6546 Heating/cooling repairs and maintenance	58,287	48,847
6590 Miscellaneous operating and maintenance expenses	890	16,877
6500T Total operating and maintenance expenses	<u>1,934,381</u>	<u>1,579,385</u>
<b>Taxes and Insurance</b>		
6711 Payroll taxes (project's share)	74,928	74,804
6720 Property and liability insurance (hazard)	345,970	330,813
6722 Workmen's compensation	60,309	60,584
6723 Health insurance and other employee benefits	435,339	459,687
6790 Miscellaneous taxes, licenses, permits and insurance	8,088	5,730
6700T Total taxes and insurance expense	<u>924,634</u>	<u>931,618</u>
<b>Financial Expense</b>		
6820 Interest on first mortgage payable	418,803	424,928
6825 Interest on other mortgage payable	13,080	13,080
6850 Mortgage insurance premium/service charge	35,139	37,173
6890 Miscellaneous financial expenses	17,567	17,870
6800T Total financial expense	<u>484,589</u>	<u>493,051</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	<u>117,908</u>	<u>113,537</u>
6000T Total cost of operations before depreciation	<u>5,233,853</u>	<u>4,811,318</u>
5060T Profit before depreciation	<u>1,056,227</u>	<u>1,749,633</u>
<b>Depreciation</b>		
6600 Depreciation expense	<u>828,538</u>	<u>832,631</u>
Total depreciation	<u>828,538</u>	<u>832,631</u>
5060N Operating profit after depreciation	227,689	917,002
<b>Corporate or Mortgagor Entity Revenue</b>		
7105 Entity revenue	<u>-</u>	<u>(525)</u>
Total expenses	6,062,391	5,643,424
3250 Change in net assets	227,689	917,527
<b>Unrestricted Net Assets, Beginning of Year</b>	<u>4,675,205</u>	<u>3,757,678</u>
<b>Unrestricted Net Assets, End of Year</b>	<u>4,902,894</u>	<u>4,675,205</u>
<b>Temporarily Restricted Net Assets, Beginning of Year</b>	<u>35,000</u>	<u>35,000</u>
<b>Temporarily Restricted Net Assets, End of Year</b>	<u>35,000</u>	<u>35,000</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,937,894</u>	<u>\$ 4,710,205</u>

See notes to financial statements

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
S1200-010 Rental receipts	\$ 6,084,714	\$ 6,127,381
S1200-020 Interest receipts	38,093	14,208
S1200-030 Other operating receipts	<u>159,326</u>	<u>588,423</u>
S1200-040 Total receipts	<u>6,282,133</u>	<u>6,730,012</u>
S1200-050 Administrative expenses paid	(120,821)	(113,390)
S1200-070 Management fees paid	(386,777)	(379,151)
S1200-090 Utilities paid	(1,078,562)	(1,253,862)
S1200-100 Salaries and wages paid	(960,104)	(962,802)
S1200-110 Operating and maintenance paid	(995,209)	(549,811)
S1200-140 Property insurance paid	(345,970)	(330,813)
S1200-150 Miscellaneous taxes and insurance paid	(24,213)	(17,638)
S1200-170 Other operating expenses paid	(688,484)	(739,791)
S1200-180 Interest paid on first mortgage	(432,382)	(439,138)
S1200-210 Mortgage insurance premium paid	(34,963)	(35,385)
S1200-225 Entity/construction disbursements	<u>-</u>	<u>(208,705)</u>
S1200-230 Total disbursements	<u>(5,067,485)</u>	<u>(5,030,486)</u>
S1200-240 Net cash provided by operating activities	<u>1,214,648</u>	<u>1,699,526</u>
<b>Cash Flows from Investing Activities</b>		
S1200-245 Net deposits to mortgage escrows	(304,687)	(304,786)
S1200-250 Net deposits to reserve for replacements	(184,524)	(172,226)
S1200-255 Net deposits to other reserves	(158,521)	(146,845)
S1200-330 Net purchases of fixed assets	<u>(647,765)</u>	<u>(626,677)</u>
S1200-350 Net cash used in investing activities	<u>(1,295,497)</u>	<u>(1,250,534)</u>
<b>Cash Flows from Financing Activities</b>		
S1200-360 Mortgage principal payments, first mortgage	<u>(104,140)</u>	<u>(235,746)</u>
S1200-460 Net cash used in financing activities	<u>(104,140)</u>	<u>(235,746)</u>
S1200-470 Net (decrease) increase in cash	(184,989)	213,246
S1200-480 <b>Cash, Beginning of Year</b>	<u>490,271</u>	<u>277,025</u>
S1200T <b>Cash, End of Year</b>	<u>\$ 305,282</u>	<u>\$ 490,271</u>

