

**Cooper Square Housing Development
Fund Company, Inc.
HUD Project No. 012-EH-243**

Financial Statements and
Supplementary Information

June 30, 2018 and 2017



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Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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June 30, 2018 and 2017

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Independent Auditors' Report

Board of Trustees
Cooper Square Housing Development Fund Company, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Cooper Square Housing Development Fund Company, Inc. (the "Corporation"), HUD Project No. 012-EH-243, 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) 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 16 to 21) 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

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Statements of Financial Position
June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 249,090	\$ 269,527
1125	Cash, entity	536,838	-
1130	Tenant accounts receivable	6,224	8,982
1131	Allowance for doubtful accounts	(3,570)	(4,418)
1135	Accounts receivable, HUD	20,214	54,628
1200	Prepaid expenses	<u>146,137</u>	<u>147,631</u>
1100T	Total current assets	<u>954,933</u>	<u>476,350</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>37,023</u>	<u>37,159</u>
Restricted Deposits and Funded Reserves			
1320	Reserve for replacements	327,129	247,842
1340	Residual receipts reserve	<u>45,757</u>	<u>14,470</u>
1300T	Total restricted deposits and funded reserves	<u>372,886</u>	<u>262,312</u>
Fixed Assets			
1410	Land and improvements	98,250	93,250
1420	Buildings	13,103,306	12,776,939
1440	Building equipment, portable	137,890	137,890
1465	Office furniture and equipment	57,160	57,160
1470	Maintenance equipment	13,173	-
1490	Miscellaneous fixed assets	<u>242,582</u>	<u>22,119</u>
1400T	Total fixed assets	13,652,361	13,087,358
1495	Less accumulated depreciation	<u>(9,458,602)</u>	<u>(9,052,607)</u>
1400N	Net fixed assets	<u>4,193,759</u>	<u>4,034,751</u>
1000T	Total assets	<u>\$ 5,558,601</u>	<u>\$ 4,810,572</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
Current Liabilities		
2110	\$ 372,951	\$ 211,623
2120	27,081	22,614
2121	2,030	1,730
2123	9,028	9,922
2131	31,054	43,048
2170	484,903	453,547
2210	3,353	4,441
2122T	<u>930,400</u>	<u>746,925</u>
Deposit Liabilities		
2191	<u>37,023</u>	<u>36,755</u>
Long-Term Liabilities		
2320	5,725,902	5,131,032
2340	(206,380)	-
2300T	<u>5,519,522</u>	<u>5,131,032</u>
2000T	<u>6,486,945</u>	<u>5,914,712</u>
Net Assets		
3131	<u>(928,344)</u>	<u>(1,104,140)</u>
3130	<u>(928,344)</u>	<u>(1,104,140)</u>
2033T	<u>\$ 5,558,601</u>	<u>\$ 4,810,572</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Rental Revenue		
5120 Rental revenue, gross potential	\$ 471,881	\$ 476,928
5121 Tenant assistance payments	2,142,245	2,116,609
5100T Total rental revenue	<u>2,614,126</u>	<u>2,593,537</u>
Vacancies		
5220 Apartments	(18,622)	(19,588)
5200T Total vacancies	<u>(18,622)</u>	<u>(19,588)</u>
5152N Net rental revenue	<u>2,595,504</u>	<u>2,573,949</u>
5300 Nursing home/assisted living/board and care/ other elderly care/coop and other revenue	<u>86,274</u>	<u>59,360</u>
