

**Seagirt Housing
Development Fund Corporation
HUD Project No. 012-11293**

Financial Statements and
Supplementary Information

June 30, 2018 and 2017



BAKER TILLY

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Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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June 30, 2018 and 2017

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Independent Auditors' Report

Board of Trustees
Seagirt Housing Development Fund Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Seagirt Housing Development Fund Corporation (the "Corporation"), HUD Project No. 012-11293, 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 of 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

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Statements of Financial Position
June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 193,329	\$ 195,660
1130	Tenant accounts receivable	11,742	8,344
1131	Allowance for doubtful accounts	(6,488)	(1,466)
1135	Accounts receivable, HUD	15,389	32,640
1140	Accounts and notes receivable, operations	-	6,983
1200	Prepaid expenses	198,531	205,531
1100T	Total current assets	<u>412,503</u>	<u>447,692</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>34,448</u>	<u>33,904</u>
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	88,483	51,292
1320	Reserve for replacements	866,265	767,847
1330	Other reserves	847,515	743,361
1340	Residual receipts reserve	<u>25</u>	<u>23</u>
1300T	Total restricted deposits and funded reserves	<u>1,802,288</u>	<u>1,562,523</u>
Fixed Assets			
1410	Land and improvements	135,800	120,550
1420	Buildings	12,187,829	12,133,692
1440	Building equipment, portable	124,236	124,236
1465	Office furniture and equipment	12,500	12,500
1490	Miscellaneous fixed assets	<u>8,460</u>	<u>9,105</u>
1400T	Total fixed assets	12,468,825	12,400,083
1495	Less accumulated depreciation	<u>(8,760,082)</u>	<u>(8,365,887)</u>
1400N	Net fixed assets	<u>3,708,743</u>	<u>4,034,196</u>
1000T	Total assets	<u>\$ 5,957,982</u>	<u>\$ 6,078,315</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Statements of Financial Position
June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
Liabilities and Net Assets			
Current Liabilities			
2110	Accounts payable, operations	\$ 253,333	\$ 150,881
2120	Accrued wages payable	59,646	52,694
2121	Accrued payroll taxes payable	4,476	4,031
2123	Accrued management fee payable	19,494	15,082
2131	Accrued interest payable, first mortgage	26,472	27,049
2170	Mortgage payable, first mortgage, current maturities	196,682	189,594
2190	Miscellaneous current liabilities	28	-
2210	Prepaid revenue	4,389	6,404
		<u>564,520</u>	<u>445,735</u>
2122T	Total current liabilities		
Deposit Liabilities			
2191	Tenant deposits held in trust (contra)	34,448	33,904
		<u>34,448</u>	<u>33,904</u>
Long-Term Liabilities			
2320	Mortgage payable, first mortgage, net of current maturities	8,506,502	8,703,184
2340	Debt issuance costs	324,815	337,033
		<u>8,831,317</u>	<u>9,040,217</u>
2300T	Total long-term liabilities		
		<u>8,831,317</u>	<u>9,040,217</u>
2000T	Total liabilities	9,430,285	9,519,856
		<u>9,430,285</u>	<u>9,519,856</u>
Net Assets			
3131	Unrestricted net assets	(3,514,763)	(3,484,001)
3132	Temporarily restricted net assets	42,460	42,460
		<u>(3,472,303)</u>	<u>(3,441,541)</u>
3130	Total net assets		
		<u>(3,472,303)</u>	<u>(3,441,541)</u>
2033T	Total liabilities and net assets	\$ 5,957,982	\$ 6,078,315
		<u>\$ 5,957,982</u>	<u>\$ 6,078,315</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Statements of Activities