See notes to financial statements

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Significant Noncash Investing and Financing Activities</b>		
Additions to fixed assets included in accounts payable	\$ -	\$ 208,705
Contributed rental property improvements	\$ -	\$ 525
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Provided by Operating Activities</b>		
3250 Change in net assets	\$ 227,689	\$ 917,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
6600 Depreciation	828,538	832,631
S1200-486 Interest expense on debt issuance cost	17,985	17,986
S1200-600 Bad debts	8,131	31,953
S1200-600 Contributed rental property improvements	-	(525)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	(11,216)	(3,332)
S1200-500 Accounts receivable, other	(47,530)	144,488
S1200-520 Prepaid expenses	7,230	(469)
S1200-530 Tenant deposits funded	(10,254)	(18,595)
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	126,620	(249,200)
S1200-560 Accrued liabilities	21,329	1,223
S1200-570 Accrued interest payable	12,581	11,949
S1200-580 Tenant deposits held in trust	10,911	17,938
S1200-590 Prepaid revenue	22,634	(4,048)
Total adjustments	986,959	781,999
S1200-610 Net cash provided by operating activities	\$ 1,214,648	\$ 1,699,526

See notes to financial statements

# **Brookdale Village Housing Corporation**

## **HUD Project No. 012-119-NI**

---

Notes to Financial Statements  
June 30, 2018 and 2017

### **1. Description of the Organization**

Brookdale Village Housing Corporation (the "Corporation") is a nonprofit corporation created in 1972 pursuant to Article II of the Private Housing Finance Law and is supervised by the New York State Division of Housing and Community Renewal ("NYSDHCR"). The Corporation provides rental housing to lower income older adults, and because it receives rental subsidies from the U.S. Department of Housing and Urban Development ("HUD"), it is also regulated by HUD. The project consists of 547 units located in Queens, New York and is currently operating under the name of Brookdale Village Housing. The Corporation received a significant portion of its revenue from government subsidy payments.

JASA Corporation is the sole member of and wholly controls the Corporation. JASA Corporation also wholly controls nine other housing entities, the Jewish Association for Services for the Aged ("JASA"), JASA Housing Management Services for the Aged, Inc. ("JHM"), and One Stop Senior Services in its capacity as their sole member. The Corporation is related to JASA Corporation and the above-listed entities by this control.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The Corporation prepared the financial statements on the accrual basis of accounting. Also, the Corporation presents its financial statements following the generally accepted accounting principles in the United States of America. Under this guidance, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from management and general expenses.

Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents.

# **Brookdale Village Housing Corporation**

## **HUD Project No. 012-119-NI**

---

Notes to Financial Statements  
June 30, 2018 and 2017

### **Accounts Receivable and Allowance for Doubtful Accounts**

The Corporation reports tenant accounts receivable and accounts receivable net of an allowance for doubtful accounts. Management's basis for its estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2018 and 2017, the allowance for doubtful accounts was \$31,570 and \$28,119, respectively.

### **Fixed Assets and Depreciation**

The Corporation carries fixed assets at cost. Management uses the straight-line method of depreciation and expenses depreciation equally each year over the useful lives of the assets. It is the Corporation's policy to capitalize items of \$5,000 or greater. Useful lives range from 10 to 40 years.

### **Impairment of Long-Lived Assets**

The Corporation reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When reviewing recovery, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The Corporation did not recognize any impairment loss during the years ended June 30, 2018 and 2017.

