

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

Financial Statements and
Supplementary Information

June 30, 2017 and 2016



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

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June 30, 2017 and 2016

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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 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 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 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 deficit 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 20 to 26) 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 the 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

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

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 195,660	\$ 247,627
1130	Tenant accounts receivable	8,344	3,993
1131	Allowance for doubtful accounts	(1,466)	(1,668)
1135	Accounts receivable, HUD	32,640	-
1140	Accounts and notes receivable, operations	6,983	-
1200	Prepaid expenses	<u>205,531</u>	<u>165,231</u>
1100T	Total current assets	<u>447,692</u>	<u>415,183</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>33,904</u>	<u>33,457</u>
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	51,292	85,931
1320	Reserve for replacements	767,847	762,749
1330	Other reserves	743,361	639,417
1340	Residual receipts reserve	<u>23</u>	<u>226,975</u>
1300T	Total restricted deposits and funded reserves	<u>1,562,523</u>	<u>1,715,072</u>
Fixed Assets			
1410	Land and improvements	120,550	49,100
1420	Buildings	12,133,692	12,084,895
1440	Building equipment, portable	124,236	119,209
1465	Office furniture and equipment	12,500	12,500
1490	Miscellaneous fixed assets	<u>9,105</u>	<u>13,400</u>
1400T	Total fixed assets	12,400,083	12,279,104
1495	Less accumulated depreciation	<u>(8,365,887)</u>	<u>(7,974,569)</u>
1400N	Net fixed assets	<u>4,034,196</u>	<u>4,304,535</u>
1000T	Total assets	<u><u>\$ 6,078,315</u></u>	<u><u>\$ 6,468,247</u></u>

See notes to financial statements

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

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Liabilities and Net Deficit			
Current Liabilities			
2110	Accounts payable, operations	\$ 150,881	\$ 122,828
2120	Accrued wages payable	52,694	50,011
2121	Accrued payroll taxes payable	4,031	3,940
2123	Accrued management fee payable	15,082	12,819
2131	Accrued interest payable, first mortgage	27,049	39,297
2170	Mortgage payable, first mortgage, current maturities	189,594	140,981
2190	Miscellaneous current liabilities	-	188,975
2210	Prepaid revenue	6,404	8,641
		<u>445,735</u>	<u>567,492</u>
2122T	Total current liabilities		
Deposit Liabilities			
2191	Tenant deposits held in trust (contra)	33,904	33,457
Long-Term Liabilities			
2320	Mortgage payable, first mortgage, net of current maturities	8,703,184	8,927,591
2340	Debt issuance costs	337,033	(263,595)
		<u>9,040,217</u>	<u>8,663,996</u>
2300T	Total long-term liabilities		
		<u>9,519,856</u>	<u>9,264,945</u>
2000T	Total liabilities		
Contingencies			
Net Deficit			
3131	Unrestricted deficit	(3,484,001)	(2,839,158)
3132	Temporarily restricted net assets	42,460	42,460
		<u>(3,441,541)</u>	<u>(2,796,698)</u>
3130	Total net deficit		
		<u>\$ 6,078,315</u>	<u>\$ 6,468,247</u>
2033T	Total liabilities and net deficit		

See notes to financial statements

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017	2016	
Revenue			
Rental Revenue			
5120	Rental revenue - gross potential	\$ 474,392	\$ 468,760
5121	Tenant assistance payments	2,305,882	2,280,528
5170	Garage and parking spaces	2,389	2,459
5100T	Total rental revenue	2,782,663	2,751,747
Vacancies			
5220	Apartments	(15,624)	(58,154)
5200T	Total vacancies	(15,624)	(58,154)
5152N	Net rental revenue	2,767,039	2,693,593
5300	Nursing home/assisted living/board and care/other elderly care/coop and other revenue	39,595	40,517
Financial Revenue			
5430	Revenue from investments - residual receipts	69	79
5440	Revenue from investments - replacement reserve	233	154
5490	Revenue from investments - miscellaneous	12,153	203
5400T	Total financial revenue	12,455	436
Other Revenue			
5910	Laundry and vending machine revenue	8,532	7,392
5920	Tenant charges	745	853
5990	Miscellaneous revenue	227,332	176
5900T	Total other revenue	236,609	8,421
5000T	Total revenue	3,055,698	2,742,967
Expenses			
Administrative Expenses			
6203	Conventions and meetings	81	1,925
6204	Management consultants	1,955	-
6250	Other renting expenses	420	1,441
6310	Office salaries	76,327	73,864
6311	Office expenses	24,299	24,274
6320	Management fee	115,029	112,870
6330	Manager or superintendent salaries	20,088	25,108
6331	Administrative rent-free unit	19,248	18,312
6340	Legal expense - project	3,026	4,462
6350	Auditing expense	12,000	13,490
6351	Bookkeeping fees/accounting services	42,561	48,061
6370	Bad debts	6,838	2,548
6390	Miscellaneous administrative expenses	3,134	4,592
6263T	Total administrative expenses	325,006	330,947
Utilities Expenses			
6450	Electricity	42,624	41,515
6451	Water	31,453	31,750
6452	Gas	30,885	56,623
6453	Sewer	50,010	50,483
6400T	Total utilities expenses	154,972	180,371

