

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

Financial Statements and
Supplementary Information

June 30, 2017 and 2016



BAKER TILLY

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

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June 30, 2017 and 2016

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Independent Auditors' Report

Board of Trustees
Brookdale Village Housing Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 June 30, 2017 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit 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 auditor's 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Corporation as of and for the year ended June 30, 2016 were audited by other auditors and, in their report dated September 23, 2016, they expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audit was 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* 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 audit was 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 19 to 25) 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 25, 2017, 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 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 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 25, 2017

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

Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	
Assets			
Current Assets			
1120	Cash, operations	\$ 490,271	\$ 277,025
1130	Tenant accounts receivable	40,299	58,724
1131	Allowance for doubtful accounts	(28,119)	(17,923)
1135	Accounts receivable, HUD	76,078	220,558
1140	Accounts and notes receivable, operations	4,592	4,600
1200	Prepaid expenses	<u>33,127</u>	<u>32,658</u>
1100T	Total current assets	<u>616,248</u>	<u>575,642</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>307,444</u>	<u>288,849</u>
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	982,468	677,682
1320	Reserve for replacements	1,190,166	1,017,940
1330	Other reserves	<u>1,243,512</u>	<u>1,096,667</u>
1300T	Total restricted deposits and funded reserves	<u>3,416,146</u>	<u>2,792,289</u>
Fixed Assets			
1410	Land	830,620	683,972
1420	Buildings	29,288,493	28,755,451
1440	Building equipment, portable	2,593,918	2,576,556
1465	Office furniture and equipment	15,702	-
1490	Miscellaneous fixed assets	<u>142,842</u>	<u>19,689</u>
1400T	Total fixed assets	32,871,575	32,035,668
1495	Less accumulated depreciation	<u>(23,627,923)</u>	<u>(22,795,292)</u>
1400N	Net fixed assets	<u>9,243,652</u>	<u>9,240,376</u>
Other Assets			
1590	Miscellaneous other assets	<u>18,955</u>	<u>18,955</u>
1500T	Total other assets	<u>18,955</u>	<u>18,955</u>
1000T	Total assets	<u>\$ 13,602,445</u>	<u>\$ 12,916,111</u>

See notes to financial statements

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

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Liabilities and Net Assets			
Current Liabilities			
2110	Accounts payable, operations	\$ 522,273	\$ 562,768
2120	Accrued wages payable	93,274	90,386
2121	Accrued payroll taxes payable	7,135	6,903
2123	Accrued management fee payable	1,163	3,060
2131	Accrued interest payable, first mortgage	33,669	34,799
2170	Mortgage payable, first mortgage, current maturities	104,140	235,746
2210	Prepaid revenue	<u>6,245</u>	<u>10,293</u>
2122T	Total current liabilities	<u>767,899</u>	<u>943,955</u>
Deposits Liabilities			
2191	Tenant deposits held in trust (contra)	<u>306,787</u>	<u>288,849</u>
Long-Term Liabilities			
2320	Mortgage payable, first mortgage, net of current maturities	6,922,522	7,026,662
2322	Other mortgage payable	1,307,981	1,307,981
2331	Accrued interest payable, other mortgage payable (long-term)	91,285	78,206
2340	Debt issuance costs	<u>(504,234)</u>	<u>(522,220)</u>
2300T	Total long-term liabilities	<u>7,817,554</u>	<u>7,890,629</u>
2000T	Total liabilities	<u>8,892,240</u>	<u>9,123,433</u>
Contingencies			
Net Assets			
3131	Unrestricted net assets	4,675,205	3,757,678
3132	Temporarily restricted net assets	<u>35,000</u>	<u>35,000</u>
3130	Total net assets	<u>4,710,205</u>	<u>3,792,678</u>
2033T	Total liabilities and net assets	<u>\$ 13,602,445</u>	<u>\$ 12,916,111</u>