Years Ended June 30, 2018 and 2017

	2018	2017
Revenue		
Rental Revenue		
5120 Rental revenue, gross potential	\$ 473,103	\$ 474,392
5121 Tenant assistance payments	2,311,589	2,305,882
5170 Garage and parking spaces	2,552	2,389
5100T Total rental revenue	<u>2,787,244</u>	<u>2,782,663</u>
Vacancies		
5220 Apartments	(37,953)	(15,624)
5200T Total vacancies	<u>(37,953)</u>	<u>(15,624)</u>
5152N Net rental revenue	<u>2,749,291</u>	<u>2,767,039</u>
5300 Nursing home/assisted living/board and care/ other elderly care/coop and other revenue	<u>65,603</u>	<u>39,595</u>
Financial Revenue		
5430 Revenue from investments, residual receipts	2	69
5440 Revenue from investments, replacement reserve	425	233
5490 Revenue from investments, miscellaneous	13,449	12,153
5400T Total financial revenue	<u>13,876</u>	<u>12,455</u>
Other Revenue		
5910 Laundry and vending machine revenue	10,884	8,532
5920 Tenant charges	1,706	745
5990 Miscellaneous revenue	126	227,332
5900T Total other revenue	<u>12,716</u>	<u>236,609</u>
5000T Total revenue	<u>2,841,486</u>	<u>3,055,698</u>
Expenses		
Administrative Expenses		
6203 Conventions and meetings	2,131	81
6204 Management consultants	5,003	1,955
6250 Other renting expenses	641	420
6310 Office salaries	74,176	76,327
6311 Office expenses	37,408	24,299
6320 Management fee	114,469	115,029
6330 Manager or superintendent salaries	21,254	20,088
6331 Administrative rent-free unit	20,556	19,248
6340 Legal expense, project	1,291	3,026
6350 Auditing expense	13,500	12,000
6351 Bookkeeping fees/accounting services	40,601	42,561
6370 Bad debts	8,405	6,838
6390 Miscellaneous administrative expenses	4,148	3,134
6263T Total administrative expenses	<u>343,583</u>	<u>325,006</u>
Utilities Expenses		
6450 Electricity	39,627	42,624
6451 Water	29,903	31,453
6452 Gas	62,325	30,885
6453 Sewer	47,546	50,010
6400T Total utilities expenses	<u>179,401</u>	<u>154,972</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 227,658	\$ 173,552
6515 Supplies	32,254	35,034
6520 Contracts	258,800	162,232
6530 Security payroll/contract	161,358	184,715
6546 Heating/cooling repairs and maintenance	44,010	40,616
	<u>724,080</u>	<u>596,149</u>
6500T Total operating and maintenance expenses		
Taxes and Insurance		
6710 Real estate taxes	344,087	704,286
6711 Payroll taxes (project's share)	39,518	38,031
6720 Property and liability insurance (hazard)	95,994	91,888
6722 Workmen's compensation	28,437	25,790
6723 Health insurance and other employee benefits	228,964	233,235
6790 Miscellaneous taxes, licenses, permits and insurance	1,467	4,462
	<u>738,467</u>	<u>1,097,692</u>
6700T Total taxes and insurance expense		
Financial Expense		
6820 Interest on first mortgage payable	321,673	340,865
6850 Mortgage insurance premium/service charge	39,811	40,464
6890 Miscellaneous financial expenses, loss on extinguishment of debt	-	625,113
	<u>361,484</u>	<u>1,006,442</u>
6800T Total financial expense		
6900 Nursing home/assisted living/board and care/ other elderly care expenses	131,038	132,932
	<u>131,038</u>	<u>132,932</u>
6000T Total cost of operations before depreciation	<u>2,478,053</u>	<u>3,313,193</u>
5060T Profit (Loss) before depreciation	<u>363,433</u>	<u>(257,495)</u>
Depreciation		
6600 Depreciation expense	394,195	391,318
	<u>394,195</u>	<u>391,318</u>
Total depreciation		
5060N Operating loss after depreciation	<u>(30,762)</u>	<u>(648,813)</u>
Corporate or Mortgagor Entity Revenue		
7105 Entity revenue	-	(3,970)
	<u>-</u>	<u>(3,970)</u>
Total expenses	<u>2,872,248</u>	<u>3,700,541</u>
3250 Change in net assets	(30,762)	(644,843)
	<u>(30,762)</u>	<u>(644,843)</u>
Unrestricted Net Assets, Beginning of Year	<u>(3,484,001)</u>	<u>(2,839,158)</u>
Unrestricted Net Assets, End of Year	<u>(3,514,763)</u>	<u>(3,484,001)</u>
