

**Brighton Beach Housing Development  
Fund Company, Inc.  
HUD Project No. 012-11279**

Financial Statements and  
Supplementary Information

June 30, 2017 and 2016



**BAKER TILLY**

Candor. Insight. Results.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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## **Independent Auditors' Report**

Board of Trustees  
Brighton Beach Housing Development Fund Company, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brighton Beach Housing Development Fund Company, Inc. (the "Corporation"), HUD Project No. 012-11279, which comprise the statements 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2017, and the changes in its net 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 19 to 25) is presented for purposes of additional analysis and is not a required part of the financial statements. The aforementioned information has been prepared in the prescribed format and following the instructions of the United States Department of Housing and Urban Development. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 25, 2017

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Statements of Financial Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
1120 Cash, operations	\$ 285,310	\$ 354,137
1130 Tenant accounts receivable	5,112	5,188
1131 Allowance for doubtful accounts	(798)	-
1140 Accounts and notes receivable, operations	14,999	-
1200 Prepaid expenses	<u>189,650</u>	<u>176,009</u>
1100T Total current assets	<u>494,273</u>	<u>535,334</u>
<b>Deposits Held in Trust, Funded</b>		
1191 Tenant deposits	<u>36,595</u>	<u>35,373</u>
<b>Restricted Deposits and Funded Reserves</b>		
1310 Escrow deposits	167,821	124,326
1320 Reserve for replacements	427,632	631,517
1340 Residual receipts reserve	<u>70,069</u>	<u>69,985</u>
1300T Total restricted deposits and funded reserves	<u>665,522</u>	<u>825,828</u>
<b>Fixed Assets</b>		
1410 Land	593,923	555,423
1420 Buildings	12,364,361	11,313,043
1440 Building equipment, portable	128,193	109,957
1460 Furnishings	24,870	24,870
1465 Office furniture and equipment	61,119	48,319
1490 Miscellaneous fixed assets	<u>34,502</u>	<u>788,206</u>
1400T Total fixed assets	13,206,968	12,839,818
1495 Less accumulated depreciation	<u>(8,892,896)</u>	<u>(8,500,373)</u>
1400N Net fixed assets	<u>4,314,072</u>	<u>4,339,445</u>
1000T Total assets	<u>\$ 5,510,462</u>	<u>\$ 5,735,980</u>

See notes to financial statements

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Statements of Financial Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Liabilities and Net Deficit</b>		
<b>Current Liabilities</b>		
2110	\$ 169,530	\$ 349,204
2116	2,989	120
2120	22,570	17,192
2121	1,727	1,557
2123	-	9,000
2131	22,000	22,566
2170	188,891	181,986
2190	31,569	31,485
2210	6,912	3,953
2122T	<u>446,188</u>	<u>617,063</u>
<b>Deposits Liabilities</b>		
2191	<u>36,595</u>	<u>35,373</u>
<b>Long-Term Liabilities</b>		
2320	6,888,872	7,077,763
2340	<u>(10,602)</u>	<u>(11,049)</u>
2300T	<u>6,878,270</u>	<u>7,066,714</u>
2000T	<u>7,361,053</u>	<u>7,719,150</u>
<b>Contingencies</b>		
<b>Net Deficit</b>		
3131	(1,930,721)	(2,063,300)
3132	<u>80,130</u>	<u>80,130</u>
3130	<u>(1,850,591)</u>	<u>(1,983,170)</u>
2033T	<u>\$ 5,510,462</u>	<u>\$ 5,735,980</u>

