

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

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2019

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

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

June 30, 2019

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Brighton Beach Housing Development Fund Company, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

Officer

Tracy Welsh
Chief Operating Officer

Date

Telephone Number: (212) 273-5212

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

June 30, 2019

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Brighton Beach Housing Development Fund Company, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

Managing Agent

JASA Housing Management Services
for the Aged, Inc.

Donald Manning
Director of Housing

Date

Marcella Leff-Wong
Property Manager

Managing Agent Taxpayer
Identification Number:
13-3078676

Independent Auditor's Report

To the 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 statement of financial position as of June 30, 2019, 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 these 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.

Auditor's 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 audits 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 Brighton Beach Housing Development Fund Company, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 to 32 is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. 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 audits 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 (Report Date), on our consideration of Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
November 6, 2019

Taxpayer Identification Number:
22-1478099

Lead Auditor: Winell Belfonte

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

Statement of Financial Position
June 30, 2019

Assets

Current assets	
Cash - operations	\$ 253,238
Cash - entity	80,130
Tenant accounts receivable	3,730
Accounts and notes receivable - operations	13
Prepaid expenses	189,299
	<hr/>
Total current assets	526,410
	<hr/>
Deposits held in trust - funded	
Tenant deposits	38,132
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	57,095
Reserve for replacements	784,288
Residual receipts reserve	70,237
	<hr/>
Total restricted deposits and funded reserves	911,620
	<hr/>
Rental property	
Land	644,423
Buildings	12,518,550
Building equipment - portable	128,193
Furnishings	24,870
Office furniture and equipment	92,337
Miscellaneous fixed assets	163,225
	<hr/>
	13,571,598
Less accumulated depreciation	(9,745,955)
	<hr/>
Total rental property	3,825,643
	<hr/>
Total assets	\$ 5,301,805
	<hr/> <hr/>

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

Statement of Financial Position
June 30, 2019

Liabilities and Net Assets

Current liabilities	
Accounts payable - operations	\$ 252,716
Accounts payable - Section 8 and other	1,139
Accrued wages payable	29,125
Accrued payroll taxes payable	2,213
Accrued management fee payable	7,356
Accrued interest payable - first mortgage	20,804
Mortgage payable - first mortgage (short-term)	203,498
Miscellaneous current liabilities	31,737
Prepaid revenue	2,914
	<hr/>
Total current liabilities	551,502
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	38,132
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage	6,479,607
	<hr/>
Total long-term liabilities	6,479,607
	<hr/>
Total liabilities	7,069,241
	<hr/>
Contingency	-
	<hr/>
Net assets	
Net assets without donor restrictions	(1,847,566)
Net assets with donor restrictions	80,130
	<hr/>
Total net assets	(1,767,436)
	<hr/>
Total liabilities and net assets	\$ 5,301,805
	<hr/> <hr/>

See Notes to Financial Statements.

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

Statement of Activities
Year Ended June 30, 2019

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue			
Rental	\$ 2,604,068	\$ -	\$ 2,604,068
Vacancies	(27,150)	-	(27,150)
Net rental revenue	2,576,918	-	2,576,918
Financial	896	-	896
Other revenues	26,183	-	26,183
Total revenue	<u>2,603,997</u>	<u>-</u>	<u>2,603,997</u>
Expenses			
Administrative	419,332	-	419,332
Utilities	205,954	-	205,954
Operating and maintenance	516,759	-	516,759
Taxes and insurance	513,773	-	513,773
Financial (including interest of \$253,464)	284,155	-	284,155
Nursing home/assisted living and other elderly care	181,477	-	181,477
Total cost of operations before depreciation	<u>2,121,450</u>	<u>-</u>	<u>2,121,450</u>
Income (loss) before depreciation	482,547	-	482,547
Depreciation	<u>427,687</u>	<u>-</u>	<u>427,687</u>
Change in net assets	54,860	-	54,860
Net assets, beginning	<u>(1,902,426)</u>	<u>80,130</u>	<u>(1,822,296)</u>
Net assets, end	<u><u>\$ (1,847,566)</u></u>	<u><u>\$ 80,130</u></u>	<u><u>\$ (1,767,436)</u></u>