See notes to financial statements

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 173,552	\$ 183,473
6515 Supplies	35,034	36,882
6520 Contracts	162,232	135,798
6530 Security payroll/contract	184,715	171,468
6546 Heating/cooling repairs and maintenance	40,616	19,008
	<u>596,149</u>	<u>546,629</u>
6500T Total operating and maintenance expenses	<u>596,149</u>	<u>546,629</u>
Taxes and Insurance		
6710 Real estate taxes	704,286	259,209
6711 Payroll taxes (project's share)	38,031	36,677
6720 Property and liability insurance (hazard)	91,888	98,459
6722 Workmen's compensation	25,790	17,650
6723 Health insurance and other employee benefits	233,235	192,144
6790 Miscellaneous taxes, licenses, permits and insurance	4,462	2,129
	<u>1,097,692</u>	<u>606,268</u>
6700T Total taxes and insurance expense	<u>1,097,692</u>	<u>606,268</u>
Financial Expense		
6820 Interest on first mortgage payable	340,865	483,981
6850 Mortgage insurance premium/service charge	40,464	41,084
6890 Miscellaneous financial expenses - Loss on extinguishment of debt	625,113	188,975
	<u>1,006,442</u>	<u>714,040</u>
6800T Total financial expense	<u>1,006,442</u>	<u>714,040</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	132,932	136,025
	<u>132,932</u>	<u>136,025</u>
6000T Total cost of operations before depreciation	<u>3,313,193</u>	<u>2,514,280</u>
5060T (Loss) Income before depreciation	<u>(257,495)</u>	<u>228,687</u>
Depreciation		
6600 Depreciation expense	391,318	378,598
	<u>391,318</u>	<u>378,598</u>
Total depreciation	<u>391,318</u>	<u>378,598</u>
5060N Operating loss	(648,813)	(149,911)
Corporate or mortgagor entity revenue		
7105 Entity revenue	(3,970)	(297,162)
	<u>(3,970)</u>	<u>(297,162)</u>
Total expenses	<u>3,700,541</u>	<u>2,595,716</u>
3250 Change in net assets	(644,843)	147,251
	<u>(644,843)</u>	<u>147,251</u>
Unrestricted Net Deficit, Beginning of Year	<u>(2,839,158)</u>	<u>(2,986,409)</u>
Unrestricted Net Deficit, End of Year	<u>(3,484,001)</u>	<u>(2,839,158)</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 deficit, End of Year	<u>\$ (3,441,541)</u>	<u>\$ (2,796,698)</u>

