

**Israel Senior Citizens Housing
Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018**

Financial Statements and
Supplementary Information

June 30, 2017 and 2016



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Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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Independent Auditors' Report

Board of Trustees
Israel Senior Citizens Housing Development Fund Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of Israel Senior Citizens Housing Development Fund Corp. (the "Corporation"), HUD Project Nos. 012-SH015 and 012-SH018, 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 assets and its cash flows for the year then ended in conformity 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 Accounting 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

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 230,973	\$ 83,857
1130	Tenant accounts receivable	38,325	70,897
1131	Allowance for doubtful accounts	(20,542)	(32,032)
1135	Accounts receivable, HUD	22,567	15,946
1140	Accounts and notes receivable, operations	164	27,273
1145	Accounts and notes receivable, entity	-	49,879
1200	Prepaid expenses	<u>66,883</u>	<u>63,959</u>
1100T	Total current assets	<u>338,370</u>	<u>279,779</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>120,702</u>	<u>113,173</u>
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	571,133	219,633
1320	Reserve for replacements	1,418,259	2,101,401
1330	Other reserves	<u>163,425</u>	<u>1,052,953</u>
1300T	Total restricted deposits and funded reserves	<u>2,152,817</u>	<u>3,373,987</u>
Fixed Assets			
1410	Land and improvements	1,064,433	952,589
1420	Buildings and improvements	19,385,041	18,463,951
1440	Building equipment, portable	310,160	284,094
1450	Furniture for project/tenant use	28,945	20,643
1490	Miscellaneous fixed assets	<u>207,567</u>	<u>9,375</u>
1400T	Total fixed assets	20,996,146	19,730,652
1495	Less accumulated depreciation	<u>(8,702,161)</u>	<u>(7,850,533)</u>
1400N	Net fixed assets	<u>12,293,985</u>	<u>11,880,119</u>
1000T	Total assets	<u>\$ 14,905,874</u>	<u>\$ 15,647,058</u>

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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	\$ 508,831	\$ 444,722
2111	Accounts payable, construction/development	163,420	255,971
2120	Accrued wages payable	108,315	108,593
2121	Accrued payroll taxes payable	8,286	8,301
2123	Accrued management fee payable	27,125	28,628
2131	Accrued interest payable, first mortgage	24,633	25,140
2170	Mortgage payable, first mortgage, current maturities	230,119	223,951
2210	Prepaid revenue	19,517	20,378
		<u>1,090,246</u>	<u>1,115,684</u>
2122T	Total current liabilities	<u>1,090,246</u>	<u>1,115,684</u>
Deposit Liabilities			
2191	Tenant deposits held in trust (contra)	<u>120,367</u>	<u>113,173</u>
Long-Term Liabilities			
2320	Mortgage payable, first mortgage, net of current maturities	10,637,182	10,867,301
2340	Debt issuance costs	<u>(182,328)</u>	<u>(190,909)</u>
2300T	Total long-term liabilities	<u>10,454,854</u>	<u>10,676,392</u>
2000T	Total liabilities	<u>11,665,467</u>	<u>11,905,249</u>
Contingencies			
Net Assets			
3131	Unrestricted net assets	3,190,407	3,691,809
3132	Temporarily restricted net assets	<u>50,000</u>	<u>50,000</u>
3130	Total net assets	<u>3,240,407</u>	<u>3,741,809</u>
2033T	Total liabilities and net assets	<u>\$ 14,905,874</u>	<u>\$ 15,647,058</u>

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Rental Revenue		
5120	\$ 1,799,063	\$ 1,828,013
5121	3,266,115	3,152,349
5170	6,508	6,081
5190	16,051	21,867
5100T	<u>5,087,737</u>	<u>5,008,310</u>
Vacancies		
5220	(124,126)	(216,951)
5200T	<u>(124,126)</u>	<u>(216,951)</u>
5152N	<u>4,963,611</u>	<u>4,791,359</u>
5300	64,992	135,376
Financial Revenue		
5440	676	807
5490	1,108	668
5400T	<u>1,784</u>	<u>1,475</u>
Other Revenue		
5910	17,448	15,815
5920	32,563	31,843
5990	93,133	115,913
5900T	<u>143,144</u>	<u>163,571</u>
5000T	<u>5,173,531</u>	<u>5,091,781</u>
Expenses		
Administrative Expenses		
6203	107	4,675
6204	-	3,507
6310	172,579	178,475
6311	84,182	85,731
6320	477,541	456,927
6330	87,368	93,671
6331	16,656	15,636
6340	7,629	11,953
6350	12,000	14,320
6351	126,883	140,223
6370	23,121	40,986
6390	22,787	26,480
6263T	<u>1,030,853</u>	<u>1,072,584</u>
Utilities Expenses		
6450	251,468	231,365
6451	138,576	128,622
6452	190,147	191,102
6453	220,336	204,526
6400T	<u>800,527</u>	<u>755,615</u>