### **Deferred Financing Costs**

The Corporation amortizes financing costs as interest expense over the term of the related loan using the straight-line method, which approximates the effective interest method. Interest expense for the years ended June 30, 2018 and 2017 was \$17,985 and \$17,986, respectively.

### **Revenue**

#### **Rental Income**

The Corporation's revenue is derived principally from rent on its affordable housing apartments. Rental payments come directly from tenants, the New York City Housing Authority, as well as from HUD via a housing subsidy for low-income tenants.

The Corporation recognizes rental income as it becomes due. Rental payments received in advance of their due date are deferred until earned. Leases between the Corporation and its tenants are operating leases.

# Brookdale Village Housing Corporation

## HUD Project No. 012-119-NI

---

Notes to Financial Statements  
June 30, 2018 and 2017

### Grant Income

HUD awarded the Corporation a cost reimbursement grant. See Note 6. The Corporation recognized revenue under this grant as costs were incurred.

The Corporation was also awarded a grant from the Fund for the City of New York. See Note 9. Revenue was recognized as the funds became unconditionally committed for a specific purpose. Unspent funds remain as temporarily restricted net assets.

### Income Taxes

The Corporation has applied for and received a tax-exemption under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2018 or 2017. Due to its tax-exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions requiring disclosure.

### Subsequent Events

Management evaluated subsequent events through September 28, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that had a material impact on the Corporation's financial statements.

## 3. Mortgages Payable

### First Mortgage Payable

On November 13, 2008, the Corporation obtained a loan, in the principal amount of \$13,590,000, from New York State Housing Finance Agency ("NYSHFA"). As required by the lender, the Corporation used \$7,721,362 for building rehabilitation. The loan is secured by a mortgage.

The loan bears an interest rate of 5.75% per annum and requires monthly installments of principal and interest through maturity on July 1, 2045. As of June 30, 2018 and 2017, the outstanding principal balance was \$6,922,522 and \$7,026,662, respectively, and the accrued interest was \$33,170 and \$33,669, respectively.

Under agreements with NYSDHCR, the mortgage lender, the Corporation is required to make monthly escrow deposits for mortgage insurance, capital repairs and service fees to the State of New York Mortgage Agency. The use of these funds requires the approval of NYSDHCR.

# Brookdale Village Housing Corporation

## HUD Project No. 012-119-NI

---

Notes to Financial Statements  
June 30, 2018 and 2017

### Other Mortgage

The Corporation obtained subordinate financing of \$1,287,036 (the "Subordinate Loan") in 2008 through NYSDHCR. The Subordinate Loan bears interest at the rate of 1% per annum. Interest from the inception of the Subordinate Loan through July 1, 2010 was accrued and was compounded with the principal, to be repaid at maturity, July 1, 2045. The principal balance, including compounded interest through July 1, 2010, as of June 30, 2018 and 2017 was \$1,307,981. Beginning August 1, 2010, accrued interest is payable from net income, as defined in the Subordinate Loan agreement. For the years ended June 30, 2018 and 2017, there was not sufficient net income, as defined in the Subordinate Loan agreement, to require payment of accrued interest. As of June 30, 2018 and 2017, accrued interest of \$104,365 and \$91,285, respectively, was payable.

All mortgages are secured by a mortgage note made by the lender to the Corporation.

Aggregate annual maturities of the mortgages payable over each of the next five years and thereafter are as follows:

Years ending June 30:	
2019	\$ 110,378
2020	116,800
2021	123,696
2022	130,999
2023	138,733
Thereafter	<u>7,609,897</u>
Total	<u>\$ 8,230,503</u>

## 4. Restricted Deposits and Funded Reserves

### Reserve for Replacements

Under provisions of HUD and NYSDHCR agreements, the Corporation is required to make monthly deposits of \$13,760 into a replacement reserve escrow account which consists of restricted cash that the Corporation can use for the replacement of property and equipment. The use of these funds requires prior approval from HUD and NYSDHCR. For the years ended June 30, 2018 and 2017, there were no disbursements from the replacement reserve account. As of June 30, 2018 and 2017, the balance in reserve for replacements was \$1,374,690 and \$1,190,166, respectively.