See notes to financial statements

Seagirt Housing Development Fund Corporation
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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	\$ 2,749,989	\$ 2,689,293
S1200-020 Interest receipts	12,455	436
S1200-030 Other operating receipts	<u>276,204</u>	<u>48,938</u>
S1200-040 Total receipts	<u>3,038,648</u>	<u>2,738,667</u>
S1200-050 Administrative expenses paid	(35,906)	(67,147)
S1200-070 Management fees paid	(112,766)	(104,389)
S1200-090 Utilities paid	(182,930)	(181,964)
S1200-100 Salaries and wages paid	(451,999)	(468,889)
S1200-110 Operating and maintenance paid	(145,594)	(217,993)
S1200-120 Real estate taxes paid	(744,577)	(259,209)
S1200-140 Property insurance paid	(91,888)	(98,459)
S1200-150 Miscellaneous taxes and insurance paid	(4,371)	(2,073)
S1200-170 Other operating expenses paid	(429,988)	(382,496)
S1200-180 Interest paid on first mortgage	(353,113)	(475,366)
S1200-210 Mortgage insurance premium paid	(40,037)	(40,678)
S1200-220 Prepayment penalty related to mortgage refinancing	<u>(362,284)</u>	<u>-</u>
S1200-230 Total disbursements	<u>(2,955,453)</u>	<u>(2,298,663)</u>
S1200-240 Net cash provided by operating activities	<u>83,195</u>	<u>440,004</u>
Cash Flows from Investing Activities		
S1200-245 Net withdrawals from mortgage escrows	34,639	163
S1200-250 Net deposits to reserve for replacements	(5,098)	(326,898)
S1200-255 Net deposits to other reserves	(103,944)	(103,942)
S1200-260 Net withdrawals from (deposits to) residual receipts reserve	226,952	(79)
S1200-330 Net purchases of fixed assets	<u>(111,917)</u>	<u>(63,066)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>40,632</u>	<u>(493,822)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(9,221,374)	(133,851)
S1200-365 Proceeds from mortgages, loans or notes payable	9,045,580	-
S1200-456 Due from affiliates	<u>-</u>	<u>122,594</u>
S1200-460 Net cash used in financing activities	<u>(175,794)</u>	<u>(11,257)</u>
S1200-470 Net decrease in cash	(51,967)	(65,075)
S1200-480 Cash, Beginning of Year	<u>247,627</u>	<u>312,702</u>
S1200T Cash, End of Year	<u>\$ 195,660</u>	<u>\$ 247,627</u>

See notes to financial statements

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

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	\$ 5,092	\$ -
Contributed rental property improvements	\$ 3,970	\$ 297,162
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
3250 Change in net assets	\$ (644,843)	\$ 147,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
6600 Depreciation	391,318	378,598
S1200-486 Interest expense on debt issuance cost	1,512	9,195
S1200-486 Interest income on loan premium	(25,997)	-
S1200-600 Loss on extinguishment of debt	625,113	-
S1200-600 Bad debts	6,838	2,548
S1200-600 Contributed rental property improvements	(3,970)	(297,162)
S1200-600 Residual receipts obligation	(188,975)	188,975
Changes in asset and liability accounts:		
(Increase) decrease in assets		
S1200-490 Tenant accounts receivable	(11,391)	947
S1200-500 Accounts receivable, other	(39,623)	7,527
S1200-520 Prepaid expenses	(40,300)	(3,951)
S1200-530 Tenant security deposits funded	(447)	5
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	22,961	(7,121)
S1200-560 Accrued liabilities	5,037	7,727
S1200-570 Accrued interest payable	(12,248)	(580)
S1200-580 Tenant security deposits held in trust	447	(5)
S1200-590 Prepaid revenue	(2,237)	6,080
Total adjustments	728,038	292,783
S1200-610 Net cash provided by operating activities	\$ 83,195	\$ 440,004

See notes to financial statements

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2017 and 2016

1. Description of the Organization

Seagirt Housing Development Fund Corporation (the "Corporation") was organized in 1982 as a nonprofit corporation for the purpose of developing and operating housing 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 152 units located in Far Rockaway, New York and is currently operating under the name of Evelyn and Louis Green Residence at Seagirt (the "Project").

The Corporation is wholly controlled by the 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.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

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 balance in the allowance for doubtful accounts was \$1,466 and \$1,668, 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 \$1,512 and \$9,195, respectively. Estimated annual interest expense for each of the ensuing years through June 30, 2022 is \$814.

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, in the amount of 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, 2017 and 2016

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.

Grant Income

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

The Corporation was 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 and unspent funds are included as temporarily restricted net assets.

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 or 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.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2017 and 2016

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.

3. Mortgage Payable

The Corporation had a mortgage in the original amount of \$9,810,000 under Section 207 pursuant to Section 223(f) of the National Housing Act. The note bore interest at 5.2%. Commencing March 1, 2010, the mortgage required monthly installments of principal and interest of \$50,768 through maturity on February 1, 2045.