Brighton Beach Housing Development Fund Company, Inc.
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Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities	
Rental receipts	\$ 2,548,895
Interest receipts	896
Other operating receipts	<u>26,183</u>
Total receipts	<u>2,575,974</u>
Administrative expenses paid	(65,615)
Management fees paid	(148,522)
Utilities paid	(205,954)
Salaries and wages paid	(407,988)
Operating and maintenance paid	(315,324)
Real estate taxes paid	(324,842)
Property insurance paid	(104,841)
Miscellaneous taxes and insurance paid	(1,562)
Other operating expenses paid	(274,876)
Interest paid on first mortgage	(253,626)
Mortgage insurance premium paid	(29,853)
Miscellaneous financial expenses paid	<u>(169)</u>
Total disbursements	<u>(2,133,172)</u>
Net cash provided by operating activities	<u>442,802</u>
Cash flows from investing activities	
Net withdrawals from (deposits to) mortgage escrows	214,877
Net deposits to reserve for replacements	(261,160)
Net deposits to residual receipts reserve	(84)
Net purchases of fixed assets	<u>(95,878)</u>
Net cash used in investing activities	<u>(142,245)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	<u>(196,058)</u>
Net cash used in financing activities	<u>(196,058)</u>
Net increase (decrease) in cash	104,499
Cash, beginning	<u>228,869</u>
Cash, end	<u><u>\$ 333,368</u></u>
Significant noncash investing and financing activities	
Additions to rental property included in accounts payable	<u><u>\$ 126,522</u></u>

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2019

Note 1 - Organization

Brighton Beach Housing Development Fund Company, Inc. (the "Corporation") was organized in 1980 as a nonstock, nonprofit corporation for the purpose of developing and operating housing and auxiliary facilities, under Section 202 of the National Housing Act, for aged persons of low income. 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 New York, New York and is currently operating under the name Scheuer House of Brighton Beach (the "Project"). The Corporation receives a significant portion of its revenue from government subsidy payments. Surplus cash, as defined by HUD, is required to be deposited into a residual receipts reserve.

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

Note 2 - Summary of significant accounting policies

Basis of presentation

The Corporation presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Corporation conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as without donor restrictions or with donor restrictions 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.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2019

Rental property

Rental property is 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.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Property classification</u>	<u>Estimated lives (years)</u>
Buildings	40 years
Building equipment - portable	5 - 10 years
Office furniture and equipment	5 years

Deferred issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

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 has been recognized for the year ended June 30, 2019.

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 year ended June 30, 2019. 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. Income tax returns filed by the Corporation are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax year since 2016 remain open.

Change in accounting principle

During the year ended June 30, 2019, the Corporation adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has

Brighton Beach Housing Development Fund Company, Inc.
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adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied on a retrospective basis.

Rental income

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 reimbursed grant from HUD (see Note 6). Revenue is recognized as costs are incurred.

Functional expenses

The costs of providing programs and other activities are summarized on a functional basis in Note 12. Accordingly, certain costs are allocated among program services and supporting services benefitted.

Note 3 - Liquidity and availability

The Corporation has \$446,280 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$253,238, accounts receivable, net of allowances of \$3,743 and prepaid expense of \$189,299. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As regulated by HUD, financial assets of the corporation are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated, subject to exceptions permitted in certain regulatory agreements, must be deposited into a residual receipts reserve.

Note 4 - 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 August 27, 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, 2019, the outstanding principal and accrued interest balances were \$6,692,814 and \$20,804, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$9,709 as of June 30, 2019 and are related to the first mortgages. Debt issuance costs on the above note are being amortized using an imputed rate of 3.74%. For the year ended June 30, 2019, interest expense of \$253,464, inclusive of amortization of debt issuance costs of \$447, was incurred and charged to operations.

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Notes to Financial Statements
June 30, 2019

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 year ended June 30, 2019, \$181,477 was incurred and used for program services and is included in the statements of activities as nursing home/assisted living and other elderly care expenses. As of June 30, 2019, a deposit of \$82,625 is due to the replacement reserve.

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.

The liability of the Corporation under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

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

June 30, 2020	\$ 203,498
2021	211,219
2022	219,234
2023	227,552
2024	236,187
Thereafter	<u>5,595,124</u>
Total balance due	6,692,814
Current maturities	(203,498)
Unamortized debt issuance costs	<u>(9,709)</u>
Net long-term balance	<u><u>\$ 6,479,607</u></u>

Note 5 - Reserves

Replacement reserve

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). As of June 30, 2019, the balance in the reserve for replacements was \$784,288.