Temporarily Restricted Net Assets, Beginning of Year	<u>42,460</u>	<u>42,460</u>
Temporarily Restricted Net Assets, End of Year	<u>42,460</u>	<u>42,460</u>
Net Assets, End of Year	<u>\$ (3,472,303)</u>	<u>\$ (3,441,541)</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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	\$ 2,714,917	\$ 2,749,989
S1200-020 Interest receipts	13,876	12,455
S1200-030 Other operating receipts	95,570	276,204
	<u>2,824,363</u>	<u>3,038,648</u>
S1200-040 Total receipts	2,824,363	3,038,648
S1200-050 Administrative expenses paid	(81,122)	(35,906)
S1200-070 Management fees paid	(110,057)	(112,766)
S1200-090 Utilities paid	(179,984)	(182,930)
S1200-100 Salaries and wages paid	(477,494)	(451,999)
S1200-110 Operating and maintenance paid	(255,011)	(145,594)
S1200-120 Real estate taxes paid	(339,793)	(744,577)
S1200-140 Property insurance paid	(95,994)	(91,888)
S1200-150 Miscellaneous taxes and insurance paid	(1,022)	(4,371)
S1200-170 Other operating expenses paid	(426,505)	(429,988)
S1200-180 Interest paid on first mortgage	(322,250)	(353,113)
S1200-210 Mortgage insurance premium paid	(39,361)	(40,037)
S1200-220 Prepayment penalty related to mortgage refinancing	-	(362,284)
	<u>(2,328,593)</u>	<u>(2,955,453)</u>
S1200-230 Total disbursements	(2,328,593)	(2,955,453)
S1200-240 Net cash provided by operating activities	<u>495,770</u>	<u>83,195</u>
Cash Flows from Investing Activities		
S1200-245 Net (deposits to) withdrawals from mortgage escrows	(37,191)	34,639
S1200-250 Net deposits to reserve for replacements	(98,418)	(5,098)
S1200-255 Net deposits to other reserves	(104,154)	(103,944)
S1200-260 Net (deposits to) withdrawals from residual receipts reserve	(2)	226,952
S1200-330 Net purchases of fixed assets	(68,742)	(111,917)
	<u>(308,507)</u>	<u>40,632</u>
S1200-350 Net cash (used in) provided by investing activities	(308,507)	40,632
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(189,594)	(9,221,374)
S1200-365 Proceeds from mortgages, loans or notes payable	-	9,045,580
	<u>(189,594)</u>	<u>(175,794)</u>
S1200-460 Net cash used in financing activities	(189,594)	(175,794)
S1200-470 Net decrease in cash	(2,331)	(51,967)
S1200-480 Cash, Beginning of Year	<u>195,660</u>	<u>247,627</u>
S1200T Cash, End of Year	<u>\$ 193,329</u>	<u>\$ 195,660</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Significant Noncash Investing and Financing Activities		
Additions to fixed assets included in accounts payable	\$ -	\$ 5,092
Contributed rental property improvements	\$ -	\$ 3,970
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities		
3250 Change in net assets	\$ (30,762)	\$ (644,843)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
6600 Depreciation	394,195	391,318
S1200-486 Interest expense on debt issuance cost	814	1,512
S1200-600 Interest income on loan premium	(13,032)	(25,997)
S1200-600 Loss on extinguishment of debt	-	625,113
S1200-600 Bad debts	8,405	6,838
S1200-600 Contributed rental property improvements	-	(3,970)
S1200-600 Residual receipts obligation	28	(188,975)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	(6,781)	(11,391)
S1200-500 Accounts receivable, other	24,234	(39,623)
S1200-520 Prepaid expenses	7,000	(40,300)
S1200-530 Tenant deposits funded	(544)	(447)
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	102,452	22,961
S1200-560 Accrued liabilities	11,809	5,037
S1200-570 Accrued interest payable	(577)	(12,248)
S1200-580 Tenant deposits held in trust	544	447
S1200-590 Prepaid revenue	(2,015)	(2,237)
Total adjustments	<u>526,532</u>	<u>728,038</u>
S1200-610 Net cash provided by operating activities	<u>\$ 495,770</u>	<u>\$ 83,195</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