See notes to financial statements

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Statements of Activities  
Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
<b>Rental Revenue</b>		
5120 Rental revenue - gross potential	\$ 446,810	\$ 434,148
5121 Tenant assistance payments	2,103,702	2,078,062
5170 Garage and parking spaces	2,160	2,160
	<u>2,552,672</u>	<u>2,514,370</u>
5100T Total rental revenue	<u>2,552,672</u>	<u>2,514,370</u>
<b>Vacancies</b>		
5220 Apartments	(16,413)	(9,794)
5270 Garage and parking spaces	(160)	(240)
	<u>(16,573)</u>	<u>(10,034)</u>
5200T Total vacancies	<u>(16,573)</u>	<u>(10,034)</u>
5152N Net rental revenue	<u>2,536,099</u>	<u>2,504,336</u>
<b>Financial Revenue</b>		
5430 Revenue from investments - residual receipts	84	84
5440 Revenue from investments - replacement reserve	679	577
	<u>763</u>	<u>661</u>
5400T Total financial revenue	<u>763</u>	<u>661</u>
<b>Other Revenue</b>		
5910 Laundry and vending machine revenue	5,065	5,052
5920 Tenant charges	1,939	1,126
5990 Miscellaneous revenue	13,931	13,975
	<u>20,935</u>	<u>20,153</u>
5900T Total other revenue	<u>20,935</u>	<u>20,153</u>
5000T Total revenue	<u>2,557,797</u>	<u>2,525,150</u>
<b>Expenses</b>		
<b>Administrative Expenses</b>		
6203 Conventions and meetings	1,235	2,651
6204 Management consultants	-	5,300
6250 Other renting expenses	797	252
6310 Office salaries	80,779	86,048
6311 Office expenses	43,078	46,164
6320 Management fee	109,956	109,956
6330 Manager or superintendent salaries	46,691	28,543
6331 Administrative rent-free unit	19,248	18,312
6340 Legal expense - project	1,648	3,380
6350 Auditing expense	12,000	13,490
6351 Bookkeeping fees/accounting services	40,791	46,577
6370 Bad debts	2,012	316
6390 Miscellaneous administrative expenses	3,366	3,986
	<u>361,601</u>	<u>364,975</u>
6263T Total administrative expenses	<u>361,601</u>	<u>364,975</u>
<b>Utilities Expenses</b>		
6450 Electricity	46,203	44,085
6451 Water	41,019	40,798
6452 Gas	60,624	56,289
6453 Sewer	65,219	64,868
	<u>213,065</u>	<u>206,040</u>
6400T Total utilities expenses	<u>213,065</u>	<u>206,040</u>

See notes to financial statements

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Statements of Activities  
Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
<b>Operating and Maintenance Expenses</b>		
6510 Payroll	\$ 81,466	\$ 79,444
6515 Supplies	66,359	86,193
6520 Contracts	131,535	158,465
6530 Security payroll/contract	153,210	140,938
6546 Heating/cooling repairs and maintenance	35,359	18,200
	<u>467,929</u>	<u>483,240</u>
6500T Total operating and maintenance expenses	<u>467,929</u>	<u>483,240</u>
<b>Taxes and Insurance</b>		
6710 Real estate taxes	317,313	287,591
6711 Payroll taxes (project's share)	18,952	17,513
6720 Property and liability insurance (hazard)	89,557	97,259
6722 Workmen's compensation	9,417	6,140
6723 Health insurance and other employee benefits	120,693	95,405
6790 Miscellaneous taxes, licenses, permits and insurance	2,416	4,063
	<u>558,348</u>	<u>507,971</u>
6700T Total taxes and insurance expense	<u>558,348</u>	<u>507,971</u>
<b>Financial Expense</b>		
6820 Interest on first mortgage payable	267,579	274,252
6850 Mortgage insurance premium/service charge	32,225	33,218
6890 Miscellaneous financial expenses	84	84
	<u>299,888</u>	<u>307,554</u>
6800T Total financial expense	<u>299,888</u>	<u>307,554</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	154,789	181,052
	<u>154,789</u>	<u>181,052</u>
6000T Total cost of operations before depreciation	<u>2,055,620</u>	<u>2,050,832</u>
5060T Profit before depreciation	<u>502,177</u>	<u>474,318</u>
<b>Depreciation</b>		
6600 Depreciation expense	392,523	359,975
	<u>392,523</u>	<u>359,975</u>
Total depreciation	<u>392,523</u>	<u>359,975</u>
5060N Operating income	109,654	114,343
<b>Corporate or mortgagor entity revenue</b>		
7105 Entity revenue	(22,925)	(234,015)
	<u>(22,925)</u>	<u>(234,015)</u>
Total expenses	<u>2,425,218</u>	<u>2,176,792</u>
3250 Change in net deficit	132,579	348,358
<b>Unrestricted Net deficit, Beginning of Year</b>		
5960 Satisfaction of restrictions	(2,063,300)	(2,415,623)
	<u>-</u>	<u>3,965</u>
<b>Unrestricted Net deficit, End of Year</b>		
	<u>(1,930,721)</u>	<u>(2,063,300)</u>
<b>Temporarily Restricted Net Assets, Beginning of Year</b>		
5960 Satisfaction of restrictions	80,130	84,095
	<u>-</u>	<u>(3,965)</u>
<b>Temporarily Restricted Net Assets, End of Year</b>		
	<u>80,130</u>	<u>80,130</u>
<b>Net deficit, End of Year</b>	<u>\$ (1,850,591)</u>	<u>\$ (1,983,170)</u>