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 507,425	\$ 441,558
6515 Supplies	88,391	72,584
6520 Contracts	531,253	348,269
6530 Security payroll/contract	326,887	344,964
6546 Heating/cooling repairs and maintenance	59,863	26,384
6570 Vehicle and maintenance equipment operation and repairs	-	120
6500T Total operating and maintenance expenses	<u>1,513,819</u>	<u>1,233,879</u>
Taxes and Insurance		
6711 Payroll taxes (project's share)	84,652	81,234
6720 Property and liability insurance (hazard)	308,959	331,655
6722 Workmen's compensation	56,067	37,977
6723 Health insurance and other employee benefits	529,921	421,904
6790 Miscellaneous taxes, licenses, permits and insurance	6,090	10,368
6700T Total taxes and insurance expense	<u>985,689</u>	<u>883,138</u>
Financial Expense		
6820 Interest on first mortgage payable	306,977	313,025
6850 Mortgage insurance premium/service charge	49,364	50,359
6800T Total financial expense	<u>356,341</u>	<u>363,384</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	138,263	135,376
6000T Total cost of operations before depreciation	<u>4,825,492</u>	<u>4,443,976</u>
5060T Profit before depreciation	<u>348,039</u>	<u>647,805</u>
Depreciation		
6600 Depreciation expense	851,628	746,855
Total depreciation	<u>851,628</u>	<u>746,855</u>
5060N Operating loss	(503,589)	(99,050)
Corporate or mortgagor entity revenue		
7105 Entity revenue	(2,187)	(384,221)
Total expenses	<u>5,674,933</u>	<u>4,806,610</u>
3250 Change in net assets	(501,402)	285,171
Unrestricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	3,691,809	3,219,850
	-	186,788
Unrestricted Net Assets, End of Year		
	<u>3,190,407</u>	<u>3,691,809</u>
Temporarily Restricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	50,000	236,788
	-	(186,788)
Temporarily Restricted Net Assets, End of Year		
	<u>50,000</u>	<u>50,000</u>
Net Assets, End of Year		
	<u>\$ 3,240,407</u>	<u>\$ 3,741,809</u>

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.
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Statement 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	\$ 4,954,090	\$ 4,723,700
S1200-020 Interest receipts	1,784	1,475
S1200-030 Other operating receipts	285,124	221,992
S1200-040 Total receipts	<u>5,240,998</u>	<u>4,947,167</u>
S1200-050 Administrative expenses paid	(211,455)	(239,562)
S1200-070 Management fees paid	(479,044)	(443,206)
S1200-090 Utilities paid	(641,715)	(750,887)
S1200-100 Salaries and wages paid	(1,094,537)	(1,044,782)
S1200-110 Operating and maintenance paid	(664,933)	(364,578)
S1200-140 Property insurance paid	(308,959)	(331,655)
S1200-150 Miscellaneous taxes and insurance paid	(6,105)	(9,325)
S1200-170 Other operating expenses paid	(808,903)	(676,491)
S1200-180 Interest paid on first mortgage	(307,484)	(304,906)
S1200-210 Mortgage insurance premium paid	(48,688)	(49,702)
S1200-225 Entity/construction disbursements	<u>(455,955)</u>	<u>-</u>
S1200-230 Total disbursements	<u>(5,027,778)</u>	<u>(4,215,094)</u>
S1200-240 Net cash provided by operating activities	<u>213,220</u>	<u>732,073</u>
Cash Flows from Investing Activities		
S1200-245 Net (deposits to) withdrawals from mortgage escrows	(351,500)	193,038
S1200-250 Net withdrawals from (deposits to) reserve for replacements	683,142	(132,438)
S1200-255 Net withdrawals from other reserves	889,528	1,521,503
S1200-330 Net purchases of fixed assets	<u>(1,063,323)</u>	<u>(2,686,854)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>157,847</u>	<u>(1,104,751)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(223,951)	(217,949)
S1200-456 Due from affiliates	<u>-</u>	<u>94,775</u>
S1200-460 Net cash used in financing activities	<u>(223,951)</u>	<u>(123,174)</u>
S1200-470 Net increase (decrease) in cash	147,116	(495,852)
S1200-480 Cash, Beginning of Year	<u>83,857</u>	<u>579,709</u>
S1200T Cash, End of Year	<u>\$ 230,973</u>	<u>\$ 83,857</u>