1. Description of the Organization

Seagirt Housing Development Fund Corporation (the "Corporation") is a nonprofit corporation created in 1982 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 152 units located in Far Rockaway, New York and is currently operating under the name of Evelyn and Louis Green Residence at Seagirt.

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 and 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.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

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 balance of the allowance for doubtful accounts was \$6,488 and \$1,466, 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 \$814 and \$1,512, respectively.

During the year ended June 30, 2017, the Corporation refinanced its mortgage with the lender. See Note 3. As part of the refinancing, the entity wrote off deferred financing costs, net of accumulated amortization, for approximately \$263,000, which has been recognized as part of the loss on extinguishment of debt as the net present value of cash flows savings exceeded 10% of the original mortgage.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 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.

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 8. 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. Mortgage Payable

On January 13, 2010, the Corporation obtained a mortgage from Greystone Servicing Corporation, Inc., in the principal amount of \$9,810,000. The loan was insured by HUD and secured by a mortgage. The mortgage bore interest at 5.25% per annum. Principal and interest are payable by the Corporation in monthly installments of \$50,768 through maturity on February 1, 2045.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

On July 27, 2016, the Corporation entered into a modification of the mortgage note with Greystone Servicing Corporation. The loan balance at the time of the modification was \$9,045,580. The loan continues to be insured by HUD and secured by a mortgage. The note bears interest at the rate of 3.65% per annum resulting in a loan premium of \$371,434 and is included in the "debt issuance costs" line on the statements of financial position as of June 30, 2017. Principal and interest are payable by the Corporation in monthly installments of \$42,586 through maturity on February 1, 2045.

As of June 30, 2018 and 2017, the outstanding principal and accrued interest balances were \$8,703,184 and \$8,892,778, and \$26,472 and \$27,049, respectively. The refinancing transaction resulted in a prepayment penalty of \$362,284, which is included in the "loss on extinguishment of debt" line on the statements of activities. See Note 2.

The Corporation entered into a regulatory agreement with the Secretary of HUD which prohibits, among other matters: (i) distributions (as defined) without prior written approval; (ii) the sale, assignment, disposal, or alteration of the real and personal property covered by the mortgage; and (iii) engaging in other business activities or incurring any liabilities not connected with the operation and rental of the building without prior written consent from HUD.

Under agreements with the mortgage lender and HUD, the Corporation is required to make monthly escrow deposits for taxes, insurance and replacement of project assets. See Note 4. The Corporation is also subject to restrictions as to operating policies, rental charges, operating expenditures and distributions. Finally, HUD requires that the Corporation use the funds saved by a reduction in the debt service cost for programs and building improvements for the benefit of the tenants.

The Corporation is required to expend a \$177,588 annually. If there is any unspent portion, HUD requires the Corporation to deposit it into the replacement reserve for the subsequent year. For the years ended June 30, 2018 and 2017, \$91,684 and \$89,036, respectively, were used for program services and are included in the statements of activities as "nursing home/assisted living and other elder care expenses." As of June 30, 2017, a deposit of \$80,369 was due to the replacement reserve and the Corporation deposited those funds in the year ending June 30, 2018. As of June 30, 2018, a deposit of \$85,904 was due to the replacement reserve and is shown as a current obligation on the Computation of Surplus Cash, Distribution and Residual Receipts in the accompanying supplementary information.

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

Years ending June 30:	
2019	\$ 196,682
2020	203,930
2021	211,499
2022	219,349
2023	227,491
Thereafter	<u>7,644,233</u>
Total	<u>\$ 8,703,184</u>

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

4. Restricted Deposits and Funded Reserves

Reserve for Replacements

Under provisions of the HUD regulatory agreement, the Corporation is required to make monthly deposits of \$6,992 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 of the replacement reserve was \$866,265 and \$767,847, respectively. For the years ended June 30, 2018 and 2017, the Corporation made HUD-approved replacement withdrawals of \$66,274 and \$87,099, respectively.

Other Reserves

The Corporation is required by HUD to fund a reserve to be used for debt service, noncritical repairs, and to enhance the building and services provided to tenants. The use of the funds requires prior approval from HUD. The required monthly deposit was \$8,645 as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, the balance in other reserves was \$847,515 and \$743,361, respectively.

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 \$25 and \$23, respectively. For the year ended June 30, 2017, the Corporation made a HUD-approved withdrawal of \$227,021. There were no withdrawals from the residual receipts reserve for the year ended June 30, 2018.