See notes to financial statements

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
S1200-010 Rental receipts	\$ 2,518,672	\$ 2,485,548
S1200-020 Interest receipts	763	661
S1200-030 Other operating receipts	<u>20,935</u>	<u>20,153</u>
S1200-040 Total receipts	<u>2,540,370</u>	<u>2,506,362</u>
S1200-050 Administrative expenses paid	(116,320)	(125,711)
S1200-070 Management fees paid	(118,956)	(101,079)
S1200-090 Utilities paid	(215,986)	(208,304)
S1200-100 Salaries and wages paid	(356,768)	(338,877)
S1200-110 Operating and maintenance paid	(400,548)	(185,935)
S1200-120 Real estate taxes paid	(317,313)	(287,591)
S1200-140 Property insurance paid	(89,557)	(97,259)
S1200-150 Miscellaneous taxes and insurance paid	(2,246)	(2,559)
S1200-170 Other operating expenses paid	(303,851)	(300,110)
S1200-180 Interest paid on first mortgage	(268,145)	(274,351)
S1200-210 Mortgage insurance premium paid	(31,604)	(32,432)
S1200-225 Entity/construction disbursements	<u>(10,999)</u>	<u>-</u>
S1200-230 Total disbursements	<u>(2,232,293)</u>	<u>(1,954,208)</u>
S1200-240 Net cash provided by operating activities	<u>308,077</u>	<u>552,154</u>
<b>Cash Flows from Investing Activities</b>		
S1200-245 Net (deposits to) withdrawals from mortgage escrows	(43,495)	67,686
S1200-250 Net withdrawals from (deposits to) reserve for replacements	203,885	(253,439)
S1200-260 Net deposits to residual receipts reserve	(84)	(84)
S1200-330 Net purchases of fixed assets	<u>(355,224)</u>	<u>(248,491)</u>
S1200-350 Net cash used in investing activities	<u>(194,918)</u>	<u>(434,328)</u>
<b>Cash Flows from Financing Activities</b>		
S1200-360 Mortgage principal payments, first mortgage	(181,986)	(175,333)
S1200-455 Entity/construction financing activities (include detail)		
S1200-456 Due from affiliates	<u>-</u>	<u>82,555</u>
S1200-460 Net cash used in financing activities	<u>(181,986)</u>	<u>(92,778)</u>
S1200-470 Net (decrease) increase in cash	(68,827)	25,048
S1200-480 <b>Cash, Beginning of Year</b>	<u>354,137</u>	<u>329,089</u>
S1200T <b>Cash, End of Year</b>	<u>\$ 285,310</u>	<u>\$ 354,137</u>

See notes to financial statements



# **Brighton Beach Housing Development Fund Company, Inc.**

## **HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

### **1. Description of the Organization**

Brighton Beach Housing Development Fund Company, Inc. (the "Corporation") was organized in 1980 as a nonprofit corporation for the purpose of developing and operating a rental housing project for aged persons of low income under Section 202 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 154 units located in Brooklyn, New York and is currently operating under the name of Scheuer House of Brighton Beach (the "Project"). The Corporation receives a significant portion of its revenue from government subsidy payments.