See notes to financial statements

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	
Revenue			
Rental Revenue			
5120	Rental revenue - gross potential	\$ 2,903,506	\$ 2,818,253
5121	Tenant assistance payments	2,633,775	1,272,224
5170	Garage and parking spaces	18,800	17,777
5190	Miscellaneous rent revenue	628,890	710,183
5191	Excess rent	54,136	29,296
		<u>6,239,107</u>	<u>4,847,733</u>
5100T	Total rental revenue	<u>6,239,107</u>	<u>4,847,733</u>
Vacancies			
5220	Apartments	(136,299)	(200,832)
5200T	Total vacancies	<u>(136,299)</u>	<u>(200,832)</u>
5152N	Net rental revenue	<u>6,102,808</u>	<u>4,646,901</u>
5300	Nursing home/assisted living/board and care/other elderly care/coop and other revenue	<u>101,456</u>	<u>56,020</u>
Financial Revenue			
5440	Revenue from investments - replacement reserve	7,106	3,341
5490	Revenue from investments - miscellaneous	7,102	3,203
		<u>14,208</u>	<u>6,544</u>
5400T	Total financial revenue	<u>14,208</u>	<u>6,544</u>
Other Revenue			
5910	Laundry and vending machine revenue	31,585	24,050
5920	Tenant charges	26,989	28,466
5945	Interest reduction payments revenue	138,419	952,476
5990	Miscellaneous revenue	145,486	32,606
		<u>342,479</u>	<u>1,037,598</u>
5900T	Total other revenue	<u>342,479</u>	<u>1,037,598</u>
5000T	Total revenue	<u>6,560,951</u>	<u>5,747,063</u>
Expenses			
Administrative Expenses			
6203	Conventions and meetings	106	-
6204	Management consultants	-	7,950
6250	Other renting expenses	2,097	3,991
6310	Office salaries	65,594	40,959
6311	Office expenses	54,099	52,373
6320	Management fee	377,254	374,631
6330	Manager or superintendent salaries	84,309	81,329
6331	Administrative rent-free unit	11,904	11,904
6340	Legal expense - project	8,774	20,914
6350	Auditing expense	12,000	13,450
6351	Bookkeeping fees/accounting services	10,455	11,545
6370	Bad debts	31,953	20,356
6390	Miscellaneous administrative expenses	5,041	8,589
		<u>663,586</u>	<u>647,991</u>
6263T	Total administrative expenses	<u>663,586</u>	<u>647,991</u>
Utilities Expenses			
6450	Electricity	438,921	391,384
6451	Water	173,083	156,848
6452	Gas	142,935	277,978
6453	Sewer	275,202	249,389
		<u>1,030,141</u>	<u>1,075,599</u>
6400T	Total utilities expenses	<u>1,030,141</u>	<u>1,075,599</u>

See notes to financial statements

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

Statements of Activities
Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 465,994	\$ 475,741
6515 Supplies	117,104	76,093
6520 Contracts	580,770	348,627
6530 Security payroll/contract	349,793	346,103
6546 Heating/cooling repairs and maintenance	48,847	41,768
6570 Vehicle and maintenance equipment operation and repairs	-	54
6590 Miscellaneous operating and maintenance expenses	16,877	10,212
	<u>1,579,385</u>	<u>1,298,598</u>
6500T Total operating and maintenance expenses	<u>1,579,385</u>	<u>1,298,598</u>
Taxes and Insurance		
6711 Payroll taxes (project's share)	74,804	72,782
6720 Property and liability insurance (hazard)	330,813	357,314
6722 Workmen's compensation	60,584	37,377
6723 Health insurance and other employee benefits	459,687	394,137
6790 Miscellaneous taxes, licenses, permits and insurance	5,730	6,550
	<u>931,618</u>	<u>868,160</u>
6700T Total taxes and insurance expense	<u>931,618</u>	<u>868,160</u>
Financial Expense		
6820 Interest on first mortgage payable	424,928	462,139
6825 Interest on other mortgage	13,080	13,080
6850 Mortgage insurance premium/service charge	37,173	41,534
6890 Miscellaneous financial expenses	17,870	20,656
	<u>493,051</u>	<u>537,409</u>
6800T Total financial expense	<u>493,051</u>	<u>537,409</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	113,537	108,021
	<u>113,537</u>	<u>108,021</u>
6000T Total cost of operations before depreciation	<u>4,811,318</u>	<u>4,535,778</u>
5060T Profit before depreciation	<u>1,749,633</u>	<u>1,211,285</u>
Depreciation		
6600 Depreciation expense	832,631	1,241,149
	<u>832,631</u>	<u>1,241,149</u>
Total depreciation	<u>832,631</u>	<u>1,241,149</u>
5060N Operating income	917,002	(29,864)
Corporate or mortgagor entity revenue		
7105 Entity revenue	(525)	(207,627)
	<u>(525)</u>	<u>(207,627)</u>
Total expenses	5,643,424	5,569,300
3250 Change in net assets	917,527	177,763
Unrestricted Net Assets, Beginning of Year	<u>3,757,678</u>	<u>3,579,915</u>
Unrestricted Net Assets, End of Year	<u>4,675,205</u>	<u>3,757,678</u>
Temporarily Restricted Net Assets, Beginning of Year	<u>35,000</u>	<u>35,000</u>
Temporarily Restricted Net Assets, End of Year	<u>35,000</u>	<u>35,000</u>
Net assets, End of Year	<u>\$ 4,710,205</u>	<u>\$ 3,792,678</u>