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 \$95,994 and \$91,888, respectively. Worker's compensation, short-term disability, and health insurance for the years ended June 30, 2018 and 2017 were \$46,982 and \$34,655, 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 non-union employees. For the years ended June 30, 2018 and 2017, the Corporation reimbursed JASA for pension costs for \$5,412 and \$4,624, respectively.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

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 \$52,843 and \$46,255, 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, \$42,666 and \$26,818, respectively, remained due to JASA and are included in "accounts payable, operations" 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 provides for a management fee of 4.206% of rental receipts. Management fees earned for the years ended June 30, 2018 and 2017 were \$114,469 and \$115,029, 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, \$19,494 and \$15,082, respectively, remained due to JHM and are included as "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 \$65,603 and \$39,595 for the years ended June 30, 2018 and 2017, respectively. Grant expense for the years ended June 30, 2018 and 2017 was \$52,843 and \$46,255, respectively. As of June 30, 2018 and 2017, \$15,389 and \$32,640, 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 on April 17, 2020. For the years ended June 30, 2018 and 2017, rental assistance payments of \$2,311,589 and \$2,305,882, respectively, were earned under the terms of the agreement.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Hurricane Sandy Resiliency Grant

In 2013, the Corporation received a grant from the Fund for the City of New York for \$50,000, 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), which are included as temporarily restricted net assets. The remaining balance of the restricted funds as of June 30, 2018 and 2017 is \$42,460.

9. 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 related to the SSBG of \$3,970 were recognized by the Corporation as entity revenue on the statements of activities. The SSBG ended on June 30, 2018.

10. 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	\$ 2,648,714	\$ 3,498,695
Management and general	<u>223,534</u>	<u>205,816</u>
Total	<u>\$ 2,872,248</u>	<u>\$ 3,704,511</u>

11. 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, which was issued by HUD on August 3, 2012, any balance in its residual receipts account in excess of \$38,000 (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.

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Notes to Financial Statements
 June 30, 2018 and 2017

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 multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the 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.

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 \$47,249 and \$44,435, 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:

Valuation Date	Fair Value of Plan Assets	Actuarial Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status	Zone Status
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.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2018 and 2017

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.

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 152-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.

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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>\$ 189,594</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>\$ 83,898</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 106,492</u>

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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

Reserve for Replacements

1320P	Balance, beginning of year	\$	767,847
1320DT	Total monthly deposits		83,898
1320ODT-010	Deposit of unused interest savings funds		80,369
1320INT	Interest income		425
1320WT	Approved withdrawals		<u>(66,274)</u>
1320	Balance, end of year	\$	<u><u>866,265</u></u>

Residual Receipts Reserve

1340P	Balance, beginning of year	\$	23
1340INT	Interest income		2
1340WT	Approved withdrawals		<u>-</u>
1340	Balance, end of year	\$	<u><u>25</u></u>

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2018

Surplus Cash, Distributions, and Residual Receipts

S1300-010	Cash	\$	227,777
1135	Accounts receivable, HUD		<u>15,389</u>
S1300-040	Total cash		<u>243,166</u>
S1300-050	Accrued mortgage interest payable		26,472
S1300-075	Accounts payable (due within 30 days)		253,333
S1300-100	Accrued expenses (not escrowed)		83,644
2210	Prepaid revenue		4,389
2191	Tenant deposits held in trust		34,448
S1300-120	Restricted funds received but not spent, Fund for the City of New York grant		42,460
S1300-120	Required deposit to replacement reserve due to unspent interest savings		<u>85,904</u>
S1300-140	Total current obligations		<u>530,650</u>
S1300-150	Surplus cash (deficiency)	\$	<u><u>(287,484)</u></u>
S1300-210	Deposit due residual receipts reserve	\$	<u><u>-</u></u>