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.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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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 \$798 and \$0, 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 \$447 and \$446, respectively. Estimated annual interest expense for each of the ensuing years through June 30, 2041 is \$446.

During the year ended June 30, 2015, the Corporation refinanced its mortgage with the lender (Note 3). As part of the refinancing, the entity wrote off deferred financing costs, net of accumulated amortization, in the amount of \$391,737, which has been recognized as loss on extinguishment of debt.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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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 greening grant from the Jewish Greening Fellowship ("the Fellowship") (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.

The Corporation was awarded a grant from the Fund for the City of New York (see Note 7). 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 and 2016. Due to its tax-exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure.

## **Recent Accounting Pronouncements**

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

# Brighton Beach Housing Development Fund Company, Inc.

## HUD Project No. 012-11279

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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

On February 15, 2006, the Corporation entered into a mortgage in the original amount of \$8,351,200. The mortgage note was insured by HUD and was collateralized by a deed of trust on the rental property. The note bore interest at the rate of 5.95% per annum. Principal and interest were payable by the Corporation in monthly installments of \$47,338 through maturity on March 1, 2041.

Effective September 1, 2014, the Corporation refinanced its mortgage with the lender. The remaining balance at the time of the refinancing was \$7,576,287. 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 3.73% per annum. Principal and interest are payable by the Corporation in monthly installments of \$37,474 through maturity on March 1, 2041. As of June 30, 2017 and 2016, the outstanding principal and accrued interest balances were \$7,077,763 and \$7,259,749, and \$22,000 and \$22,566, respectively.

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.

As a provision of refinancing the Corporation's original mortgage in 2006, 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. Annual required expenditures are \$264,102, with any unspent funds required to be deposited to the replacement reserve in the subsequent year. For the years ended June 30, 2017 and 2016, \$182,512 and \$187,015, respectively, were incurred and 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, a deposit of \$81,590 is due to the replacement reserve. As of June 30, 2016, a deposit of \$77,087 was due to the replacement reserve, of which \$77,087 was deposited in the year ended June 30, 2017.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

As a provision of the refinancing the Corporation's mortgage in September 2014, the Corporation is also required by HUD to deposit the additional debt service savings of \$9,864 a month into 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	\$ 188,891
2019	196,059
2020	203,498
2021	211,220
2022	219,234
Thereafter	<u>6,058,861</u>
Total	<u>\$ 7,077,763</u>

#### **4. Funded Reserves**

##### **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 are \$14,138, of which \$9,864 is a requirement of the Corporation's 2014 refinancing (see Note 3). There are additional requirements from two refinances, as previously described in Note 3. As of June 30, 2017 and 2016, the balance in the reserve for replacements was \$427,632 and \$631,517, respectively. For the years ended June 30, 2017 and 2016, HUD approved replacement withdrawals were \$451,307 and \$143,839, respectively.

During the year ended June 30, 2015, HUD approved a withdrawal of \$150,000 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, 2015, \$82,555 is due from JASA and included in due from affiliates on the statements of financial position and \$67,445 is in operating cash and included as a reduction on the computation of surplus cash, distributions and residual receipts. As of June 30, 2016, the full amount of the advance has been reimbursed.

##### **Residual Receipts Reserve**

The Corporation is required by HUD to fund a residual receipts reserve to be used for capital improvements. The use of these funds required prior approval from HUD. Deposits are made into the reserve when the Corporation has surplus cash at the end of the fiscal year. See Note 13 for additional information on residual receipt releases. As of June 30, 2017 and 2016, the balance in the residual receipts reserve was \$70,069 and \$69,985, respectively.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

**5. Related Party Transactions**

**JASA**

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and workmen's compensation. Property and liability insurance expenses for the years ended June 30, 2017 and 2016 were \$89,557 and \$97,259, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 were \$115,534 and \$87,201, respectively.

JASA pays the Corporation a "use-of-premises" fee for the use of a case management office space located at the Corporation's facility. Use-of-premises revenue for the years ended June 30, 2017 and 2016 were \$13,752 and \$13,488, respectively, and are included in miscellaneous revenue in the statements of activities.