Effective July 27, 2016, the Corporation refinanced the mortgage with the lender. The remaining balance at the time of the refinancing was \$9,045,580. The mortgage note continues to be insured by HUD and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 3.65% per annum resulting in a loan premium of \$371,434, which is reported as part of the debt issuance costs on the statements of financial position. Principal and interest are payable by the Corporation in monthly installments of \$42,586 through maturity on February 1, 2045. As of June 30, 2017 and 2016, the outstanding principal and accrued interest balances were \$8,892,778 and \$9,068,572, and \$27,049 and \$39,297, respectively. The refinancing transaction resulted in a prepayment penalty of \$362,284 which is reported as part of the loss on extinguishment of debt (see Note 2 - Deferred Financing Costs). The mortgage is collateralized by the Corporation's fixed assets.

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 the Corporation's 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, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions. The Corporation is also required by HUD to use the funds saved by a reduction in the debt service cost for programs and building improvements for the benefit of the tenants.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2017 and 2016

As a provision of refinancing the Corporation's original mortgage into the current mortgage in 2010, the Corporation is also required by HUD to use the funds saved by a reduction in the debt service cost for programs and building improvements for the benefit of the tenants, as outlined in the agreement. The Corporation is required to make monthly deposits into debt service/capital repair reserve, as described in Note 4. In addition, annual required expenditures are \$169,405 with any unspent funds required to be deposited into the replacement reserve in the subsequent year. For the years ended June 30, 2017 and 2016, \$89,036 and \$78,329, respectively, were used for program services and are included in the statements of activities as nursing home/assisted living and other elderly care expenses. As of June 30, 2017 and 2016, a deposit of \$80,369 and \$1,071 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. As of June 30, 2016, no deposit was due to the replacement reserve.

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

Years ending June 30:	
2018	\$ 189,594
2019	196,631
2020	203,930
2021	211,499
2022	219,349
Thereafter	<u>7,871,775</u>
Total	<u>\$ 8,892,778</u>

4. Funded Reserves

Reserve for Replacements

In accordance with 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 is to be used for the replacement of the property and equipment. The use of these funds requires prior approval from HUD. As of June 30, 2017 and 2016, the balance of the replacement reserve was \$767,847 and \$762,749, respectively. For the year ended June 30, 2017 and 2016, HUD approved replacement withdrawals were \$87,099 and \$57,155, respectively. For the year ended June 30, 2015, HUD approved a withdrawal of \$300,000 to advance to JASA to fund resiliency efforts at the project (as further described in Note 9). JASA was required to return the funds to the replacement reserve by June 30, 2016. As of June 30, 2016, the entire amount has been reimbursed by JASA.

Seagirt Housing Development Fund Corporation

HUD Project No. 012-11293

Notes to Financial Statements
June 30, 2017 and 2016

Other Reserves

The Corporation is required by HUD to fund a reserve to be used for debt service, to enhance the building and the services provided to the tenants, and noncritical repairs. The use of the funds requires prior approval from HUD. The required monthly deposit was \$8,645 as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, the balance in other reserves was \$743,361 and \$639,417, respectively.

Residual Receipts

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, 2017 and 2016, the balance in the residual receipts reserve was \$23 and \$226,975, respectively. For the year ended June 30, 2017, HUD approved withdrawal of \$227,021. There were no withdrawals from the residual receipts reserve for the year ended June 30, 2016.

5. Related Party Transactions

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, 2017 and 2016 were \$91,888 and \$98,459, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 were \$34,655 and \$28,154, 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 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 \$4,624 and \$2,370, respectively.

The Corporation pays JASA through a HUD grant for the Service Coordinator Program, which provides social services for the tenants (see Note 6). The program expenses for the years ended June 30, 2017 and 2016 were \$46,255 and \$59,109, respectively. As further described in Note 6, HUD has not approved continued funding of this grant past December 31, 2016.

As of June 30, 2017 and 2016, \$26,818 and \$26,861, respectively, remained due to JASA and are included in accounts payable, operations on the statements of financial position.

As part of planned improvements at the property to be funded by JASA (as further described in Note 9), the Corporation has received approval from HUD to temporarily advance funds to JASA to fund these costs. As of June 30, 2016, the entire amount has been reimbursed from JASA.

Seagirt Housing Development Fund Corporation

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Notes to Financial Statements
June 30, 2017 and 2016

JHM

The rental property is managed by JHM pursuant to 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, 2017 and 2016 were \$115,029 and \$112,870, respectively.