### Escrow Deposits

Under the provisions of the mortgage agreement, the Corporation is required to make monthly deposits of \$29,543 into an escrow account managed by the respective lender for mortgage insurance fees and water and sewer payments. Effective October 1, 2016, the monthly deposit amount was changed to \$28,337. Effective October 1, 2015, the monthly deposit amount was \$28,379. Funds are released from the escrow deposit account upon approval by NYSDHCR.

As of June 30, 2018 and 2017, the balance in the escrow account was \$1,287,155 and \$982,468, respectively.

# Brookdale Village Housing Corporation

## HUD Project No. 012-119-NI

---

Notes to Financial Statements  
June 30, 2018 and 2017

### Other Reserves

#### Capital Repairs Reserve

The Corporation maintains a reserve account used to fund capital repairs in the building. Funds are released from the reserve account upon approval by NYSDHCR. As of June 30, 2018 and 2017, the balance in the capital repairs reserve was \$91,929, respectively.

#### Project Reserve Fund

The Corporation is required to make monthly deposits of \$11,660 into a reserve account managed by NYSDHCR for contingency needs. Funds are released from the escrow deposit account upon approval by NYSDHCR. As of June 30, 2018 and 2017, the balance in the project reserve fund was \$1,139,903 and \$983,912, respectively.

#### Interest Reduction Payment ("IRP") Reserve

The Corporation is required by NYSDHCR to fund an IRP reserve. NYSDHCR restricts the Corporation's use of the funds. As of June 30, 2018 and 2017, the balance in the IRP reserve was \$170,200 and \$167,671, respectively.

## 5. Related Party Transactions

### Jewish Association for Services for the Aged ("JASA")

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and worker's compensation. Property and liability insurance expense for the years ended June 30, 2018 and 2017 were \$345,970 and \$330,813, respectively. Worker's compensation, short-term disability, and health insurance for the years ended June 30, 2018 and 2017 were \$95,232 and \$88,155, respectively.

JASA pays the Corporation a license fee for the use of space for a community services facility located at the site. License fee revenue for the years ended June 30, 2018 and 2017 was \$30,541 and \$30,455, respectively, and is included in miscellaneous revenue on the statements of activities.

JASA is a participant in a multi-employer, defined-benefit retirement plan sponsored by the UJA-Federation. The Corporation does not make any direct contributions to the plan on behalf of its employees; however, JASA made contributions to the plan for its employees and the Corporation's non-union employees. For the years ended June 30, 2018 and 2017, the Corporation reimbursed JASA for pension costs for \$8,913 and \$6,569, respectively.

The Corporation pays JASA, through a HUD grant, to provide social services for the tenants. The program expenses for the years ended June 30, 2018 and 2017 were \$117,908 and \$113,537, respectively. As further described in Note 6, HUD has not yet approved continued funding of this grant past December 31, 2017.

# **Brookdale Village Housing Corporation**

## **HUD Project No. 012-119-NI**

---

Notes to Financial Statements  
June 30, 2018 and 2017

As of June 30, 2018 and 2017, \$55,268 and \$40,834, respectively, remain due to JASA and are included in "accounts payable, operations" line on the statements of financial position.

### **JASA Housing Management Services for the Aged, Inc. ("JHM")**

JHM manages the rental property under a management agreement approved by HUD. The management agreement provided for a management fee of \$32,161 per month. Management fees for the years ended June 30, 2018 and 2017 were \$385,931 and \$377,254, respectively, of which \$317 and \$1,163, respectively, remain payable and are included in accrued management fee payable on the statements of financial position.

### **6. Grant Revenue**

The Corporation was awarded a service coordinator grant from HUD to use toward payment of the service coordinator's salary, benefits, and other administrative costs. The Corporation reimburses JASA with the grant. The Corporation received and recognized grant revenue of \$121,397 and \$101,456 for the years ended June 30, 2018 and 2017, respectively. Grant expense for the years ended June 30, 2018 and 2017 were \$117,908 and \$113,537, respectively. As of June 30, 2018 and 2017, \$121,397 and \$76,078, respectively, remain receivable and are included in "accounts receivable, HUD" on the statements of financial position. Since HUD has not yet approved a new award, no grant revenue is recorded for the period January 2018 through June 30, 2018.