See notes to financial statements

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

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
S1200-010 Rental receipts	\$ 6,127,381	\$ 4,436,920
S1200-020 Interest receipts	14,208	6,544
S1200-030 Other operating receipts	<u>588,423</u>	<u>1,093,618</u>
S1200-040 Total receipts	<u>6,730,012</u>	<u>5,537,082</u>
S1200-050 Administrative expenses paid	(113,390)	(114,916)
S1200-070 Management fees paid	(379,151)	(378,667)
S1200-090 Utilities paid	(1,253,862)	(1,045,455)
S1200-100 Salaries and wages paid	(962,802)	(936,467)
S1200-110 Operating and maintenance paid	(549,811)	(311,807)
S1200-140 Property insurance paid	(330,813)	(357,314)
S1200-150 Miscellaneous taxes and insurance paid	(17,638)	(6,115)
S1200-170 Other operating expenses paid	(739,791)	(616,447)
S1200-180 Interest paid on first mortgage	(439,138)	(448,961)
S1200-210 Mortgage insurance premium paid	(35,385)	(39,676)
S1200-220 Miscellaneous financial expense paid	-	(20,656)
S1200-225 Entity/construction disbursements	<u>(208,705)</u>	<u>-</u>
S1200-230 Total disbursements	<u>(5,030,486)</u>	<u>(4,276,481)</u>
S1200-240 Net cash provided by operating activities	<u>1,699,526</u>	<u>1,260,601</u>
Cash Flows from Investing Activities		
S1200-245 Net (deposits to) withdrawals from mortgage escrows	(304,786)	260,165
S1200-250 Net deposits to reserve for replacements	(172,226)	(66,244)
S1200-255 Net deposits to other reserves	(146,845)	(143,064)
S1200-330 Net purchases of fixed assets	<u>(626,677)</u>	<u>(227,725)</u>
S1200-350 Net cash used in investing activities	<u>(1,250,534)</u>	<u>(176,868)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	<u>(235,746)</u>	<u>(1,003,152)</u>
S1200-460 Net cash used in financing activities	<u>(235,746)</u>	<u>(1,003,152)</u>
S1200-470 Net increase in cash	213,246	80,581
S1200-480 Cash, Beginning of Year	<u>277,025</u>	<u>196,444</u>
S1200T Cash, End of Year	<u>\$ 490,271</u>	<u>\$ 277,025</u>

See notes to financial statements

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

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Significant Noncash Investing and Financing Activities		
Additions to fixed assets included in accounts payable	\$ 208,705	\$ -
Payments of additions to fixed assets previously included in accounts payable	\$ -	\$ (36,988)
Contributed rental property improvements	\$ 525	\$ 207,627
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
3250 Change in net assets	\$ 917,527	\$ 177,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
6600 Depreciation	832,631	1,241,149
S1200-486 Interest expense on debt issuance cost	17,986	17,985
S1200-600 Bad debts	31,953	20,356
S1200-600 Contributed rental property improvements	(525)	(207,627)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	(3,332)	(35,283)
S1200-500 Accounts receivable, other	144,488	(164,865)
S1200-520 Prepaid expenses	(469)	(2,460)
S1200-530 Tenant security deposits funded	(18,595)	5,760
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	(249,200)	202,746
S1200-560 Accrued liabilities	1,223	895
S1200-570 Accrued interest payable	11,949	8,273
S1200-580 Tenant security deposits held in trust	17,938	(5,760)
S1200-590 Prepaid revenue	(4,048)	1,669
Total adjustments	<u>781,999</u>	<u>1,082,838</u>
S1200-610 Net cash provided by operating activities	<u>\$ 1,699,526</u>	<u>\$ 1,260,601</u>

See notes to financial statements

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

1. Description of the Organization

Brookdale Village Housing Corporation (the "Corporation") was organized in August 1972 as a nonprofit corporation for the purpose of developing and operating housing projects and auxiliary facilities for aged persons of low income under Section 223(f) of the National Housing Act. Such projects are regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. The project consists of 547 units located in Queens, New York and is currently operating under the name of Brookdale Village Housing (the "Project"). The Corporation received a significant portion of its revenue from government subsidy payments.