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Statement of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Significant Noncash Investing and Financing Activities		
Contributed rental property improvements	\$ 2,187	\$ 384,221
Additions to fixed assets included in accounts payable, construction/development	\$ 163,420	\$ 225,971
Payments of prior year accounts payable, construction/development included in rental property	\$ (255,971)	\$ (1,199,518)
Additions to fixed assets included in accounts payable, operations	\$ 36,564	\$ 124,962
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
3250 Change in net assets	\$ (501,402)	\$ 285,171
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
6600 Depreciation	851,628	746,855
S1200-486 Interest expense on debt issuance cost	8,581	8,613
S1200-600 Bad debts	23,121	40,986
S1200-600 Contributed rental property improvements	(2,187)	(384,221)
S1200-600 Tenant security deposit held in trust timing difference	(335)	-
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	(2,039)	(57,727)
S1200-500 Accounts receivable, other	70,367	(78,617)
S1200-520 Prepaid expenses	(2,924)	(6,921)
S1200-530 Tenant security deposits funded	(7,529)	2,480
Increase (decrease) in assets:		
S1200-540 Accounts payable	(228,426)	142,412
S1200-560 Accrued liabilities	(1,796)	28,650
S1200-570 Accrued interest payable	(507)	(494)
S1200-580 Tenant security deposits held in trust	7,529	(2,480)
S1200-590 Prepaid revenue	(861)	7,366
Total adjustments	714,622	446,902
S1200-610 Net cash provided by operating activities	\$ 213,220	\$ 732,073

See notes to financial statements

Israel Senior Citizens Housing Development Fund Corp.

HUD Project Nos. 012-SH015 and 012-SH018

Notes to Financial Statements
June 30, 2017 and 2016

1. Description of the Organization

Israel Senior Citizens Housing Development Fund Corp. (the "Corporation") was organized in 1964 as a nonprofit corporation for the purpose of developing and operating housing facilities, under Section 223(f) of the National Housing Act, for persons of low-income and for promoting the welfare of the elderly and handicapped. 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 512 units located in Queens, New York and is currently operating under the name of Israel Senior Citizens Housing (the "Project").

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 as of the date of the financial statements, and the reported amounts of revenues 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.

Israel Senior Citizens Housing Development Fund Corp.
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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 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 \$20,542 and \$32,032, 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 or 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 \$8,581 and \$8,613, respectively.

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.

Israel Senior Citizens Housing Development Fund Corp.

HUD Project Nos. 012-SH015 and 012-SH018

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, New York City, and New York State.

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 cost reimbursement grant from the Community Capital Assistance Program ("CCAP") (see Note 6). Revenue is recognized as costs are incurred.

The Corporation was awarded a Garden grant from the LBK Family Trust (see Note 6). Revenue was recognized as the funds became unconditionally committed for a specific purpose, and unspent funds are included as temporarily restricted net assets.

The Corporation was awarded a grant from the Fund for the City of New York (see Note 6). Revenue was recognized as the funds became unconditionally committed for a specific purpose.

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.

Israel Senior Citizens Housing Development Fund Corp.
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Notes to Financial Statements
June 30, 2017 and 2016

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

On January 31, 2013, the Corporation obtained a mortgage from Greystone Funding Corporation ("Greystone") in the original principal balance of \$11,795,300, which is collateralized by the Corporation's fixed assets. During 2015, Greystone sold the rights, title and interest in the loan to KeyBank National Association. The mortgage is insured under Section 207 pursuant to Section 223(f) of the National Housing Act and bears interest at a rate of 2.72% per annum. Principal and interest are payable by the Corporation in monthly installments of \$43,571 due through maturity on February 1, 2048. As of June 30, 2017 and 2016, outstanding principal is \$10,867,301 and \$11,091,252, respectively, and accrued interest is \$24,633 and \$25,140, respectively.