JASA is a participant in a multi-employer, defined-benefit retirement plan sponsored by the UJA-Federation. The Corporation does not make any direct contributions into the plan on behalf of its employees, instead, contributions to the plan were made by JASA for its employees and the Corporation's employees. For the years ended June 30, 2017 and 2016, the Corporation reimbursed JASA for pension costs in the amount of \$12,516 and \$12,204, respectively.

JASA provides a service coordinator at the Project and is reimbursed by the Corporation. For the years ended June 30, 2017 and 2016, the Corporation reimbursed JASA for \$76,485 and \$77,918, respectively, of service coordinator costs.

As of June 30, 2017 and 2016, \$13,985 and \$12,979, respectively, remain due to JASA and are included in accounts payable - operations on the statements of financial position.

**JHM**

The rental property is managed by JHM pursuant to a management agreement approved by HUD. The management agreement provides for a management fee of \$59.50 per unit per month. Management fees earned for each of the years ended June 30, 2017 and 2016 were \$109,956, respectively. For the year ended June 30, 2016, \$9,000 remained payable and was included in accrued management fee payable on the statements of financial position.

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 \$34,524 and \$38,052, respectively.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

**6. 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 5, 2022. For the years ended June 30, 2017 and 2016, rental assistance payments of \$2,103,702 and \$2,078,062, respectively, were earned under the terms of the agreement.

**7. Superstorm Sandy**

During the year ended December 31, 2013, the Corporation received a grant from the Fund for the City of New York in the amount of \$95,000, which was included in other revenue. The funds are donor restricted for resiliency planning (equipping the project to reduce the impact of future natural disasters) and are included as temporarily restricted net assets along with the temporarily restricted net assets described in Note 8. For the years ended June 30, 2017 and 2016, the Corporation applied none of this grant to qualified costs. As of June 30, 2017 and 2016, the remaining balance of restricted funds from this grant was \$80,130, respectively, and is included in temporarily restricted assets.

**8. Greening Grants**

In previous years, the Corporation was awarded grants from the Jewish Greening Fellowship and received amounts totaling \$4,300 to further the goals of the Fellowship. During 2015, the project was awarded an additional grant in the amount of \$6,200. During the years ended June 30, 2017 and 2016, -0- and \$-0-, respectively, were received and are included in other revenue. During the years ended June 30, 2017 and 2016, \$-0- and \$3,965, respectively, of costs pertaining to the grants' purposes had been incurred, releasing the restriction on net assets in these amounts.

**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 of \$22,925 and \$234,015, respectively, were recognized by the Corporation as entity revenue on the statements of activities.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

**10. 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	\$ 2,236,940	\$ 2,185,018
Management and general	<u>211,203</u>	<u>225,789</u>
Total	<u>\$ 2,448,143</u>	<u>\$ 2,410,807</u>

**11. 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.

**12. Commitments and Contingencies**

The Corporation has entered into a housing assistance payments contract under the revised regulations of 24 Code of Federal Regulations (“CFR”). As such, upon termination of the contract, whether initiated by the Corporation opting out of the contract or by HUD, any unused balances in the reserve for replacements and residual receipts reserve must be remitted to HUD.

The Corporation applied for and received awards from Federal Emergency Management Agency (“FEMA”) to cover damages that were sustained to the property during Superstorm Sandy. Subsequent to the FEMA application submission, JASA received a lump sum insurance settlement that was allocated across all of its corporations. Management believes that FEMA may request the reimbursement of its award to the extent damages covered by FEMA may have also been covered by the allocation of the insurance settlement resulting in a contingent liability to FEMA. At this time, management is unable to reasonably estimate such liability.

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.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Notes to Financial Statements  
June 30, 2017 and 2016

**13. 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 ("Notice"), which was issued by HUD on August 3, 2012, any balance in its residual receipts reserve account in excess of \$38,500 (the "Retained Balance") will be used by HUD to offset HAP payments. Under the Notice, the Corporation would be allowed to retain up to the amount of its Retained Balance for general project purposes. During each of the years ended June 30, 2017 and 2016, the Corporation recorded \$84 of expenses for the amount of its residual receipts reserve account plus any current required deposit to residual receipts in excess of its Retained Balance.