The Corporation is wholly controlled by JASA Corporation, its sole member. JASA Corporation also wholly controls the Jewish Association for Services for the Aged ("JASA"), JASA Housing Management Services for the Aged, Inc. ("JHM") and seven other housing entities, in its capacity as their sole member. The Corporation is related to JASA, JHM and the seven other housing entities by virtue of this control.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. In addition, the Corporation presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for nonprofit entities. 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/or 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 the purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents.

Brookdale Village Housing Corporation

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Notes to Financial Statements
June 30, 2017 and 2016

Accounts Receivable and Allowance for Doubtful Accounts

Tenant receivables and accounts receivable are reported net of an allowance for doubtful accounts. Management's 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, 2017 and 2016, the allowance for doubtful accounts was \$28,119 and \$17,923, respectively.

Fixed Assets and Depreciation

Fixed assets are carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by use of the straight-line method. It is the Corporation's policy to capitalize items of \$5,000 or greater and items purchased with replacement reserves that have a useful life that is greater than one year. 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 recovery is reviewed, 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 in order 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. No impairment loss was recognized during the years ended June 30, 2017 and 2016.

Deferred Financing Costs

Financing costs are amortized as interest expense over the term of the related loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Interest expense for the years ended June 30, 2017 and 2016 was \$17,986 and \$17,985, respectively. Estimated annual interest expense for each of the subsequent years through June 30, 2021 is \$17,986.

Revenue

Rental Income

The Corporation's revenue is derived principally from the renting of apartments to eligible, very low income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the tenants of the property are operating leases.

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

Grant Income

The Corporation was awarded a cost reimbursement grant from HUD (see Note 6). Revenue is recognized as costs are incurred.

Income Taxes

The Corporation has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended June 30, 2017 and 2016. 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 IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The guidance requires that debt issuance costs related to a recognized debt liability be reported on the statements of financial position as a direct deduction from the carrying amount of that debt liability. The guidance is effective for fiscal years and interim periods beginning after December 15, 2015, and is required to be applied retrospectively. Management has adopted ASU 2015-03 and has reclassified debt issuance costs related to existing debt liabilities from assets to liabilities on the statements of financial position, and the related amortization expense to interest expense on the statements of activities. The adoption of ASU 2015-03 did not have a material impact on the Corporation's financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The core principle of ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 defines the term substantial doubt and requires an assessment for a period of one year after the date the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the Corporation's financial statements.

Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

Subsequent Events

Subsequent events have been evaluated through September 25, 2017, which is the date the financial statements were available to be issued.

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

3. Mortgages Payable

First Mortgage Payable

On November 13, 2008, the Corporation executed a Mortgage Note agreement with New York State Housing Finance Agency ("NYSHFA"), in the principal amount of \$13,590,000 (the "Project Loan"). The total principal of the original loan included \$7,721,362 of funds set aside by the lender, which were used for the rehabilitation of the Project. The Project Loan requires monthly installments of principal and interest through maturity on July 1, 2045. The monthly installments are net of approximately \$80,000 of monthly interest reduction payments ("IRP") under Section 236 of the National Housing Act. The loan bears an interest rate of 5.75% per annum. As of June 30, 2017 and 2016, the outstanding principal balance was \$7,026,662 and \$7,262,408, respectively, and the accrued interest was \$33,669 and \$34,799, respectively.

The Corporation is required by New York State Homes and Community Renewal ("NYSHCR") to make monthly deposits into a restricted cash account to provide for capital repairs, mortgage insurance, and service fees. The use of these funds requires approval of NYSHCR.