### **7. Real Estate Tax Exemption**

The Corporation has executed documentation necessary to obtain a real estate tax exemption under the New York City Property Tax Code. As of June 30, 2018 and 2017, the exemption has been approved and is in effect.

### **8. Housing Assistance Payment ("HAP") Contract**

Effective June 1, 2016, the Corporation has contracted under a Rental Assistance Demonstration ("RAD") Rider with Housing Trust Fund Corporation pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Corporation on behalf of qualified tenants. The agreement expires May 31, 2036. For the years ended June 30, 2018 and 2017, rental assistance payments of \$2,613,719 and \$2,633,775, respectively, were earned under the terms of the agreement.

### **9. Post-Hurricane Sandy Resiliency Grant**

In 2014, the Corporation received a grant from the Fund for the City of New York for \$35,000, which was included in "other revenue" on the statements of activities. The grantor restricted the funds for resiliency planning (equipping the building to reduce the impact of future natural disasters) and are included as temporarily restricted net assets. As of June 30, 2018 and 2017, the remaining balance of this grant was \$35,000.

# Brookdale Village Housing Corporation

## HUD Project No. 012-119-NI

---

Notes to Financial Statements  
June 30, 2018 and 2017

### 10. Post-Hurricane Sandy Resiliency Contributions by JASA

During fiscal year 2015, JASA obtained a cost reimbursement Social Service Block Grant (the "SSBG") from the New York State Office for the Aging. The purpose of the grant was to allow JASA to incur resiliency costs to better prepare its eight housing entities for potential future weather events like Hurricane Sandy. JASA incurs the costs under various contracts with unrelated third parties and simultaneously contributes the resulting assets to the housing entities. The assets contributed are recorded as contribution revenue and as additions to the rental property at fair value. During the year ended June 30, 2017, noncash contributions related to the SSBG of \$525 was recognized by the Corporation as entity revenue on the statements of activities. The SSBG ended on June 30, 2018.

### 11. Functional Expenses

The costs of providing various programs and other activities for the years ended June 30, 2018 and 2017 are summarized on a functional basis as follows:

	<u>2018</u>	<u>2017</u>
Program services		
HUD-assisted elderly housing project	\$ 5,564,718	\$ 5,153,147
Management and general	<u>497,673</u>	<u>490,802</u>
Total	<u>\$ 6,062,391</u>	<u>\$ 5,643,949</u>

### 12. Pension Plan

The Corporation is a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer pension plan. The 1199SEIU Health Care Employees Pension Fund (the "Fund") is a noncontributory, multi-employer defined benefit plan which covers union employees of the Corporation. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If one of the participating employers petitions to stop participating in the multi-employer plan, such employer may be required to pay the plan a withdrawal liability based on the funded status of the plan.

The Fund is designed to provide retirement benefits for its members including the eligible employees of the Corporation. Benefits are calculated utilizing specified percentages within the plan document.

# Brookdale Village Housing Corporation

## HUD Project No. 012-119-NI

---

Notes to Financial Statements  
June 30, 2018 and 2017

Pursuant to the collective bargaining agreement, the monthly required contribution was 10.64% during the period January 1, 2015 through December 31, 2015. Effective January 1, 2016, the monthly required contribution was 10.76% of the covered employees' payroll. This resulted in contributions of \$99,887 and \$91,874, for the years ended June 30, 2018 and 2017, respectively. These amounts are included in health insurance and other employee benefits on the statements of activities.

The following table discloses the name and the most recent funded status of the Fund, as of January 1, 2016 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2015:

<u>Valuation Date</u>	<u>Fair Value of Plan Assets</u>	<u>Actuarial Present Value of Accumulated Plan Benefits</u>	<u>Total Contributions</u>	<u>Funded Status</u>	<u>Zone Status</u>
January 1, 2016	\$ 9,329,507,000	\$ 12,319,581,000	\$ 625,342,000	76 %	Green

As of January 1, 2016, the Fund has a certified green zone status as determined by the Fund's actuary. The Fund did not utilize any extended amortization provisions that would affect the calculation of their zone status.

