

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

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

June 30, 2019

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

Index

	<u>Page</u>
Mortgagor's Certification	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Statement of Financial Position	6
Statement of Activities	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Statement of Financial Position Data	18
Statement of Activities Data	20
Statement of Cash Flows Data	24
Reserve for Replacements	25
Residual Receipts Reserve	25
Computation of Surplus Cash, Distributions and Residual Receipts	26
Changes in Fixed Asset Accounts	27
Detail of Accounts - Statement of Financial Position	29
Detail of Accounts - Statement of Activities	30
Other Information	31
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
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 <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	39

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

June 30, 2019

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Seagirt Housing Development Fund Corporation 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

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

June 30, 2019

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Seagirt Housing Development Fund Corporation 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

Regina Loveridge
Property Manager

Managing Agent Taxpayer
Identification Number:
13-3078676

Independent Auditor's Report

To the Board of Trustees
Seagirt Housing Development Fund Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Seagirt Housing Development Fund Corporation, 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 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 Seagirt Housing Development Fund Corporation 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 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 November 11, 2019, on our consideration of Seagirt Housing Development Fund 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 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 Seagirt Housing Development Fund Corporation'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 Seagirt Housing Development Fund Corporation's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
November 11, 2019

Taxpayer Identification Number:
22-1478099

Lead Auditor: Winell Belfonte

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

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

Assets

Current assets	
Cash - operations	\$ 179,177
Cash - entity	50,654
Tenant accounts receivable	36,626
Allowance for doubtful accounts	(30,118)
Accounts receivable - HUD	19,132
Prepaid expenses	205,196
	460,667
Deposits held in trust - funded	
Tenant deposits	36,094
	36,094
Restricted deposits and funded reserves	
Escrow deposits	85,310
Reserve for replacements	894,575
Other reserves	953,438
Residual receipts reserve	26
	1,933,349
Rental property	
Land	86,850
Buildings	12,304,586
Building equipment - portable	124,236
Office furniture and equipment	12,500
Miscellaneous fixed assets	24,666
	12,552,838
Less accumulated depreciation	(9,158,174)
	3,394,664
Total rental property	3,394,664
Total assets	\$ 5,824,774

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

Statement of Financial Position
June 30, 2019

Liabilities and Net Assets

Current liabilities	
Accounts payable - operations	\$ 228,796
Accrued wages payable	46,027
Accrued payroll taxes payable	3,521
Accrued management fee payable	113,311
Accrued interest payable - first mortgage	25,875
Mortgage payable - first mortgage (short-term)	203,930
Prepaid revenue	4,229
	<hr/>
Total current liabilities	625,689
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	36,094
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs and loan premium	8,615,220
	<hr/>
Total long-term liabilities	8,615,220
	<hr/>
Total liabilities	9,277,003
	<hr/>
Net assets	
Net assets without donor restrictions	(3,494,689)
Net assets with donor restrictions	42,460
	<hr/>
Total net assets	(3,452,229)
	<hr/>
Total liabilities and net assets	\$ 5,824,774
	<hr/> <hr/>

See Notes to Financial Statements.

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

Statement of Activities
Year Ended June 30, 2019

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Rental	\$ 2,840,327	\$ -	\$ 2,840,327
Vacancies	(26,094)	-	(26,094)
Net rental revenue	2,814,233	-	2,814,233
Nursing home/assisted living and other revenue	58,850	-	58,850
Financial	4,232	-	4,232
Other	10,681	-	10,681
Total revenue	2,887,996	-	2,887,996
Expenses			
Administrative	383,457	-	383,457
Utilities	173,579	-	173,579
Operating and maintenance	707,523	-	707,523
Taxes and insurance	747,713	-	747,713
Financial (including interest of \$301,583)	340,707	-	340,707
Nursing home/assisted living and other elderly care	116,851	-	116,851
Total cost of operations before depreciation	2,469,830	-	2,469,830
Income (loss) before depreciation	418,166	-	418,166
Depreciation	398,092	-	398,092
Change in net assets	20,074	-	20,074
Net assets, beginning	(3,514,763)	42,460	(3,472,303)
Net assets, end	\$ (3,494,689)	\$ 42,460	\$ (3,452,229)

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2019**

Cash flows from operating activities	
Rental receipts	\$ 2,762,193
Interest receipts	4,232
Other operating receipts	<u>69,531</u>
Total receipts	<u>2,835,956</u>
Administrative expenses paid	(86,810)
Management fees paid	(55,945)
Utilities paid	(174,057)
Salaries and wages paid	(487,807)
Operating and maintenance paid	(426,067)
Real estate taxes paid	(362,673)
Property insurance paid	(37,996)
Miscellaneous taxes and insurance paid	(2,657)
Other operating expenses paid	(400,689)
Interest paid on first mortgage	(314,398)
Mortgage insurance premium paid	<u>(38,650)</u>
Total disbursements	<u>(2,387,749)</u>
Net cash provided by operating activities	<u>448,207</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	3,173
Net deposits to reserve for replacements	(28,310)
Net deposits to other reserves	
Deposits to other reserve	(105,923)
Net deposits to residual receipts reserve	(1)
Net purchases of fixed assets	<u>(84,013)</u>
Net cash used in investing activities	<u>(215,074)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	<u>(196,631)</u>
Net cash used in financing activities	<u>(196,631)</u>
Net increase in cash	36,502
Cash, beginning	<u>193,329</u>
Cash, end	<u><u>\$ 229,831</u></u>