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. As of June 30, 2019, the balance in the residual receipts reserve was \$70,237.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2019

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 account in excess of \$38,500 (its "Retained Balance") will be used by HUD to offset HAP payments. Under the Notice, the Corporation is allowed to retain residual receipts up to the amount of its Retained Balance for general purposes. During the year ended June 30, 2019, the Corporation recorded an expense of \$168 for the amount of its residual receipts account in excess of its Retained Balance.

As of June 30, 2019, the Corporation had a liability of \$31,737 which reflects the remaining excess amount of its residual receipts account. The liability includes an accrual, if any, for the amount 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.

Escrow deposits

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 of June 30, 2019, the balance in the residual receipts reserve was \$57,095.

Note 6 - Related party transactions

JASA

The Corporation is a participant in a general insurance plan with JASA, which also includes health insurance and workmen's compensation. Property and liability insurance expense for the year ended June 30, 2019 was \$104,841. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2019 were \$6,099.

The Corporation also pays JASA for elderly and congregate services conducted by JASA for the tenants. Expenses related to these services for the year ended June 30, 2019 were \$76,263.

The Corporation is a participant in a multiemployer, defined benefit retirement plan sponsored by the UJA-Federation. The actuarial present value of the benefit obligation and fair value of plan assets are not available separately for each employer who participates in the plan. For the year ended June 30, 2019, the Corporation did not make any direct contributions into the plan on behalf of its employees; contributions to the plan were made by JASA. For the year ended June 30, 2019, the Corporation reimbursed JASA for \$15,420 for pension costs.

JASA pays the Corporation a license fee for the use of space for community services facility located at the site. License fee revenue for the year ended June 30, 2019 was \$14,070 and is included in other revenues on the statement of activities.

As of June 30, 2019, \$19,903 remains payable to JASA and is included on the statement of financial position in accounts payable - operations.

JHM

The property is managed by an affiliate of the Corporation, JHM, pursuant to a management agreement approved by HUD. The current management agreement provides for a fee of 6.01% or \$79 per unit per month of residential income collected. Management fees earned for the year ended June 30, 2019 were \$151,878.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2019

The property pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. Fees earned for the year ended June 30, 2019 were \$33,720, and are included in bookkeeping fees/accounting services on the statement of activities.

As of June 30, 2019, \$7,356 remains payable to JHM and is included on the statement of financial position as accrued management fee payable.

Note 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. The funds are grantor restricted for resiliency planning (equipping the project to reduce the impact of future natural disasters). In the years prior to the year ended June 30, 2019, the Corporation applied \$14,870 of this grant to qualified costs. As of June 30, 2019, the remaining balance of restricted funds from this grant was \$80,130 and is included in net assets with donor restrictions.

Note 8 - 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 year ended June 30, 2019, rental assistance payment of \$2,142,105 was earned under the terms of the agreement.

Note 9 - Concentration 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 at June 30, 2019.

Note 10- Current vulnerability due to certain concentrations

The Corporation's principal asset is a 154-unit apartment facility. 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.

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Notes to Financial Statements
June 30, 2019

Note 11 - Expenses by nature and function

The table below presents expenses by both their nature and function during the year ended June 30, 2019.

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 218,543	\$ 200,789	\$ 419,332
Utilities expense	205,954	-	205,954
Operating and maintenance expenses	516,759	-	516,759
Taxes and insurance	513,773	-	513,773
Financial expenses	284,155	-	284,155
Nursing home/assisted living/board and care/other elderly care expenses	181,477	-	181,477
Depreciation	427,687	-	427,687
	<u>\$ 2,348,348</u>	<u>\$ 200,789</u>	<u>\$ 2,549,137</u>
Total	<u>\$ 2,348,348</u>	<u>\$ 200,789</u>	<u>\$ 2,549,137</u>

Note 12 - Commitments and contingencies

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.