Financial Revenue		
5430 Revenue from investments, residual receipts	105	16
5440 Revenue from investments, replacement reserve	277	81
5400T Total financial revenue	<u>382</u>	<u>97</u>
Other Revenue		
5910 Laundry and vending machine revenue	6,301	4,585
5920 Tenant charges	100	1,730
5990 Miscellaneous revenue	133	22,993
5900T Total other revenue	<u>6,534</u>	<u>29,308</u>
5000T Total revenue	<u>2,688,694</u>	<u>2,662,714</u>
Expenses		
Administrative Expenses		
6203 Conventions and meetings	4,794	39
6204 Management consultants	242	-
6250 Other renting expenses	611	461
6310 Office salaries	92,664	87,499
6311 Office expenses	52,546	36,287
6320 Management fee	112,386	114,699
6330 Manager or superintendent salaries	50,929	50,789
6331 Administrative rent-free unit	20,556	19,248
6340 Legal expense, project	4,529	11,251
6350 Auditing expense	13,500	12,000
6351 Bookkeeping fees/accounting services	37,083	38,346
6370 Bad debts	967	10,351
6390 Miscellaneous administrative expenses	3,366	3,955
6263T Total administrative expenses	<u>394,173</u>	<u>384,925</u>
Utilities Expenses		
6450 Electricity	36,202	38,361
6451 Water	38,660	38,687
6452 Gas	70,418	67,627
6453 Sewer	61,470	61,512
6400T Total utilities expenses	<u>206,750</u>	<u>206,187</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 68,640	\$ 76,046
6515 Supplies	33,648	41,656
6520 Contracts	167,487	108,356
6530 Security payroll/contract	168,601	146,298
6546 Heating/cooling repairs and maintenance	<u>10,024</u>	<u>7,913</u>
6500T Total operating and maintenance expenses	<u>448,400</u>	<u>380,269</u>
Taxes and Insurance		
6710 Real estate taxes	286,215	288,352
6711 Payroll taxes (project's share)	15,196	15,694
6720 Property and liability insurance (hazard)	93,019	88,924
6722 Workmen's compensation	9,361	8,288
6723 Health insurance and other employee benefits	54,120	71,827
6790 Miscellaneous taxes, licenses, permits and insurance	<u>3,888</u>	<u>4,551</u>
6700T Total taxes and insurance expense	<u>461,799</u>	<u>477,636</u>
Financial Expense		
6820 Interest on first mortgage payable	<u>524,684</u>	<u>534,401</u>
6800T Total financial expense	<u>524,684</u>	<u>534,401</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	<u>71,097</u>	<u>62,637</u>
6000T Total cost of operations before depreciation	<u>2,106,903</u>	<u>2,046,055</u>
5060T Profit before depreciation	<u>581,791</u>	<u>616,659</u>
Depreciation		
6600 Depreciation expense	<u>405,995</u>	<u>395,744</u>
Total depreciation	<u>405,995</u>	<u>395,744</u>
5060N Operating profit after depreciation	175,796	220,915
Corporate or Mortgagor Entity Revenue		
7105 Entity revenue	<u>-</u>	<u>(52)</u>
Total expenses	<u>2,512,898</u>	<u>2,441,747</u>
3250 Change in net assets	175,796	220,967
Net Assets, Beginning of Year	<u>(1,104,140)</u>	<u>(1,325,107)</u>
Net Assets, End of Year	<u>\$ (928,344)</u>	<u>\$ (1,104,140)</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.
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Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
S1200-010 Rental receipts	\$ 2,574,803	\$ 2,500,294
S1200-020 Interest receipts	382	97
S1200-030 Other operating receipts	<u>127,222</u>	<u>88,668</u>