The Corporation pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. These expenses for the years ended June 30, 2017 and 2016 were \$34,092 and \$37,548, respectively.

As of June 30, 2017 and 2016, \$15,082 and \$12,819, respectively, remain 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 an eight month renewal grant totaling \$42,145 for the period May 1, 2016 through December 31, 2016 and \$60,059 for the period May 1, 2015 through April 30, 2016. Revenue recognized for the years ended June 30, 2017 and 2016 were \$39,595 and \$40,517, respectively. Grant expense for the years ended June 30, 2017 and 2016 were \$46,255 and \$59,109, respectively. As of June 30, 2017 and 2016, \$32,640 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. 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 expires on April 17, 2020. For the years ended June 30, 2017 and 2016, rental assistance payments of \$2,305,882 and \$2,280,528, respectively, were earned under the terms of the agreement.

8. Superstorm Sandy

In 2013, the Corporation received a grant from the Fund for the City of New York in the amount of \$50,000, which was included in other revenue. Use of the \$50,000 is restricted by the grantor for resiliency planning (equipping the project to reduce the impact of future natural disasters) and is included as temporarily restricted net assets. For the year ended June 30, 2015, \$7,540 of qualified expenditures were incurred. The remaining balance of the restricted funds as of June 30, 2017 and 2016 is \$42,460.

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

Notes to Financial Statements
June 30, 2017 and 2016

9. 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. During the years ended June 30, 2017 and 2016, noncash contributions related to the SSBG of \$3,970 and \$297,162, respectively, were recognized by the Corporation as entity revenue on the statements of activities.

10. Functional Expenses

The costs of providing various programs and other activities as 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	\$ 3,498,695	\$ 2,687,043
Management and general	<u>205,816</u>	<u>205,835</u>
Total	<u>\$ 3,704,511</u>	<u>\$ 2,892,878</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 (the "Notice"), 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. Under the Notice the corporation is allowed to retain residual receipts up to the amount of its Retained Balance for general project purposes. During 2017, there were no residual receipts in excess of its Retained Balance.

Seagirt Housing Development Fund Corporation
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Notes to Financial Statements
 June 30, 2017 and 2016

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 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 \$44,435 and \$47,095, 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.

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):

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

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

Notes to Financial Statements
June 30, 2017 and 2016

13. 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.

14. 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 residual receipts reserve 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.

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. 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.

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

Supplementary Data Required by HUD

Statement of Activities

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>\$ 175,794</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 statements of activities.	<u>\$ 227,021</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>

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

Supplementary Data Required by HUD
Reserve Accounts Data
Year Ended June 30, 2017

Reserve for Replacements

1320P	Balance, beginning of year	\$	762,749
1320DT	Total monthly deposits		83,898
1320ODT	Other Deposits		-
1320ODT-010	Deposit of unused interest savings funds, 2016		1,071
1320ODT-010	Loan repayment		6,995
1320INT	Interest income		233
1320WT	Approved withdrawals		<u>(87,099)</u>
1320	Balance, end of year	\$	<u><u>767,847</u></u>

Residual Receipts Reserve

1340P	Balance, beginning of year	\$	226,975
1340INT	Interest income		69
1340WT	Approved withdrawals		<u>(227,021)</u>
1340	Balance, end of year	\$	<u><u>23</u></u>

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

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

Surplus Cash, Distributions, and Residual Receipts

S1300-010	Cash, operations	\$ 229,564
1135	Accounts receivable, HUD	<u>32,640</u>
S1300-040	Total cash	<u>262,204</u>
S1300-050	Accrued mortgage interest payable	27,049
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	150,881
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)	71,807
2210	Prepaid revenue	6,404
2191	Tenant deposits held in trust	33,904
S1300-110	Other current obligations (describe in detail)	-
S1300-120	Principal payment due, first mortgage	-
S1300-120	Restricted funds received but not spent, Fund for City of NY grant	42,460
S1300-120	Required deposit to replacement reserve due to unspent interest savings	<u>80,369</u>
S1300-140	Total current obligations	<u>412,874</u>
S1300-150	Surplus cash (deficiency)	<u>\$ (150,670)</u>
S1300-210	Deposit due residual receipts reserve	<u>\$ -</u>