The Corporation is currently in the process of obtaining the funded status of the Fund as of January 1, 2017 (the date of the actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2016.

### 13. Concentrations of Credit Risk

The Corporation maintains its cash balances in several accounts in one bank. The Federal Deposit Insurance Corporation insures the cash balances up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses concerning its bank balances more than government-provided insurance. Management believes that no significant concentration of credit risk exists concerning these cash balances as of June 30, 2018.

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Notes to Financial Statements  
June 30, 2018 and 2017

**14. Commitments and Contingencies**

The Corporation has entered into a HAP contract under the revised regulations of 24 Code of Federal Regulations (CFR). As such, upon termination of the contract, whether initiated by the Corporation opting out of the contract or by HUD, any unused balance in the residual receipts reserve must be remitted to HUD.

Under the Corporation's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Corporation about transactions relating to these contracts. The accompanying financial statements contain no provision for possible disallowances resulting from such reviews. Although such possible disallowances could be substantial, in the opinion of management, actual disallowances resulting from such reviews, if any, would be immaterial.

**15. Current Vulnerability Due to Certain Concentrations**

The Corporation's principal asset is a 547-unit apartment project. The Corporation's operations are concentrated in the multi-family real estate market. Also, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Supplementary Data Required by HUD

Statement of Activities Data

Year Ended June 30, 2018

S1000-010	Total first mortgage (or bond) principal payments required during the audit period (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 104,140</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 165,120</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 560,877</u>

*See independent auditors' report*

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Supplementary Data Required by HUD

Reserve Account Data

Year Ended June 30, 2018

**Reserve for Replacements**

1320P	Balance, beginning of year	\$	1,190,166
1320DT	Total monthly deposits		165,120
1320INT	Interest income		<u>19,404</u>
1320	Balance, end of year	\$	<u><u>1,374,690</u></u>

*See independent auditors' report*

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2018

**Surplus Cash, Distributions and Residual Receipts**

S1300-010	Cash	\$	622,980
1135	Accounts receivable, HUD		<u>121,397</u>
S1300-040	Total cash		<u>744,377</u>
S1300-050	Accrued mortgage interest payable		33,170
S1300-075	Accounts payable (due within 30 days)		648,383
S1300-100	Accrued expenses (not escrowed)		122,901
2210	Prepaid revenue		28,879
2191	Tenant deposits held in trust		317,698
S1300-120	Restricted funds received but not spent, Fund for the City of New York grant		<u>35,000</u>
S1300-140	Total current obligations		<u>1,186,031</u>
S1300-150	Surplus cash (deficiency)	\$	<u><u>(441,654)</u></u>
S1300-210	Deposit due residual receipts reserve	\$	<u><u>-</u></u>

*See independent auditors' report*

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Supplementary Data Required by HUD  
 Fixed Assets Data  
 Year Ended June 30, 2018