In conjunction with the refinancing, the Corporation was required to deposit proceeds into a repair escrow, to be released upon approval from HUD, for the rehabilitation of the Project. As of June 30, 2017 and 2016, the balance of the repair escrow was \$9,583 and \$399,436, respectively. In addition, the Corporation was required to deposit funds into a developer fee escrow for the restricted portion of developer fee to be earned for the rehabilitation of the Project. As of June 30, 2017 and 2016, the balance of the developer fee escrow was \$153,842 and \$653,517, respectively. These escrows are included in other reserves on the statements of financial position.

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

Years ending June 30:	
2018	\$ 230,119
2019	236,457
2020	242,970
2021	249,661
2022	256,538
Thereafter	<u>9,651,556</u>
Total	<u>\$ 10,867,301</u>

Israel Senior Citizens Housing Development Fund Corp.

HUD Project Nos. 012-SH015 and 012-SH018

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 approximately \$33,300 into an escrow account managed by the respective lender for insurance and mortgage insurance premiums. As of June 30, 2017 and 2016, the balance in the escrow was \$571,133 and \$219,633, respectively.

Reserve for Replacements

The Corporation is required by HUD to fund a replacement reserve, to be used for the replacement of property and equipment. The use of the funds requires prior approval from HUD. Required monthly deposits of \$10,667 began in March 2013. As of June 30, 2017 and 2016, the balance in the reserve for replacements was \$1,418,259 and \$2,101,401, respectively. For the years ended June 30, 2017 and 2016, HUD approved replacement withdrawals were \$947,573 and \$296,369, respectively.

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 workmen's compensation. Property and liability insurance expense for the years ended June 30, 2017 and 2016 was \$308,959 and \$331,655, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 were \$85,091 and \$63,294, 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 \$7,916 and \$7,752, respectively.

The Corporation pays JASA through a HUD grant for an elderly and congregate services program (see Note 6) conducted by JASA for the tenants. Expenses related to this grant for the years ended June 30, 2017 and 2016 were \$138,263 and \$135,376, respectively.

As of June 30, 2017 and 2016, \$44,755 and \$19,225, respectively, remain due to JASA and are included in accounts payable - operations on the statements of financial position.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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. For the years ended June 30, 2017 and 2016, the rate was 9.35% of rental receipts on building one and 9.89% of rental receipts on building two. Management fees earned for the years ended June 30, 2017 and 2016 were \$477,541 and \$456,927, respectively.

The property 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 \$115,656 and \$126,492, respectively.

As of June 30, 2017 and 2016, \$27,125 and \$28,628, respectively, remain due to JHM and are included in accrued management fee payable on the statements of financial position.

6. Grant and Contribution 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 a six month renewal grant totaling \$71,896 for the period July 1, 2016 through December 31, 2016 and \$133,717 for the period July 1, 2015 through June 30, 2016. Revenue recognized for the years ended June 30, 2017 and 2016 were \$64,992 and \$135,376, respectively. Grant expense for the years ended June 30, 2017 and 2016 were \$138,263 and \$135,376, respectively. As of June 30, 2017 and 2016, \$22,567 and \$15,946, 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.

The Corporation was awarded a Community Capital Assistance Program ("CCAP") grant to use toward the purchase and installment of a security system in the maximum amount of \$125,000. For the year ended June 30, 2016, \$114,546 was incurred and is included in miscellaneous revenue. As of June 30, 2016, \$87,273 had been received and \$27,273 remains receivable and is included in accounts and notes receivable, operations. During the year ended June 30, 2017, the Corporation received the \$27,273 and it was determined that the remaining \$10,454 of this grant would not be drawn on. As a result, this grant will be closed out.

The Corporation received a contribution from the LBK Family Trust ("Garden Grant") in the amount of \$200,000 to further the goals of Michael Ben-Jacob, an independent trustee of the Corporation. During the years ended June 30, 2017 and 2016, \$0 and \$186,788, respectively, of costs pertaining to the grant were incurred, releasing the donor restriction.