Other Mortgage

The Corporation obtained subordinate financing of \$1,287,036 (the "Subordinate Loan") in 2008 through NYSHCR. The Subordinate Loan bears interest at the rate of 1% per annum. Interest from the inception of the Subordinate Loan through July 1, 2010 was accrued and was compounded with the principal, to be repaid at maturity, July 1, 2045. The principal balance, including compounded interest through July 1, 2010, as of June 30, 2017 and 2016 was \$1,307,981. Beginning August 1, 2010, accrued interest is payable from net income, as defined in the Subordinate Loan agreement. For the years ended June 30, 2017 and 2016, there was not sufficient net income, as defined in the Subordinate Loan agreement, to require payment of accrued interest. As of June 30, 2017 and 2016, accrued interest of \$91,285 and \$78,206, respectively, was payable.

All of the mortgages are collateralized by the Corporation's land, buildings, furniture and equipment.

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

Years ending June 30:		
2018	\$	104,140
2019		110,288
2020		116,800
2021		123,696
2022		130,999
Thereafter		<u>7,748,720</u>
Total	\$	<u>8,334,643</u>

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

4. Restricted Deposits and Funded Reserves

Escrow Deposits

In accordance with the provisions of the mortgage agreement, the Corporation is required to make monthly deposits of \$29,543 into an escrow account managed by the respective lender for mortgage insurance fees and water and sewer payments. Effective October 1 2016, the monthly deposit amount was changed to \$28,337. Effective October 1, 2015, the monthly deposit amount was \$28,379. Funds are released from the escrow deposit account pursuant to approval by New York State Division of Housing and Community Renewal ("NYSHCR"). As of June 30, 2017 and 2016, the balance in the escrow was \$982,468 and \$677,682, respectively.

Reserve for Replacements

The Corporation is required by HUD and NYSHCR to make monthly deposits of \$13,760 into a replacement reserve escrow to fund replacement needs and painting and decorating expenses. The use of the funds requires prior approval from HUD and NYSHCR. For the year ended June 30, 2017 there were no disbursements from the replacement reserve account. For the year ended June 30, 2016, approved replacement withdrawals was \$102,217. As of June 30, 2017 and 2016, the balance in the reserve for replacements was \$1,190,166 and \$1,017,940, respectively.

Other Reserves

Capital Repairs Reserve

The Corporation maintains a reserve account used to fund the rehabilitation of the Project. Funds are released from the reserve account pursuant to approval by NYSHCR. As of June 30, 2017 and 2016, the balance in the capital repairs reserve was \$91,929, respectively.

Project Reserve Fund

The Corporation is required to make monthly deposits of \$11,660 into a reserve account managed by NYSHCR for contingency needs. Funds are released from the escrow deposit account pursuant to approval by NYSHCR. As of June 30, 2017 and 2016, the balance in the project reserve fund was \$983,912 and \$838,125, respectively.

Interest Reduction Payment ("IRP") Reserve

The Corporation is required by NYSHCR to fund an IRP reserve. The use of the funds is restricted by NYSHCR. As of June 30, 2017 and 2016, the balance in the IRP reserve was \$167,671 and \$166,613, respectively.

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

5. Related Party Transactions

JASA

The Corporation is a participant in a general insurance plan with JASA, sponsored by UJA-Federation, which also includes health insurance and workmen's compensation. Property and liability insurance expense for the years ended June 30, 2017 and 2016 was \$330,013 and \$357,314, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 were \$88,155 and \$55,822, respectively.

JASA pays the Corporation a "use-of-premises" fee for the use of space for a community services facility located at the site. Use-of-premises revenue for the years ended June 30, 2017 and 2016 was \$30,455 and \$30,000, respectively, and is included in miscellaneous revenue on the statements of activities.

JASA is a participant in a multi-employer, defined-benefit retirement plan sponsored by the UJA-Federation. The Corporation does not make any direct contributions into the plan on behalf of its employees, instead, contributions to the plan were made by JASA for its employees and the Corporation's employees. For the years ended June 30, 2017 and 2016, the Corporation reimbursed JASA for pension costs in the amount of \$6,569 and \$6,401, respectively.

The Corporation pays JASA, through a HUD grant, for the Service Coordinator Program, which provides social services for the tenants. The program expenses for the years ended June 30, 2017 and 2016 were \$113,537 and \$108,021, respectively. As further described in Note 6, HUD has not approved continued funding of this grant beyond December 31, 2016.

As of June 30, 2017 and 2016, \$40,834 and \$58,827, respectively, remain due to JASA and are included in accounts payable, operations on the statements of financial position.