		<b>Assets</b>			
		<b>Balance</b>			<b>Balance</b>
		<b>July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2018</b>
1410	<b>Land and Improvements</b>	\$ 830,620	\$ 106,200	\$ -	\$ 936,820
1420	<b>Buildings</b>	29,288,493	574,530	-	29,863,023
1440	<b>Building Equipment, Portable</b>	2,593,918	25,090	-	2,619,008
1465	<b>Office Furniture and Equipment</b>	15,702	-	-	15,702
1490	<b>Miscellaneous Fixed Assets</b>	142,842	279,382	(337,437)	84,787
1400T	Total fixed assets	<u>\$ 32,871,575</u>	<u>\$ 985,202</u>	<u>\$ (337,437)</u>	<u>\$ 33,519,340</u>
1495	Total accumulated depreciation	<u>\$ 23,627,923</u>	<u>\$ 828,538</u>	<u>\$ -</u>	<u>\$ 24,456,461</u>
1400N	Total net book value	<u>\$ 9,243,652</u>			<u>\$ 9,062,879</u>
		<b>Amount</b>			
1410AT	<b>Additions for 1410 Details</b>				
	Resurface parking lot	\$ 90,000			
	Fence replacement	16,200			
	Total	<u>\$ 106,200</u>			
		<b>Amount</b>			
1420AT	<b>Additions for 1420 Details</b>				
	Apartment renovation	\$ 100,931			
	Install LED energy efficient lighting	114,444			
	Windows and doors	13,325			
	Cabinets and countertops	112,820			
	Building renovation	190,087			
	Painting	30,980			
	Signage	11,943			
	Total	<u>\$ 574,530</u>			
		<b>Amount</b>			
1440AT	<b>Additions for 1440 Details</b>				
	Air conditioning units	\$ 25,090			
	Total	<u>\$ 25,090</u>			
		<b>Amount</b>			
1490AT	<b>Additions for 1490 Details</b>				
	Construction-in-progress, replace fence	\$ 9,450			
	Construction-in-progress, install energy efficient lighting	64,672			
	Construction-in-progress, architect & engineer design	8,377			
	Construction-in-progress, apartment renovation	73,187			
	Construction-in-progress, landscaping	47,500			
	Construction-in-progress, re-wire building	15,149			
	Construction-in-progress, install new signage	5,156			
	Construction-in-progress, plumbing upgrade	22,400			
	Construction-in-progress, common area renovation	29,056			
	Construction-in-progress, install intercom in elevators	4,435			
	Total	<u>\$ 279,382</u>			
		<b>Amount</b>			
1490DT	<b>Deletions from 1490 Details</b>				
	Construction-in-progress, replace fence	\$ 16,200			
	Construction-in-progress, install energy efficient lighting	114,444			
	Construction-in-progress, apartment renovation	73,188			
	Construction-in-progress, landscaping	91,670			
	Construction-in-progress, plumbing upgrade	22,400			
	Construction-in-progress, common area renovation	15,100			
	Construction-in-progress, install intercom in elevators	4,435			
	Total	<u>\$ 337,437</u>			

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Supplementary Data Required by HUD  
Statement of Financial Position Data  
Year Ended June 30, 2018

**Statement of Financial Position, Detail**

1140	Accounts and notes receivable, operations:		
	Other		
	Senior Citizen Rent Increase Exemption ("SCRIE") receivable	\$	2,931
	Tenant security refund		<u>3,872</u>
	Total	\$	<u>6,803</u>
1590	Miscellaneous other assets:		
	Utility deposits	\$	<u>18,955</u>
2322	Other mortgage payable, net of current maturities:		
	Subordinate loan payable	\$	<u>1,307,981</u>
2331	Accrued interest payable, other mortgage payable (long-term):		
2331T	Accrued interest payable, subordinate loan	\$	<u>104,365</u>

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Supplementary Data Required by HUD  
Statement of Activities Data  
Year Ended June 30, 2018

**Statement of Activities, Detail**

5190-010	Description, miscellaneous rent revenue:	
	NYCHA, Section 8	\$ 1,147,171
	NYSHCR, Section 8	98,389
	HPD, SCRIE	11,852
	HPD, Section 8	<u>16,066</u>
5190-020	Total	<u>\$ 1,273,478</u>
5300	Description, nursing home/assisted living/board and care/ other elderly care/coop and other revenue,	
5390	Other service revenue	\$ 121,397
	Total	<u>\$ 121,397</u>
5490-010	Description, revenue from investments, miscellaneous, Interest income, other reserves and escrows	\$ 18,689
5490-020	Total	<u>\$ 18,689</u>
5990-010	Description, miscellaneous other revenue:	
	Use of premises income	\$ 30,541
	Administrative fee income	1,143
	Miscellaneous other income	<u>26</u>
5990-020	Total	<u>\$ 31,710</u>
6390-010	Description, miscellaneous administrative expenses, Bank, credit card and other charges	\$ 6,590
6390-020	Total	<u>\$ 6,590</u>
6590-010	Description, miscellaneous operating and maintenance expenses, Other sundry expenses	\$ 890
6590-020	Total	<u>\$ 890</u>
6790-010	Description, miscellaneous taxes, licenses, permits and insurance:	
	Miscellaneous taxes	\$ 4,115
	Fees, violations and penalties	<u>3,973</u>
6790-020	Total	<u>\$ 8,088</u>
6890-010	Description, miscellaneous financial expenses, NYSHFA fee	\$ 17,567
6890-020	Total	<u>\$ 17,567</u>
6900	Description, nursing home/assisted living/board and care/ other elderly care expenses,	
6990	Other service expenses	\$ 117,908
	Total	<u>\$ 117,908</u>