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. The entire amount is donor restricted for resiliency planning (equipping the project to reduce the impact of future natural disasters) and the unspent proceeds of \$50,000 are included in temporarily restricted net assets.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Notes to Financial Statements
June 30, 2017 and 2016

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 October 31, 2020. For the years ended June 30, 2017 and 2016, rental assistance payments of \$3,266,115 and \$3,152,349, respectively, were earned under the terms of the agreement.

8. 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 of \$2,187 and \$384,221, respectively, were recognized by the Corporation as entity revenue on the statements of activities.

9. 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	\$ 4,930,606	\$ 4,422,657
Management and general	<u>746,514</u>	<u>768,174</u>
Total	<u>\$ 5,677,120</u>	<u>\$ 5,190,831</u>

10. 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.

Israel Senior Citizens Housing Development Fund Corp.

HUD Project Nos. 012-SH015 and 012-SH018

Notes to Financial Statements
June 30, 2017 and 2016

11. 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.

12. 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 was approved and was in effect.

13. 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 \$103,347 and \$102,968, 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.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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.

14. Current Vulnerability Due to Certain Concentrations

The Corporation's principal asset is a 512-unit apartment project comprised of two buildings. 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.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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>\$ 223,951</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>\$ 128,000</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>

See independent auditors' report

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Supplementary Data Required by HUD

Reserve Account Data

Year Ended June 30, 2017

Reserve for Replacements

1320P	Balance, beginning of year	\$	2,101,401
1320DT	Total monthly deposits		128,000
1320ODT	Other deposits - re-allocation from repair escrow		135,755
1320ODT-010	HUD authorized deposits		-
1320INT	Interest income		676
1320WT	Approved withdrawals		<u>(947,573)</u>
1320	Balance, end of year	\$	<u>1,418,259</u>

See independent auditors' report

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$	351,675
1135	Accounts receivable, HUD		<u>22,567</u>
S1300-040	Total cash		<u>374,242</u>
S1300-050	Accrued mortgage interest payable		24,633
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		508,831
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)		143,726
2210	Prepaid revenue		19,517
2191	Tenant deposits held in trust		120,367
S1300-110	Other current obligations, (describe in detail)		-
S1300-120	Restricted funds received but not spent, Fund for the City of New York grant		50,000
S1300-120	Principal payment due, first mortgage		18,939
S1300-120	Deposit due to replacement reserve		<u>10,667</u>
S1300-140	Total current obligations		<u>896,680</u>
S1300-150	Surplus cash (deficiency)	\$	<u>(522,438)</u>
S1300-210	Deposit due residual receipts reserve	\$	<u>-</u>

See independent auditors' report

Israel Senior Citizens Housing Development Fund Corp.

HUD Project Nos. 012-SH015 and 012-SH018

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	\$ 952,589	\$ 111,844	\$ -	\$ 1,064,433
1420	Buildings	18,463,951	921,090	-	19,385,041
1440	Building Equipment, Portable	284,094	26,066	-	310,160
1450	Furniture for Project/Tenant use	20,643	8,302	-	28,945
1490	Miscellaneous Fixed Assets	<u>9,375</u>	<u>303,995</u>	<u>(105,803)</u>	<u>207,567</u>
1400T	Total fixed assets	<u>\$ 19,730,652</u>	<u>\$ 1,371,297</u>	<u>\$ (105,803)</u>	<u>\$ 20,996,146</u>
1495T	Total accumulated depreciation	<u>\$ 7,850,533</u>	<u>\$ 851,628</u>	<u>\$ -</u>	<u>\$ 8,702,161</u>
1400N	Total net book value	<u>\$ 11,880,119</u>			<u>\$ 12,293,985</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Irrigation system	\$ 13,800			
	Landscaping	34,750			
	Sidewalk and parking lot replacement	<u>63,294</u>			
	Total	<u>\$ 111,844</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Apartment renovations	\$ 136,833			
	Flood barriers	2,187			
	Building improvements	590,707			
	Common area renovations	75,613			
	Furnace	<u>115,750</u>			
	Total	<u>\$ 921,090</u>			
		<u>Amount</u>			
1440AT	Additions for 1440 Details				
	Stoves & refrigerators	\$ 14,188			
	Air conditioner	4,731			
	Floor scrubber	<u>7,147</u>			
	Total	<u>\$ 26,066</u>			
		<u>Amount</u>			
1450AT	Additions for 1450 Details				
	Lobby chair & table	\$ 8,302			
	Total	<u>\$ 8,302</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction-in-progress	<u>\$ 303,995</u>			
	Total	<u>\$ 303,995</u>			
		<u>Amount</u>			
1490AT	Deletions from 1490 Details				
	Construction-in-progress, placed in service	\$ 105,803			
	Total	<u>\$ 105,803</u>			