S1200-040 Total receipts	<u>2,702,407</u>	<u>2,589,059</u>
S1200-050 Administrative expenses paid	(128,783)	(111,529)
S1200-070 Management fees paid	(113,280)	(114,052)
S1200-090 Utilities paid	(206,599)	(229,562)
S1200-100 Salaries and wages paid	(376,367)	(355,588)
S1200-110 Operating and maintenance paid	(57,000)	(157,036)
S1200-120 Real estate taxes paid	(287,114)	(299,940)
S1200-140 Property insurance paid	(93,019)	(88,924)
S1200-150 Miscellaneous taxes and insurance paid	(3,588)	(4,152)
S1200-170 Other operating expenses paid	(149,774)	(151,552)
S1200-180 Interest paid on first mortgage	(536,678)	(537,589)
S1200-225 Entity/construction disbursements	<u>-</u>	<u>(21,278)</u>
S1200-230 Total disbursements	<u>(1,952,202)</u>	<u>(2,071,202)</u>
S1200-240 Net cash provided by operating activities	<u>750,205</u>	<u>517,857</u>
Cash Flows from Investing Activities		
S1200-250 Net deposits to reserve for replacements	(79,287)	(20,370)
S1200-260 Net deposits to residual receipts reserve	(31,287)	(13,931)
S1200-330 Net purchases of fixed assets	<u>(488,041)</u>	<u>(121,656)</u>
S1200-350 Net cash used in investing activities	<u>(598,615)</u>	<u>(155,957)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(419,846)	(413,623)
S1200-365 Proceeds from mortgages, loans or notes payable	6,284,471	-
S1200-451 Proceeds from refinancing of original first mortgage	(5,238,399)	-
S1200-451 Deferred financing costs paid	<u>(261,415)</u>	<u>-</u>
S1200-460 Net cash provided by (used in) financing activities	<u>364,811</u>	<u>(413,623)</u>
S1200-470 Net increase (decrease) in cash	516,401	(51,723)
S1200-480 Cash, Beginning of Year	<u>269,527</u>	<u>321,250</u>
S1200T Cash, End of Year	<u>\$ 785,928</u>	<u>\$ 269,527</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.
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Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Significant Noncash Investing Activities		
Contributed rental property improvements	\$ -	\$ 52
Additions to rental property included in accounts payable	\$ 76,962	\$ 21,278
Payments of prior-year accounts payable included in rental property	\$ (21,278)	\$ (48,291)
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
3250 Change in net assets	\$ 175,796	\$ 220,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
6600 Depreciation	405,995	395,744
S1200-486 Interest expense on debt issuance cost	55,035	-
S1200-600 Bad debts	967	10,351
S1200-600 Contributed rental property improvements	-	(52)
S1200-600 Tenant deposit held in trust timing difference	-	(404)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	943	(8,695)
S1200-500 Accounts receivable, other	34,414	(54,628)
S1200-520 Prepaid expenses	1,494	(10,191)
S1200-530 Tenant deposits funded	136	(1,553)
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	84,366	(36,702)
S1200-560 Accrued liabilities	3,873	6,090
S1200-570 Accrued interest payable	(11,994)	(3,188)
S1200-580 Tenant security deposits held in trust	268	1,553
S1200-590 Prepaid revenue	(1,088)	(1,435)
Total adjustments	<u>574,409</u>	<u>296,890</u>
S1200-610 Net cash provided by operating activities	<u>\$ 750,205</u>	<u>\$ 517,857</u>