JHM

The rental property is managed by JHM, pursuant to a management agreement approved by HUD. The management agreement provided for a management fee of \$31,438 per month. Management fees for the years ended June 30, 2017 and 2016 were \$377,254 and \$374,631, respectively, of which \$1,163 and \$3,060, respectively, remain payable and are included in accrued management fee payable on the statements of financial position.

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

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. With this grant funding, the Corporation reimburses JASA for the service coordinator they provided for the Corporation's program services. The Corporation received a ten month renewal grant totaling \$98,691 for the period March 1, 2016 through December 31, 2016 and \$114,880 for the period March 1, 2015 through February 28, 2016. Revenue recognized for the years ended June 30, 2017 and 2016 were \$101,456 and \$56,020, respectively. Grant expense for the years ended June 30, 2017 and 2016 were \$113,357 and \$108,021, respectively. As of June 30, 2017 and 2016, \$76,078 and \$-0-, respectively, remain receivable and are included in accounts receivable, HUD. As of June 30, 2017, HUD has not yet approved a new award and therefore no grant revenue is recorded for the period January 2017 through June 30, 2017.

7. Real Estate Tax Exemption

The Corporation has executed documentation necessary to obtain a real estate tax exemption under the New York City Property Tax Code. As of June 30, 2017 and 2016, the exemption has been approved and is in effect.

8. 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 December 1, 2014 through November 30, 2015. Effective December 1, 2015, the monthly required contribution was 10.76% of the covered employees' payroll. This resulted in contributions of \$91,874 and \$98,940, for the years ended June 30, 2017 and June 30, 2016, respectively. These amounts are included in health insurance and other employee benefits on the statements of activities.

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

Notes to Financial Statements
 June 30, 2017 and 2016

The following table discloses the name and the most recent funded status of the Fund, as of January 1, 2015 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2014 (in thousands):

<u>Valuation Date</u>	<u>Fair Value of Plan Assets</u>	<u>Actuarial Present Value of Accumulated Plan Benefits</u>	<u>Total Contributions</u>	<u>Funded Status</u>	<u>Zone Status</u>
January 1, 2015	\$ 9,471,888,000	\$ 11,681,000,000	\$ 601,517,000	81 %	Green

As of January 1, 2015, 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, 2016 (the date of the actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2015.

9. Housing Assistance Payment Contract Agreement

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 expired June 1, 2016.

Effective June 1, 2016, the Corporation has contracted under a Rental Assistance Demonstration ("RAD") Rider with Housing Trust Fund Corporation pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Corporation on behalf of qualified tenants. The agreement expires May 31, 2036. For the years ended June 30, 2017 and 2016, rental assistance payments of \$2,633,775 and \$1,272,224, respectively, were earned under the terms of the agreement.

10. Contributions

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 the eight housing entities it sponsors for potential future weather events like Superstorm 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 rental property at fair value. For the years ended June 30, 2017 and 2016, noncash contributions of \$525 and \$207,627, respectively, were recognized by the Corporation as entity revenue on the statements of activities.

Brookdale Village Housing Corporation

HUD Project No. 012-119-NI

Notes to Financial Statements
June 30, 2017 and 2016

11. Functional Expenses

The costs of providing various programs and other activities for the years ended June 30, 2017 and 2016 are summarized on a functional basis as follows:

	<u>2017</u>	<u>2016</u>
Program services, HUD-assisted elderly housing project	\$ 5,153,147	\$ 5,288,033
Management and general	<u>490,802</u>	<u>488,894</u>
Total	<u>\$ 5,643,949</u>	<u>\$ 5,776,927</u>

12. Concentrations of Credit Risk

The Corporation maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

13. Commitments and Contingencies

The Corporation has entered into a housing assistance payments contract under the revised regulations of 24 Code of 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 reserve for replacements must be remitted to HUD.

Pursuant to 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 with regard to 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.