Note 13 - Mortgagor entity expenses

Mortgagor entity expenses included in the statement of activities do not represent operating expenses of the project and, accordingly, cannot be paid and are not paid out of project operations. Rather, they are entity expenses, which can only be paid out of surplus cash or mortgagor entity funds. Such expenses have been segregated from project operations in the statement of activities for that reason. Unpaid mortgagor entity expenses included in the statement of activities represent accruals only and are recorded only where required under accounting principles generally accepted in the United States of America. These accruals result only in increased liabilities in the statement of financial position. The liability that results from any accrual is also subject to surplus cash restrictions and is payable only to the extent of surplus cash or mortgagor entity funds. The statement of cash flows reflects those mortgagor entity expenses actually paid during the period.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2019

Below is a summary of mortgagor entity expenses expensed and paid:

Description	Beginning liability	Expensed amount	Paid amount	Ending liability
Residual receipts obligation	\$ 31,569	\$ 168	\$ -	\$ 31,737
	<u>\$ 31,569</u>	<u>\$ 168</u>	<u>\$ -</u>	<u>\$ 31,737</u>

Note 14 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through November 6, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by HUD

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2019**

<u>Account No.</u>		<u>Assets</u>	
Current assets			
1120	Cash - operations	\$	253,238
1125	Cash - entity		80,130
1130	Tenant accounts receivable		3,730
1140	Accounts and notes receivable - operations		13
1200	Prepaid expenses		<u>189,299</u>
1100T	Total current assets		526,410
Deposits held in trust - funded			
1191	Tenant deposits		38,132
Restricted deposits and funded reserves			
1310	Escrow deposits	\$	57,095
1320	Reserve for replacements		784,288
1340	Residual receipts reserve		<u>70,237</u>
1300T	Total deposits		911,620
Rental property			
1410	Land		644,423
1420	Buildings		12,518,550
1440	Building equipment - portable		128,193
1460	Furnishings		24,870
1465	Office furniture and equipment		92,337
1490	Miscellaneous fixed assets		<u>163,225</u>
1400T	Total fixed assets		13,571,598
1495	Less accumulated depreciation		<u>(9,745,955)</u>
1400N	Net fixed assets		<u>3,825,643</u>
1000T	Total assets	\$	<u><u>5,301,805</u></u>

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2019**

<u>Account No.</u>	<u>Liabilities and Net Assets</u>	
<u>Current liabilities</u>		
2110	Accounts payable - operations	\$ 252,716
2116	Accounts payable - Section 8 and other	1,139
2120	Accrued wages payable	29,125
2121	Accrued payroll taxes payable	2,213
2123	Accrued management fee payable	7,356
2131	Accrued interest payable - first mortgage	20,804
2170	Mortgage payable - first mortgage (short-term)	203,498
2190	Miscellaneous current liabilities	31,737
2210	Prepaid revenue	<u>2,914</u>
2122T	Total current liabilities	551,502
<u>Deposits liability</u>		
2191	Tenant deposits held in trust (contra)	38,132
<u>Long-term liabilities</u>		
2320	Mortgage payable - first mortgage	<u>\$ 6,479,607</u>
2300T	Total long-term liabilities	<u>6,479,607</u>
2000T	Total liabilities	7,069,241
3131	Net assets without donor restrictions	(1,847,566)
3133	Net assets with donor restrictions	<u>80,130</u>
3130	Total net assets	<u>(1,767,436)</u>
2033T	Total liabilities and net assets	<u><u>\$ 5,301,805</u></u>

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2019

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 460,043	
5121	Tenant assistance payments	2,142,105	
5170	Garage and parking spaces	<u>1,920</u>	
5100T	Total rental revenue		\$ 2,604,068
Vacancies			
5220	Apartments	<u>(27,150)</u>	
5200T	Total vacancies		<u>(27,150)</u>
5152N	Net rental revenue		2,576,918
Financial revenue			
5430	Revenue from investments - residual receipts	84	
5440	Revenue from investments - replacement reserve	<u>812</u>	
5400T	Total financial revenue		896
Other revenue			
5910	Laundry and vending	4,672	
5920	Tenant charges	4,258	
5990	Miscellaneous revenue	<u>17,253</u>	
5900T	Total other revenue		<u>26,183</u>
5000T	Total revenue		<u>2,603,997</u>

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2019**

Account No.

Taxes and insurance			
6710	Real estate taxes	319,807	
6711	Payroll taxes	20,522	
6720	Property and liability insurance	104,841	
6722	Workmen's compensation	6,099	
6723	Health insurance and other employee benefits	60,942	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>1,562</u>	
6700T	Total taxes and insurance		513,773
Financial expenses			
6820	Interest on first mortgage payable	253,464	
6850	Mortgage insurance premium/service charge	30,522	
6890	Miscellaneous financial expenses	<u>169</u>	
6800T	Total financial expenses		<u>284,155</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>181,477</u>
6000T	Total cost of operations before depreciation		<u>2,121,450</u>
5060T	Income (loss) before depreciation		<u>482,547</u>
Depreciation			
6600	Depreciation expense	<u>427,687</u>	
	Total depreciation		<u>427,687</u>
5060N	Operating income (loss)		<u>54,860</u>
	Total expenses		<u>2,549,137</u>
3250	Change in net assets		<u><u>\$ 54,860</u></u>

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2019

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 196,058</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>\$ 169,655</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of activities.	<u>\$ -</u>

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

Supplementary Information

**Statement of Changes in Net Assets (Deficit) Data
Year Ended June 30, 2019**

Account No.