See notes to financial statements

Cooper Square Housing Development Fund Company, Inc.

HUD Project No. 012-EH-243

Notes to Financial Statements
June 30, 2018 and 2017

1. Description of the Organization

Cooper Square Housing Development Fund Company, Inc. (the "Corporation") is a nonprofit corporation created in 1981 pursuant to Article XI of the Private Housing Finance Law. Its primary purpose is to develop and to operate housing and auxiliary facilities for low income older adults under Section 202, a U.S. Department of Housing and Urban Development ("HUD") program, that provides capital advances to private, nonprofit sponsors to finance the development of housing for elderly residents. Such projects are regulated by HUD as to rent charges and operating methods. The project consists of 151 units located in New York, New York and is currently operating under the name of Evelyn and Louis Green Residence at Cooper Square.

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.

Cooper Square Housing Development Fund Company, Inc.
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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 \$3,570 and \$4,418, 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 year ended June 30, 2018 was \$55,035. There was no interest expense for the year ended June 30, 2017.

Revenue

Rental Income

The Corporation's revenue is derived principally from rent on its affordable housing apartments. Rental payments come directly from tenants 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.

Cooper Square Housing Development Fund Company, Inc.
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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.

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. Mortgage Payable

On March 28, 2018, the Corporation prepaid its original mortgage, whose initial principal amount was \$10,025,500, with a loan from the Enterprise Community Loan Fund, Inc. in the amount of \$6,284,471. The Enterprise loan is secured by a mortgage on the property. The loan bears interest at the rate of 6% per annum. Principal and interest are payable by the Corporation in monthly installments of \$70,783 through maturity on October 30, 2019.

As of June 30, 2018 and 2017, the outstanding principal balance and accrued interest balances were \$6,210,805 and \$5,584,579, respectively, and \$31,054 and \$43,048, respectively.

Aggregate annual maturities of the mortgage payable are due over the next eighteen months, with no thereafter:

Years ending June 30:	
2019	\$ 484,903
2020	<u>5,725,902</u>
Total	<u>\$ 6,210,805</u>

Cooper Square Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

4. Funded Reserves

Reserve for Replacements

Under provisions of the HUD regulatory agreement, the Corporation is required to make monthly deposits of \$4,138 to 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. As of June 30, 2018 and 2017, the balance in the reserve for replacements was \$327,129 and \$247,842, respectively. For the year ended June 30, 2017, the Corporation made HUD-approved replacement withdrawals of \$34,093. There were no replacement withdrawals for the year ended June 30, 2018.

Residual Receipts Reserve

The Corporation is required by HUD to deposit surplus cash, as defined by HUD, into a residual receipts reserve to be used for capital improvements. The use of these funds requires prior approval from HUD. As of June 30, 2018 and 2017, the balance in the residual receipts reserve was \$45,757 and \$14,470, 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 \$93,019 and \$88,924, respectively. Worker's compensation, short-term disability, and health insurance for the years ended June 30, 2018 and 2017 were \$52,789 and \$71,112, respectively.

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 employees. For the years ended June 30, 2018 and 2017, the Corporation reimbursed JASA for pension costs for \$9,192 and \$7,716, respectively.

The Corporation pays JASA, through a HUD grant, to provide social services for the tenants. Expenses related to this grant for the years ended June 30, 2018 and 2017 were \$71,097 and \$62,637, respectively. As further described in Note 6, HUD has not yet approved continued funding of this grant past December 31, 2017.

As of June 30, 2018 and 2017, \$44,600 and \$38,496, respectively, remained due to JASA and are included in "accounts payable, operations" on the statements of financial position.

Cooper Square Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

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

JHM manages the rental property under a management agreement approved by HUD. The management agreement provides for a management fee of 4.501% of rental receipts. Management fees earned for the years ended June 30, 2018 and 2017 were \$112,386 and \$114,699, respectively.

The Corporation pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. These expenses for the years ended June 30, 2018 and 2017 were \$33,300 and \$34,092, respectively.

As of June 30, 2018 and 2017, management fees of \$9,028 and \$9,922, 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 \$86,274 and \$59,360 for the years ended June 30, 2018 and 2017, respectively. Grant expenses for the years ended June 30, 2018 and 2017 were \$71,097 and \$62,637, respectively. As of June 30, 2018 and 2017, \$20,214 and \$54,628, 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. Housing Assistance Payment ("HAP") Contract

HUD has contracted with the 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 August 1, 2020. For the years ended June 30, 2018 and 2017, rental assistance payments of \$2,142,245 and \$2,116,609, respectively, were earned under the terms of the agreement.

8. 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 at that time 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 of \$52 were recognized by the Corporation as "entity revenue" on the statements of activities. The SSBG ended on June 30, 2018.

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Notes to Financial Statements
June 30, 2018 and 2017

9. 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	\$ 2,292,808	\$ 2,226,161
Management and general	<u>220,090</u>	<u>215,638</u>
Total	<u>\$ 2,512,898</u>	<u>\$ 2,441,799</u>

10. Liability for HUD Use of Excess Balance of Residual Receipts

In connection with its HAP contract, HUD has notified the Corporation that, in accordance with Notice H-2012-14 (the "Notice"), which was issued by HUD on August 3, 2012, any balance in its residual receipts account in excess of \$37,750, which represents \$250 per unit times a total of 151 units (the "Retained Balance"), will be used by HUD to offset HAP payments. The Corporation is allowed to retain residual receipts up to the amount of its Retained Balance for general project purposes. During 2018 and 2017, there were no residual receipts more than its Retained Balance.