14. Current Vulnerability Due to Certain Concentrations

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

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

Supplementary Data Required by HUD

Statement of Activities Data

Year Ended June 30, 2017

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>\$ 235,746</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 165,120</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statements of activities.	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statements of activities.	<u>\$ -</u>

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

Supplementary Data Required by HUD

Reserve Account Data

Year Ended June 30, 2017

Reserve for Replacements

1320P	Balance, beginning of year	\$	1,017,940
1320DT	Total monthly deposits		165,120
1320INT	Interest income		<u>7,106</u>
1320	Balance, end of year	\$	<u><u>1,190,166</u></u>

See independent auditors' report

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

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$ 797,715
1135	Accounts receivable, HUD	<u>76,078</u>
S1300-040	Total cash	<u>873,793</u>
S1300-050	Accrued mortgage interest payable	33,669
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	522,273
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	101,572
2210	Prepaid revenue	6,245
2191	Tenant deposits held in trust	306,787
S1300-110	Other current obligations (describe in detail)	-
S1300-120	Restricted funds received but not spent, Fund for the City of New York grant	<u>35,000</u>
S1300-140	Total current obligations	<u>1,005,546</u>
S1300-150	Surplus cash (deficiency)	<u>\$ (131,753)</u>
S1300-210	Deposit due residual receipts reserve	<u>\$ -</u>

See independent auditors' report

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

Supplementary Data Required by HUD
 Fixed Asset Data
 Year Ended June 30, 2017

		Assets			
		<u>Balance</u>		<u>Balance</u>	
		<u>July 1, 2016</u>	<u>Additions</u>	<u>June 30, 2017</u>	
			<u>Deletions</u>		
1410	Land	\$ 683,972	\$ 146,648	\$ -	\$ 830,620
1420	Buildings	28,755,451	533,042	-	29,288,493
1440	Building Equipment, Portable	2,576,556	17,362	-	2,593,918
1465	Office Furniture and Equipment	-	15,702	-	15,702
1490	Miscellaneous Fixed Assets	19,689	175,509	(52,356)	142,842
1400T	Total fixed assets	<u>\$ 32,035,668</u>	<u>\$ 888,263</u>	<u>\$ (52,356)</u>	<u>\$ 32,871,575</u>
1495	Total accumulated depreciation	<u>\$ 22,795,292</u>	<u>\$ 832,631</u>	<u>\$ -</u>	<u>\$ 23,627,923</u>
1400N	Total net book value	<u>\$ 9,240,466</u>			<u>\$ 9,243,652</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Landscaping renovation	\$ 40,000			
	Sidewalk replacement	106,648			
		<u>\$ 146,648</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Apartment renovations	\$ 72,875			
	Tile and flooring	69,780			
	Management office renovations	13,348			
	Windows and doors	33,700			
	Cabinets and countertops	50,680			
	Flood barriers	18,789			
	Lobby renovation	85,550			
	Plumbing	25,872			
	Painting	63,984			
	Standpipe tank	63,905			
	Signage	34,559			
	Total	<u>\$ 533,042</u>			
		<u>Amount</u>			
1440AT	Additions for 1440 Details				
	Refrigerators	\$ 5,640			
	Stoves	4,296			
	Air conditioning units	279			
	Scrubber and pads	7,147			
	Total	<u>\$ 17,362</u>			
		<u>Amount</u>			
1465AT	Additions for 1465 Details				
	Office blinds	\$ 2,384			
	Chairs	13,318			
		<u>\$ 15,702</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction in progress, fire alarm system	\$ 31,562			
	Construction in progress, LED lighting	49,772			
	Construction in progress, rehabilitation projects	94,175			
	Total	<u>\$ 175,509</u>			
		<u>Amount</u>			
1490DT	Deletions from 1490 Details				
	Construction in progress, flood barriers placed in service	\$ 18,789			
	Standpipe tank	33,567			
	Total	<u>\$ 52,356</u>			

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

Supplementary Data Required by HUD
Statement of Financial Position Data
Year Ended June 30, 2017

Statement of Financial Position, Detail

1140	Accounts and notes receivable, operations		
	Other		
	Senior Citizen Rent Increase Exemption ("SCRIE") receivable	\$	3,336
	Tenant security refund		<u>1,256</u>
	Total	\$	<u><u>4,592</u></u>
1590	Miscellaneous other assets		
	Utility deposits	\$	<u>18,955</u>
2322	Other mortgage payable, net of current maturities		
	Subordinate loan payable	\$	<u>1,307,981</u>
2331	Accrued interest payable - other mortgage payable (long-term)		
2331T	Accrued interest payable, subordinate loan	\$	<u>91,285</u>

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

Supplementary Data Required by HUD
Statement of Activities Data
Year Ended June 30, 2017