		<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Net assets without donor restrictions</u>
S1100-050	Net assets			
S1100-060/0	June 30, 2018	\$ (1,902,426)	\$ 80,130	\$ (1,822,296)
3247/3249	Change in net assets	<u>54,860</u>	<u>-</u>	<u>54,860</u>
3130	Net assets			
3131/3133	June 30, 2019	<u>\$ (1,847,566)</u>	<u>\$ 80,130</u>	<u>\$ (1,767,436)</u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2019**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 2,548,895
S1200-020	Interest receipts	896
S1200-030	Other operating receipts	<u>26,183</u>
S1200-040	Total receipts	<u>2,575,974</u>
S1200-050	Administrative expenses paid	(65,615)
S1200-070	Management fees paid	(148,522)
S1200-090	Utilities paid	(205,954)
S1200-100	Salaries and wages paid	(407,988)
S1200-110	Operating and maintenance paid	(315,324)
S1200-120	Real estate taxes paid	(324,842)
S1200-140	Property insurance paid	(104,841)
S1200-150	Miscellaneous taxes and insurance paid	(1,562)
S1200-170	Other operating expenses paid	(274,876)
S1200-180	Interest paid on first mortgage	(253,626)
S1200-210	Mortgage insurance premium paid	(29,853)
S1200-220	Miscellaneous financial expenses paid	<u>(169)</u>
S1200-230	Total disbursements	<u>(2,133,172)</u>
S1200-240	Net cash provided by operating activities	<u>442,802</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	214,877
S1200-250	Net deposits to reserve for replacements	(261,160)
S1200-260	Net deposits to residual receipts reserves	(84)
S1200-330	Net purchases of fixed assets	<u>(95,878)</u>
S1200-350	Net cash used in investing activities	<u>(142,245)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(196,058)</u>
S1200-460	Net cash used in financing activities	<u>(196,058)</u>
S1200-470	Net increase in cash	104,499
S1200-480	Cash, beginning	<u>228,869</u>
S1200T	Cash, end	<u>\$ 333,368</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2019

<u>Account No.</u>		
S1200-620	Comments	
	Additions to rental property included in accounts payable	<u>\$ 126,522</u>

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

Supplementary Information
Year Ended June 30, 2019

Reserve for Replacements

<u>Account No.</u>			
1320P	Balance at June 30, 2018	\$	523,128
1320DT	Total monthly deposits		169,655
1320ODT	Other deposits		
1320OD-010	Deposit of unused interest savings funds, 2018		90,693
1320INT	Interest income		<u>812</u>
1320	Balance at June 30, 2019	\$	<u><u>784,288</u></u>

Residual Receipts Reserve

<u>Account No.</u>			
1340P	Balance at June 30, 2018	\$	70,153
1340INT	Interest income		<u>84</u>
1340	Balance at June 30, 2019	\$	<u><u>70,237</u></u>

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

Supplementary Information
Year Ended June 30, 2019

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 291,370
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	291,370
		<hr/>
S1300-050	Accrued mortgage interest payable	20,804
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	253,855
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	17,719
S1300-100	Accrued expenses (not escrowed)	39,833
2210	Prepaid revenue (Account 2210)	2,914
2191	Tenant security deposits liability (Account 2191)	38,132
S1300-110	Other current obligations (describe in detail)	
	Required deposit to replacement reserve due	
S1300-120	to unspent funds	\$ 82,625
		<hr/>
		82,625
		<hr/>
S1300-140	Less total current obligations	455,882
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ (164,512)
		<hr/>
S1300-210	<u>Part B - Deposit Due Residual Receipts Reserve</u>	<u>\$ -</u>