11. 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.

12. 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.

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Notes to Financial Statements
June 30, 2018 and 2017

13. Current Vulnerability Due to Certain Concentrations

The Corporation's principal asset is a 151-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.

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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>\$ 419,846</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>\$ 49,649</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 43,817</u>

See independent auditors' report

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Supplementary Data Required by HUD
Reserve Accounts Data
Year Ended June 30, 2018

Reserve for Replacements

1320P	Balance, beginning of year	\$	247,842
1320DT	Total monthly deposits		49,649
1320ODT-011	Loan repayment		29,361
1320INT	Interest income		<u>277</u>
1320	Balance, end of year	\$	<u><u>327,129</u></u>

Residual Receipts Reserve

1340P	Balance, beginning of year	\$	14,470
1340DT	Deposit, surplus cash		31,182
1340INT	Interest income		<u>105</u>
1340	Balance, end of year	\$	<u><u>45,757</u></u>

See independent auditors' report

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Supplementary Data Required by HUD
Surplus Cash Data
Year Ended June 30, 2018

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$	286,113
1135	Accounts receivable, HUD		<u>20,214</u>
S1300-040	Total cash		<u>306,327</u>
S1300-050	Accrued mortgage interest payable		31,054
S1300-075	Accounts payable (due within 30 days)		372,951
S1300-100	Accrued expenses (not escrowed)		38,139
2210	Prepaid revenue		3,353
2191	Tenant deposits held in trust		<u>37,023</u>
S1300-140	Total current obligations		<u>482,520</u>
S1300-150	Surplus cash (deficiency)	\$	<u>(176,193)</u>
S1300-210	Deposit due residual receipts reserve	\$	<u>(176,193)</u>

See independent auditors' report

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Supplementary Data Required by HUD

Fixed Assets Data

Year Ended June 30, 2018

		Assets			
		<u>Balance</u>			<u>Balance</u>
		<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
1410	Land and Improvements	\$ 93,250	\$ 5,000	\$ -	\$ 98,250
1420	Buildings	12,776,939	326,367	-	13,103,306
1440	Building Equipment, Portable	137,890	-	-	137,890
1465	Office Furniture and Equipment	57,160	-	-	57,160
1470	Maintenance Equipment	-	13,173	-	13,173
1490	Miscellaneous Fixed Assets	22,119	294,408	(73,945)	242,582
1400T	Total fixed assets	<u>\$ 13,087,358</u>	<u>\$ 638,948</u>	<u>\$ (73,945)</u>	<u>\$ 13,652,361</u>
1495	Total accumulated depreciation	<u>\$ 9,052,607</u>	<u>\$ 405,995</u>	<u>\$ -</u>	<u>\$ 9,458,602</u>
1400N	Total net book value	<u>\$ 4,034,751</u>			<u>\$ 4,193,759</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Foliage removal/sidewalk installation	\$ 5,000			
	Total	<u>\$ 5,000</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Developer fee paid to JASA	\$ 200,000			
	Install new doors	16,200			
	Apartment renovation	77,831			
	Kitchen renovation	5,995			
	Install new signage in common area	6,341			
	Install plumbing device, water conservation	7,600			
	Install new window sills	12,400			
	Total	<u>\$ 326,367</u>			
		<u>Amount</u>			
1470AT	Additions for 1470 Details				
	Floor scrubber	\$ 6,400			
	Engineering cart with toolbag	6,773			
	Total	<u>\$ 13,173</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction in progress, architect and engineer	\$ 14,347			
	Construction in progress, install gate	37,200			
	Construction in progress, renovate restroom	60,000			
	Construction in progress, renovate kitchen	1,608			
	Construction in progress, renovate apartment	50,145			
	Construction in progress, renovate game room	11,138			
	Construction in progress, replace apartment doors	16,200			
	Construction in progress, replace door locks	42,616			
	Construction in progress, install wiring	61,154			
	Total	<u>\$ 294,408</u>			
		<u>Amount</u>			
1490AT	Deletions from 1490 Details				
	Construction in progress, water saving device	\$ 7,600			
	Construction in progress, renovate apartment	50,145			
	Construction in progress, replace apartment doors	16,200			
	Total	<u>\$ 73,945</u>			