See independent auditors' report

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

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

		Assets			
		Balance		Balance	
		July 1, 2016	Additions	Deletions	
				June 30, 2017	
1410	Land and Improvements	\$ 49,100	\$ 71,450	\$ -	\$ 120,550
1420	Buildings	12,084,895	48,797	-	12,133,692
1440	Building Equipment, Portable	119,209	5,027	-	124,236
1465	Office Furniture and Equipment	12,500	-	-	12,500
1490	Miscellaneous Fixed Assets	13,400	6,105	(10,400)	9,105
1400T	Total fixed assets	<u>\$ 12,279,104</u>	<u>\$ 131,379</u>	<u>\$ (10,400)</u>	<u>\$ 12,400,083</u>
1490	Total accumulated depreciation	<u>\$ 7,974,569</u>	<u>\$ 391,318</u>	<u>\$ -</u>	<u>8,365,887</u>
1400N	Total net book value	<u>\$ 4,304,535</u>			<u>\$ 4,034,196</u>
		Amount			
1410AT	Additions for 1410 Details				
	Fencing	\$ 22,500			
	Sidewalk	48,950			
		<u>\$ 71,450</u>			
		Amount			
1420AT	Additions for 1420 Details				
	Emergency generator	\$ 3,970			
	Bathroom and kitchen improvements	10,880			
	Plumbing	14,627			
	Lighting	19,320			
	Total	<u>\$ 48,797</u>			
		Amount			
1440AT	Additions for 1440 Details				
	Stoves	\$ 1,202			
	Air conditioners	3,825			
	Total	<u>\$ 5,027</u>			
		Amount			
1490AT	Additions for 1490 Details				
	Construction in progress, land improvements	\$ 2,050			
	Construction in progress, lobby renovation	4,055			
	Total	<u>\$ 6,105</u>			
		Amount			
1490AT	Deletions from 1490 Details				
	Construction in progress, land improvements	\$ 10,400			
	Total	<u>\$ 10,400</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, 2017

Statement of Financial Position, Detail

1140	Accounts and notes receivable, operations	
	Tenant security refund	<u>\$ 6,983</u>

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

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

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>\$ 39,595</u>
	Total	<u><u>\$ 39,595</u></u>
5490	Description, revenue from investments, miscellaneous, interest on other reserves	<u>\$ 12,153</u>
	Total	<u><u>\$ 12,153</u></u>
6890	Description, miscellaneous financial expenses, Loss on the extinguishment of debt	<u>\$ 625,113</u>
	Total	<u><u>\$ 625,113</u></u>
6900	Description, nursing home/assisted living/board and care/other elderly care expenses,	
6990	Other service expenses	<u>\$ 132,932</u>
	Total	<u><u>\$ 132,932</u></u>

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

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2017

Related Party Transactions, Detail

S1300-210	JASA (service coordinator)	\$	46,255
S3100-210	JHM (management fee)		115,029
S3100-210	JHM (bookkeeping fee)		<u>34,092</u>
	Total	\$	<u><u>195,376</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, 2017

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	\$ 9,068,572
Multi-Family Housing Service Coordinators	14.191	N/A	39,595
Section 8 Project Based Cluster			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>2,305,882</u>
Total Section 8 Project Based Cluster			<u>2,305,882</u>
Total U.S. Department of Housing and Urban Development			<u>11,414,049</u>
Total expenditures of federal awards			<u>\$ 11,414,049</u>

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

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

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, 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 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, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2017</u>
14.134	Mortgage Insurance_Rental Housing (Section 207)	\$ 8,892,778

**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, 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 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 25, 2017

**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, 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.

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 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 the major federal programs. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 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 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 25, 2017

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

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

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 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 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 programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.134	U.S. Department of Housing and Urban Development: Mortgage Insurance_Rental Housing (Section 207) Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
14.856	

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.

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

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

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, 2017

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 Administrative Officer

Heidi Aronin

Name of Chief Administrative Officer

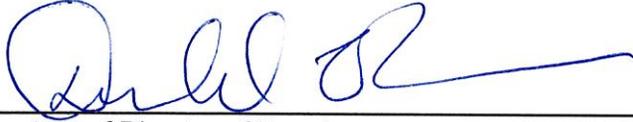
Date: September 25, 2017

Employer Identification Number: 13-3173810

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

Managing Agent's Certification
June 30, 2017

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: September 25, 2017

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

Employer Identification Number: 13-3078676