As of June 30, 2017 and 2016, the Corporation had a liability of \$31,569 and \$31,485, respectively, which reflects the remaining excess amount of its residual receipts account. The liability includes an accrual for the amount, if any, of surplus cash that is required to be deposited into the residual receipts account after the end of the year that would cause the balance of the account to exceed the Retained Balance amount.

**14. Current Vulnerability Due to Certain Concentrations**

The Corporation's principal asset is a 154-unit apartment project. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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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>\$ 181,986</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>\$ 169,656</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>

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Supplementary Data Required by HUD

Reserve Accounts Data

Year Ended June 30, 2017

**Reserve for Replacements**

1320P	Balance, beginning of year	\$	631,517
1320DT	Total monthly deposits		169,656
1320ODT-010	Deposit of unused interest savings funds, 2016		77,087
1320INT	Interest income		679
1320WT	Approved withdrawals		<u>(451,307)</u>
1320	Balance, end of year	\$	<u>427,632</u>

**Residual Receipts Reserve**

1340P	Balance, beginning of year	\$	69,985
1340INT	Interest income		<u>84</u>
1340	Balance, end of year	\$	<u>70,069</u>

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

**Surplus Cash, Distributions and Residual Receipts**

S1300-010	Cash	\$	321,905
1135	Accounts receivable, HUD		-
			<hr/>
S1300-040	Total cash		321,905
			<hr/>
S1300-050	Accrued mortgage interest payable		22,000
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		172,519
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)		24,297
2210	Prepaid revenue		6,912
2191	Tenant deposits held in trust		36,595
S1300-110	Other current obligations (describe in detail)		-
S1300-120	Restricted funds received but unspent (Superstorm Sandy)		80,130
S1300-120	Required deposit to replacement reserve due to unspent interest savings		81,590
			<hr/>
S1300-140	Total current obligations		424,043
			<hr/>
S1300-150	Surplus cash (deficiency)	\$	(102,138)
			<hr/>
S1300-210	Deposit due residual receipts reserve	\$	-
			<hr/>

See independent auditors' report

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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

		<b>Assets</b>			
		<u>Balance</u>			<u>Balance</u>
		<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
1410	<b>Land</b>	\$ 555,423	\$ 38,500	\$ -	\$ 593,923
1420	<b>Buildings</b>	11,313,043	1,051,318	-	12,364,361
1440	<b>Building Equipment, Portable</b>	109,957	18,236	-	128,193
1460	<b>Furnishings</b>	24,870	-	-	24,870
1465	<b>Office Furniture and Equipment</b>	48,319	12,800	-	61,119
1490	<b>Miscellaneous Fixed Assets</b>	788,206	34,502	(788,206)	34,502
1400T	Total fixed assets	<u>\$ 12,839,818</u>	<u>\$ 1,155,356</u>	<u>\$ (788,206)</u>	<u>\$ 13,206,968</u>
1495	Total accumulated depreciation	<u>\$ 8,500,373</u>	<u>\$ 392,523</u>	<u>\$ -</u>	<u>\$ 8,892,896</u>
1400N	Total net book value	<u>\$ 4,339,445</u>			<u>\$ 4,314,072</u>
		<u>Amount</u>			
1410AT	<b>Additions for 1410 Details</b>				
	Sidewalk	\$ 26,000			
	Fencing	12,500			
	Total	<u>\$ 38,500</u>			
		<u>Amount</u>			
1420AT	<b>Additions for 1420 Details</b>				
	Roof, ceiling and boilers	\$ 51,321			
	Flooring and tiles	26,900			
	Cabinets	31,491			
	Doors	19,070			
	Elevator modernization	379,305			
	Emergency generator	543,231			
	Total	<u>\$ 1,051,318</u>			
		<u>Amount</u>			
1440AT	<b>Additions for 1440 Details</b>				
	Stoves	\$ 4,203			
	Refrigerators	5,055			
	Office equipment	8,978			
	Total	<u>\$ 18,236</u>			
		<u>Amount</u>			
1465AT	<b>Office Furniture and Equipment</b>				
	Air Conditioners	\$ 12,800			
	Total	<u>\$ 12,800</u>			
		<u>Amount</u>			
1490AT	<b>Additions for 1490 Details</b>				
	Construction in progress, roof repair	\$ 2,750			
	Construction in progress, paint stairwells	7,252			
	Construction in progress, bathroom renovation	24,500			
	Total	<u>\$ 34,502</u>			
		<u>Amount</u>			
1490AT	<b>Deletions from 1490 Details</b>				
	Construction in progress - emergency generators	\$ 520,306			
	Construction in progress - rehabilitation projects	267,900			
	Total	<u>\$ 788,206</u>			