See independent auditors' report

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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	\$ 120,550	\$ 15,250	\$ -	\$ 135,800
1420	Buildings	12,133,692	54,137	-	12,187,829
1440	Building Equipment, Portable	124,236	-	-	124,236
1465	Office Furniture and Equipment	12,500	-	-	12,500
1490	Miscellaneous Fixed Assets	9,105	25,743	(26,388)	8,460
1400T	Total fixed assets	<u>\$ 12,400,083</u>	<u>\$ 95,130</u>	<u>\$ (26,388)</u>	<u>\$ 12,468,825</u>
1490	Total accumulated depreciation	<u>\$ 8,365,887</u>	<u>\$ 394,195</u>	<u>\$ -</u>	<u>\$ 8,760,082</u>
1400N	Total net book value	<u>\$ 4,034,196</u>			<u>\$ 3,708,743</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Fencing	\$ 10,200			
	Renovation and design of courtyard	5,050			
	Total	<u>\$ 15,250</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Painting	\$ 7,680			
	Bathroom and kitchen improvements	11,382			
	Plumbing	17,875			
	Facade repairs	10,475			
	Signage	6,725			
	Total	<u>\$ 54,137</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction-in-progress, building improvements	\$ 25,743			
	Total	<u>\$ 25,743</u>			
		<u>Amount</u>			
1490AT	Deletions from 1490 Details				
	Construction-in-progress, land improvements	\$ 5,050			
	Construction-in-progress, lobby renovation	2,975			
	Construction-in-progress, building improvements	18,363			
	Total	<u>\$ 26,388</u>			

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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 Tenant security refund	\$ -
2190	Miscellaneous current liabilities, Other employee withholdings	\$ 28

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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

Statement of Activities, Detail

5300	Description, nursing home/assisted living/board and care/ other elderly care/coop and other revenue,	
5390	Other service revenue	<u>\$ 65,603</u>
	Total	<u><u>\$ 65,603</u></u>
5490-010	Description, revenue from investments, miscellaneous, Interest on other reserves	<u>\$ 13,449</u>
5490-020	Total	<u><u>\$ 13,449</u></u>
5990-010	Description, miscellaneous other revenue, Administrative fee income	<u>\$ 126</u>
5990-020	Total	<u><u>\$ 126</u></u>
6390-010	Description, miscellaneous administrative expenses, Bank, credit card and other charges	<u>\$ 4,148</u>
6390-020	Total	<u><u>\$ 4,148</u></u>
6790-010	Description, miscellaneous taxes, licenses, permits and insurance:	
	Miscellaneous taxes	\$ 517
	Other sundry expenses	191
	Fees, violations and penalties	<u>759</u>
6790-020	Total	<u><u>\$ 1,467</u></u>
6900	Description, nursing home/assisted living/board and care/ other elderly care expenses,	
6990	Other service expenses	<u>\$ 131,038</u>
	Total	<u><u>\$ 131,038</u></u>

See independent auditors' report

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2018

Related Party Transactions, Detail

S3100-210	JHM (management fee)	\$	114,469
S3100-210	JHM (bookkeeping fee)		33,300
S1300-210	JASA (service coordinator)		<u>52,843</u>
	Total	\$	<u><u>147,769</u></u>

See independent auditors' report

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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			
Mortgage Insurance Rental Housing - Section 207	14.134	N/A	<u>\$ 8,892,778</u>
Multi-Family Housing Service Coordinators	14.191	N/A	<u>65,603</u>
Section 8 Project Based Cluster			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>2,311,589</u>
Total Section 8 Project Based Cluster			<u>2,311,589</u>
Total U.S. Department of Housing and Urban Development			<u>11,269,970</u>
Total expenditures of federal awards			<u><u>\$ 11,269,970</u></u>

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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 Seagirt Housing Development Fund Corporation (the "Corporation"), HUD Project No. 012-11293, 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 mortgage insurance loan under Section 207 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>
14.134	Mortgage Insurance Rental Housing (Section 207)	\$ 8,703,184

**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
Seagirt Housing Development Fund Corporation

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 Seagirt Housing Development Fund Corporation (the "Corporation"), HUD Project No. 012-11293, 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 from 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 Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Seagirt Housing Development Fund Corporation

Report on Compliance for Each Major Federal Program

We have audited Seagirt Housing Development Fund Corporation's (the "Corporation"), HUD Project No. 012-11293, compliance with the types of 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 each federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 the 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 each major federal program 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

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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

Section 1 - 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 auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 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>
14.856	U.S. Department of Housing and Urban Development: 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? X Yes _____ No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

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

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

None.

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Mortgagor's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplemental data of Seagirt Housing Development Fund Corporation, HUD Project No. 012-11293, 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 Number: 13-3173810

Seagirt Housing Development Fund Corporation
HUD Project No. 012-11293

Managing Agent's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplemental data of Seagirt Housing Development Fund Corporation, HUD Project No. 012-11293, 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 Number: 13-3078676