See independent auditors' report

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2018

**Related Party Transaction, Detail**

S1300-210	JHM (management fee)	\$	385,931
S1300-210	JASA (service coordinator)		<u>117,908</u>
	Total	\$	<u><u>503,839</u></u>

*See independent auditors' report*

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Mortgage Insurance for the Purchase or Refinancing of existing Multi-Family Housing Projects (Section 223(f))	14.155	N/A	\$ 7,026,662
Multi-Family Housing Service Coordinators	14.191	N/A	121,397
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	N/A	<u>2,613,719</u>
Total Housing Voucher Cluster			<u>2,613,719</u>
Total U.S. Department of Housing and Urban Development			<u>9,761,778</u>
Total expenditures of federal awards			<u>\$ 9,761,778</u>

*See notes to schedule of expenditures of federal awards*

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Notes to Schedule of Expenditures of Federal Awards  
June 30, 2018

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation. The Corporation did not provide any funding to sub-recipients during the year ended June 30, 2018.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance.

**3. Indirect Cost Rate**

The Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. U.S. Department of Housing and Urban Development Loan Program**

The Corporation has received a U.S. Department of Housing and Urban Development mortgage insurance loan under Section 223(f) of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2018</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multi-family Housing Projects (Section 223(f))	\$ 6,922,522

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Trustees  
Brookdale Village Housing Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 28, 2018

**Independent Auditors' Report on Compliance  
for Each Major Federal Program and on  
Internal Control Over Compliance  
Required by the Uniform Guidance**

Board of Trustees  
Brookdale Village Housing Corporation

**Report on Compliance for Each Major Federal Program**

We have audited Brookdale Village Housing Corporation's (the "Corporation"), HUD Project No. 012-119-NI, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2018. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

## Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 28, 2018

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2018

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes      X   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Housing and Urban Development:
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multi-Family Housing Projects (Section 223(f))
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   No

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Summary Schedule of Prior Year's Audit Findings  
Year Ended June 30, 2018

**Section IV - Summary Schedule of Prior Year's Audit Findings**

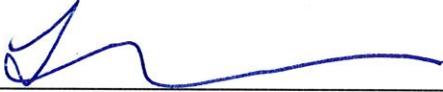
None.

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Mortgagor's Certificate  
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Brookdale Village Housing Corporation, HUD Project No. 012-119-NI and, to the best of our knowledge and belief, the same are accurate and complete.



\_\_\_\_\_  
Signature of Chief Operating Officer

Tracy Welsh

\_\_\_\_\_  
Name of Chief Operating Officer

DATE: \_\_\_\_\_

9/28/18

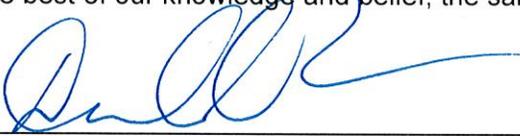
Employer Identification No: 23-7375605

**Brookdale Village Housing Corporation**  
**HUD Project No. 012-119-NI**

---

Management Agent's Certification  
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Brookdale Village Housing Corporation, HUD Project No. 012-119-NI and, to the best of our knowledge and belief, the same are complete and accurate.



---

Signature of Director of Housing

Donald Manning

Name of Director of Housing

DATE: \_\_\_\_\_

9/28/18

JASA Housing Management Services for the Aged, Inc.  
Management Agent's Name

Employer Identification No: 13-3078676