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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

**Statement of Financial Position, Detail**

1140	Accounts and notes receivable, operations Reimbursement from interest savings	\$ 14,999
2190	Miscellaneous current liabilities Residual receipts obligation	\$ 31,569

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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

**Statement of Activities, Detail**

5990-010	Description, miscellaneous other revenue Laundry		
	Use of premises income	\$	13,752
	Miscellaneous other income		<u>179</u>
5990-020	Total	\$	<u><u>13,931</u></u>
6390	Description, miscellaneous administrative expenses Bank charges	\$	2,806
	Subscriptions and dues		<u>560</u>
	Total	\$	<u><u>3,366</u></u>
6790	Description, miscellaneous taxes, licenses, permits and insurance Fees and violations	\$	1,508
	Miscellaneous taxes		<u>908</u>
	Total	\$	<u><u>2,416</u></u>
6900	Description, nursing home/assisted living/board and care/other elderly care expenses	\$	<u>154,789</u>
	Total	\$	<u><u>154,789</u></u>

*See independent auditors' report*

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2017

**Related Party Transactions, Detail**

S1300-210	JHM (management fee)	\$	109,956
S1300-210	JHM (bookkeeping/accounting)		34,524
S1300-210	JASA (service coordinator)		<u>154,789</u>
	Total	\$	<u><u>299,269</u></u>

*See independent auditors' report*

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing for the Elderly: Section 202 Direct Loan	14.157	N/A	\$ 7,259,749
Section 8 Project Based Cluster Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation Total Section 8 Project Based Cluster	14.856	N/A	<u>2,103,702</u> <u>2,103,702</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>9,363,451</u>
Total expenditures of federal awards			<u>\$ 9,363,451</u>

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 01211279**

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

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brighton Beach Housing Development Fund Company, Inc., (the "Corporation"), HUD Project No. 012-11279, 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 direct loan under Section 202 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2017</u>
14.157	Supportive Housing for the Elderly - Section 202 Direct Loan	\$ 7,077,763

**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  
Brighton Beach Housing Development Fund Company, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brighton Beach Housing Development Fund Company, Inc. (the "Corporation"), HUD Project No. 012-11279, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for 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 on  
Internal Control Over Compliance  
Required by The Uniform Guidance**

Board of Trustees  
Brighton Beach Housing Development Fund Company, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Brighton Beach Housing Development Fund Company, Inc.'s (the "Corporation"), HUD Project No. 012-11279, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal program 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 the 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 program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

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

## Report on 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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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

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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

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

None.

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Mortgagor's Certification  
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Brighton Beach Housing Development Fund Company, Inc., HUD Project No. 012-11279 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

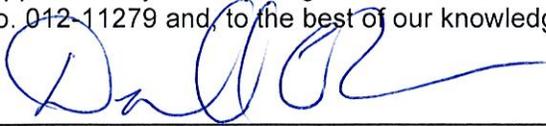
Employer Identification No: 13-3042331

**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No. 012-11279**

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Management Agent's Certification  
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Brighton Beach Housing Development Fund Company, Inc., HUD Project No. 012-11279 and, to the best of our knowledge and belief, the same are accurate and complete.



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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