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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	\$	<u>164</u>
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Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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	\$ 64,992
	Total	<u>\$ 64,992</u>
5490	Description, revenue from investments, miscellaneous Interest income, other reserves	\$ 1,108
	Total	<u>\$ 1,108</u>
5990	Description, miscellaneous other revenue	
	Administrative fee income	\$ 889
	Miscellaneous revenue	<u>92,244</u>
	Total	<u>\$ 93,133</u>
6900	Description, nursing home/assisted living/board and care/other elderly care expenses,	
6990	Other service expenses	\$ 138,263
	Total	<u>\$ 138,263</u>

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2017

Related Party Transactions, Detail

S3100-210	JHM (management fee)	\$	477,541
S3100-210	JHM (bookkeeping/accounting)		115,656
S3100-210	JASA (service coordinator)		<u>138,263</u>
	Total	\$	<u><u>731,460</u></u>

See independent auditors' report

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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	\$ 11,091,252
Multi-Family Housing Service Coordinators	14.191	N/A	64,992
Section 8 Project Based Cluster Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>3,266,115</u>
Total Section 8 Project Based Cluster			<u>3,266,115</u>
Total U.S. Department of Housing and Urban Development			<u>14,422,359</u>
Total expenditures of federal awards			<u><u>\$ 14,422,359</u></u>

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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 Israel Senior Citizens Housing Development Fund Corp. (the "Corporation"), HUD Project Nos. 012-SH015 and 012-SH018, 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 at June 30, 2017</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multi-family Housing Projects (Section 223(f))	\$ 10,867,301

**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
Israel Senior Citizens Housing Development Fund Corp.

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 Israel Senior Citizens Housing Development Fund Corp. (the "Corporation"), HUD Project Nos. 012-SH015 and 012-SH018, 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 a 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 on
Internal Control Over Compliance
Required by the Uniform Guidance**

Board of Trustees
Israel Senior Citizens Housing Development Fund Corp.

Report on Compliance for Each Major Federal Program

We have audited Israel Senior Citizens Housing Development Fund Corp.'s (the "Corporation"), HUD Project Nos. 012-SH015 and 012-SH018, 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 of 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 its 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

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

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 auditors' 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:

CFDA Number(s)	Name of Federal Program or Cluster
14.856	U.S. Department of Housing and Urban Development: Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multi-Family Housing Projects (Section 223(f))

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.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Summary Schedule of Prior Year's Audit Findings
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 27 tenant lease files, the following findings were noted:


- 1 of 27 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.
- The security deposit on the lease for 1 out of 4 new tenants tested did not agree to the amount collected on the rent roll.
- 1 out of 4 new tenants tested did not have evidence of a move-in inspection in their lease file.
- 1 out of 5 former tenants tested did not have evidence of a move-out inspection in their lease file.

Current Status: Housing Managers are now using a detailed checklist at move-in, recertification, and move-out to ensure all items are properly executed. The checklist includes but is not limited to the accuracy of the security deposit properly reported in tenant documentations and tenant accounting system, review of the EIV Income report and follow-up, and completion of unit inspection. When management completes a correction to a full certification, the tenant file is properly noted of the cause of the correction. The Housing Compliance Manager performs a monthly review of tenant files to ensure onsite staff is in compliance with HUD policies and procedures.

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-SH015 and 012-SH018

Mortgagor's Certification
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Israel Senior Citizens Housing Development Fund Corp., HUD Project Nos. 012-SH015 and 012-SH018 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: 11-2077747

Israel Senior Citizens Housing Development Fund Corp.
HUD Project Nos. 012-1SH015 and 012-SH018

Management Agent's Certification
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Israel Senior Citizens Housing Development Fund Corp., HUD Project Nos. 012-SH015 and 012-SH018 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 No: 13-3078676