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

Supplementary Information
Year Ended June 30, 2019

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/19
	Balance 6/30/18	Additions	Deletions	
Land	\$ 644,423	\$ -	\$ -	\$ 644,423
Buildings	12,459,375	59,175	-	12,518,550
Building equipment - portable	128,193	-	-	128,193
Furnishings	24,870	-	-	24,870
Office furniture and equipment	92,337	-	-	92,337
Miscellaneous fixed assets	-	163,225	-	163,225
	<u>\$ 13,349,198</u>	<u>\$ 222,400</u>	<u>\$ -</u>	<u>\$ 13,571,598</u>
Accumulated depreciation	<u>\$ 9,318,268</u>	<u>\$ 427,687</u>	<u>\$ -</u>	<u>\$ 9,745,955</u>
Total net book value				<u>\$ 3,825,643</u>

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Terrace resurface	\$ 19,875
Insulation of boiler room	6,425
Boiler control installation	32,875
	<u>\$ 59,175</u>

Additions to Miscellaneous Fixed Assets Account

Item and quantity	Amount
Renovation of parking lot	\$ 9,350
Security camera installation	29,000
Wiring and network infrastructure installation	110,000
Plumbing	14,875
	<u>\$ 163,225</u>

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

Supplementary Information
Year Ended June 30, 2019

Detail of Accounts - Statement of Financial Position

Miscellaneous Current Liabilities (Account No. 2190)

Miscellaneous current liability - residual receipts obligations	<u>\$ 31,737</u>
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Detail of Accounts - Statement of Activities

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous revenue - use of premises	\$ 14,070
Miscellaneous revenue - administrative fee income	183
Sundry income	<u>3,000</u>
	<u>\$ 17,253</u>

Nursing Home/Assisted Living/Board and Care/Other Elderly Care Expenses (Account No. 6900)

6990 Other service expenses	<u>\$ 181,477</u>
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Brighton Beach Housing Development Fund Company, Inc.
HUD Project No.: 012-11279

Supplementary Information
Year Ended June 30, 2019

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JHM - management fee	\$ 148,522
S3100-210	JASA - service coordinator	76,263
S3100-210	JHM -bookkeeping fees	<u>33,720</u>
		<u>\$ 258,505</u>

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development Supportive Housing for the Elderly: Section 202 Direct Loan	14.157	N/A	\$ 6,888,872
Section 8- Housing Assistance Payments	14.856	N/A	<u>2,142,105</u>
Total expenditures of federal awards			<u><u>\$ 9,030,977</u></u>

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

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Brighton Beach Housing Development Fund Company, Inc., HUD Project No.012-11279, under programs of the federal government for the year ended June 30, 2019. 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* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Brighton Beach Housing Development Fund Company, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Brighton Beach Housing Development Fund Company, Inc.

Note 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. Brighton Beach Housing Development Fund Company, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - U.S. Department of Housing and Urban Development loan program

Brighton Beach Housing Development Fund Company, Inc. 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. Brighton Beach Housing Development Fund Company, Inc. received no additional loans during the year. The balance of the loan outstanding at June 30, 2019 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2019</u>
14.157	Supportive Housing for the Elderly - Section 202 Direct Loan	\$ 6,692,814

Independent Auditor's 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

To the 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., which comprise the statement of financial position as of June 30, 2019, 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 INPUT NEEDED.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brighton Beach Housing Development Fund Company, Inc.'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 Brighton Beach Housing Development Fund Company, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Brighton Beach Housing Development Fund Company, Inc.'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 we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brighton Beach Housing Development Fund Company, Inc.'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 Brighton Beach Housing Development Fund Company, Inc.'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.

CohnReznick LLP

New York, New York
November 6, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

To the 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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brighton Beach Housing Development Fund Company, Inc.'s major federal programs for the year ended June 30, 2019. Brighton Beach Housing Development Fund Company, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Brighton Beach Housing Development Fund Company, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Brighton Beach Housing Development Fund Company, Inc. 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 programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Brighton Beach Housing Development Fund Company, Inc. 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 Brighton Beach Housing Development Fund Company, Inc.'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 Brighton Beach Housing Development Fund Company, Inc.'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 the 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.



New York, New York
November 6, 2019

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

Schedule of Findings and Questioned Costs

June 30, 2019

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Brighton Beach Housing Development Fund Company, Inc. were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Brighton Beach Housing Development Fund Company, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Brighton Beach Housing Development Fund Company, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The programs tested as major programs were:
 - Section 202 Direct Loan, CFDA #14.157
 - Section 8 Housing Assistance Program, CFDA #14.856
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Brighton Beach Housing Development Fund Company, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None



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