See independent auditors' report

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2018

Related Party Transaction, Detail

S1300-210	JHM (management fee)	\$	112,386
S1300-210	JHM (bookkeeping/accounting)		33,300
S1300-210	JASA (service coordinator)		<u>71,097</u>
	Total	\$	<u>216,783</u>

See independent auditors' report

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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

Statement of Activities, Detail

5990-010	Description, miscellaneous revenue, Administrative fee income	\$ 5,725,902
5990-020	Total	<u>\$ -</u>
5300	Description, nursing home/assisted living/board and care/ other elderly care/coop and other revenue,	
5390	Other service revenue	\$ 86,274
	Total	<u>\$ 86,274</u>
6390-010	Description, miscellaneous administrative expenses:	
	Miscellaneous other expense	\$ 222
	Bank, credit card and other charges	3,054
	Help wanted advertising	90
6390-020	Total	<u>\$ 3,366</u>
6790-010	Description, miscellaneous taxes, licenses, permits and insurance:	
	Miscellaneous taxes	\$ 2,088
	Fees, violations and penalties	1,800
6790-020	Total	<u>\$ 3,888</u>
6900	Description, nursing home/assisted living/board and care/ other elderly care expenses,	
6990	Other service expenses	\$ 71,097
	Total	<u>\$ 71,097</u>

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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
U.S. Department of Housing and Urban Development			
Supportive Housing for the Elderly: Section 202 Direct Loan	14.157	N/A	<u>\$ 5,584,579</u>
Section 8 Project Based Cluster: Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>2,142,245</u>
Total Section 8 Project Based Cluster			<u>2,142,245</u>
Multi-Family Housing Service Coordinators	14.191	N/A	<u>86,274</u>
Total U.S. Department of Housing and Urban Development			<u>7,813,098</u>
Total expenditures of federal awards			<u>\$ 7,813,098</u>

See notes to schedule of expenditures of federal awards

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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 Cooper Square Housing Development Fund Company, Inc. (the "Corporation"), HUD Project No. 012-EH-243, 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 Regulations (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 direct loan under Section 202 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>
14.157	Supportive Housing for the Elderly - Section 202 Direct Loan	\$ 6,210,805

**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
Cooper Square Housing Development Fund Company, Inc.

We have audited, 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, the financial statements of Cooper Square Housing Development Fund Company, Inc. (the "Corporation"), HUD Project No. 012-EH-243, 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 Corporation'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
Cooper Square Housing Development Fund Company, Inc.

Report on Compliance for Each Major Federal Program

We have audited Cooper Square Housing Development Fund Company, Inc.'s (the "Corporation"), HUD Project No. 012-EH-243, compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 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.

Auditors' 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 programs. 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 programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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 No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' 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 No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.157	U.S. Department of Housing and Urban Development: Supportive Housing for the Elderly - Section 202 Direct Loan
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

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

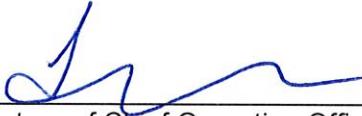
Section IV - Summary Schedule of Prior Year's Audit Findings

None.

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Mortgagor's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Cooper Square Housing Development Fund Company, Inc., HUD Project No. 012-EH-243 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: 13-3173690

Cooper Square Housing Development Fund Company, Inc.
HUD Project No. 012-EH-243

Management Agent's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Cooper Square Housing Development Fund Company, Inc., HUD Project No. 012-EH-243 and, to the best of our knowledge and belief, the same are accurate and complete.



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