Statement of Activities, Detail

5190	Description, miscellaneous rent revenue		
	NYCHA, Section 8	\$	495,496
	NYSHCR, Section 8		100,991
	HPD, SCRIE		13,346
	HPD, Section 8		19,057
			<u>19,057</u>
	Total	\$	<u>628,890</u>
5300	Description, nursing home/assisted living/board and care/other		
	elderly care/coop and other revenue		
5390	Other service revenue	\$	101,456
			<u>101,456</u>
	Total	\$	<u>101,456</u>
5490	Description, revenue from investments, miscellaneous		
	Interest income, other reserves and escrows	\$	7,102
			<u>7,102</u>
	Total	\$	<u>7,102</u>
5990	Description, miscellaneous other revenue		
	Use of premises income	\$	30,455
	Administrative fee income		1,492
	Miscellaneous other income		113,539
			<u>113,539</u>
	Total	\$	<u>145,486</u>
6900	Description, nursing home/assisted living/board and care/other		
	elderly care expenses		
6990	Other service expenses	\$	113,537
			<u>113,537</u>
	Total	\$	<u>113,537</u>

See independent auditors' report

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

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2017

Related Party Transaction, Detail

S1300-210	JASA (service coordinator)	\$	113,537
S1300-210	JHM (management fee)		<u>377,254</u>
	Total	\$	<u><u>490,791</u></u>

See independent auditors' report

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Mortgage Insurance for the Purchase or Refinancing of Existing Multi-Family Housing Projects (Section 223(f))	14.155	N/A	\$ 7,262,408
Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families (Section 236)	14.103	N/A	138,419
Multi-Family Housing Service Coordinators	14.191	N/A	101,456
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	N/A	<u>2,633,775</u>
Total Housing Voucher Cluster			<u>2,633,775</u>
Total U.S. Department of Housing and Urban Development			<u>10,136,058</u>
Total expenditures of federal awards			<u>\$ 10,136,058</u>

See notes to schedule of expenditures of federal awards

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

Notes to Schedule of Expenditures of Federal Awards
June 30, 2017 and 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 subrecipients during the year ended June 30, 2017.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. U.S. Department Of Housing And Urban Development Loan Program

The Corporation has received a U.S. Department of Housing and Urban Development mortgage insurance loan under Section 223(f) of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2017</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223(f))	\$ 7,026,662

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

Board of Trustees
Brookdale Village Housing Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brookdale Village Housing Corporation (the "Corporation"), HUD Project No. 012-119-NI, which comprise the statement of financial position as of June 30, 2017, 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 25, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

New York, New York
September 25, 2017

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

Board of Trustees
Brookdale Village Housing Corporation

Report on Compliance for Each Major Federal Program

We have audited Brookdale Village Housing Corporation's (the "Corporation"), HUD Project No. 012-119-NI, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2017. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Internal Control Over Compliance

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

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

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

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

Baker Tilly Virchow Krause, LLP

New York, New York
September 25, 2017

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

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.155	U.S. Department of Housing and Urban Development: [PY1] Mortgage Insurance for the Purchase or Refinancing of Existing Multi-Family Housing Projects (Section 223(f))
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? _____ yes X No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

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

Summary Schedule of Prior Year's Audit Findings
Year Ended June 30, 2017

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

Finding 2016-001 - Federal Award Findings and Questioned Costs

Condition: During the procedures applied to a sample of 22 tenant lease files, 1 of 22 tenant files tested did not have documentation in their files that the Enterprise Income Verification ("EIV") system was used to verify income as required by HUD Handbook 4350.3.

Current Status: The Senior Property Manager implemented a detailed checklist for initial certification ("IC") for residents that will convert from the Section 236 program to the RAD program. The IC checklist includes but not limited to management review of the EIV Income report. The Housing Compliance Manager performs a monthly review of tenant files to ensure onsite staff is in compliance with HUD policies and procedures.

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

Mortgagor's Certificate
June 30, 2017

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



Signature of Chief Administrative Officer

Heidi Aronin

Name of Chief Administrative Officer

DATE: September 25, 2017

Employer Identification No: 23-7375605

Brookdale Village Housing Corporation
HUD Project NO. 012-119-NI

Management Agent's Certification
June 30, 2017

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



Signature of Director of Housing

Donald Manning

Name of Director of Housing

DATE: September 25, 2017

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

Employer Identification No: 13-3078676