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

Notes to Financial Statements
June 30, 2019

Note 1 - Organization

Seagirt Housing Development Fund Corporation (the "Company") was organized in 1982 as a nonstock, nonprofit Company 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 152 units located in Far Rockaway, New York and is currently operating under the name Evelyn and Louis Green Residence at Seagirt (the "Project"). The Company 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 Company 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 Company 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 Company 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 Company conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions 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 allowance for doubtful accounts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2019, the balance of the allowance for doubtful accounts was \$30,118.

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 Company'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.

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

Notes to Financial Statements
June 30, 2019

Impairment of long-lived assets

The Company 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.

Debt issuance costs and loan premium

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.

Loan premium, net of accumulated amortization of the premium, is reported as a direct increase on the face amount of the loan payable to which such costs relate. Amortization of loan premium is reported as a reduction of interest expense and is amortized on the effective-yield method for the life of the related loan.

Income taxes

The Company 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 Company is not subject to income taxes. The Company 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 Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company 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 years since 2016 remain open.

Rental income

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

Grant income

The Company was awarded a cost reimbursement grant from HUD (see Note 7). Revenue is recognized as costs are incurred.

Advertising costs

The Company's policy is to expense advertising costs when 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.

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

Notes to Financial Statements
June 30, 2019

Change in accounting principle

During the year ended June 30, 2019, the Company 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 Company has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied on a retrospective basis.

Note 3 - Liquidity and availability

The Company has \$495,323 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 \$179,177, accounts receivable, net of allowances of \$25,640, restricted deposits of \$85,310 and prepaid expenses of \$205,196. 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 Company 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

The first mortgage note is insured by the Federal Housing Administration ("FHA") and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 5.2% per annum. During the year ended June 30, 2019, interest expense incurred was \$301,583, inclusive of amortization of debt issuance costs of \$815 and amortization of loan premium of \$13,033. Principal and interest are payable by the Company in monthly installments of \$50,768 through maturity on February 1, 2045. As of June 30, 2019, the outstanding principal and accrued interest balances were \$8,839,975 and \$25,875, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$20,825 as of June 30, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 5.22%.

Loan premium, net of accumulated amortization, totaled \$333,422 as of June 30, 2019 and is related to the first mortgage.

Under agreements with the mortgage lender and FHA, the Company is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions.

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

As a provision of refinancing the Company's original mortgage into the current mortgage in 2010, the Company is also required by HUD to use the funds saved by a reduction in the debt service

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

Notes to Financial Statements
June 30, 2019

cost for programs and building improvements for the benefit of the tenants, as outlined in the agreement. The Company is required to make monthly deposits into a debt service/capital repairs reserve, as described in Note 5. In addition, annual required expenditures are \$79,400 with any unspent funds required to be deposited into the replacement reserve in the subsequent year. For the year ended June 30, 2019, \$116,851 was 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 \$3,971 was due to the replacement reserve and is shown as a current obligation on the computation of surplus cash, distribution and residual receipts in the accompanying supplementary information.

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

	2020	\$	203,930
	2021		211,499
	2022		219,349
	2023		227,491
	2024		235,934
	Thereafter		7,408,350
			8,506,553
			333,422
			(203,930)
			(20,825)
			\$ 8,615,220

Note 5 - Reserves

Replacement reserve

The Company 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. Monthly deposits in the amount of \$6,992 are required. As of June 30, 2019, the balance in the replacement reserve was \$894,575.

Other reserves

The Company is required by HUD to fund a reserve to be used for debt service, to enhance the building and the services provided to the tenants, and noncritical repairs. The use of the funds requires prior approval from HUD. The required monthly deposit was \$8,645 as of June 30, 2019. As of June 30, 2019, the balance in other reserves was \$953,438.

Residual receipts reserve

The Company is required by HUD to fund a residual receipts reserve to be used for capital improvements. The use of these funds requires prior approval from HUD. Deposits are made into the reserve when the Company has surplus cash at the end of the fiscal year. As of June 30, 2019, the balance in the residual receipts reserve was \$26. The required deposit to be made to the reserve from available surplus cash as of June 30, 2019 is \$0.

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

Notes to Financial Statements
June 30, 2019

Note 6 - Related party transactions

JASA

The Company 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 is \$105,774. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2019 is \$38,725.

JASA 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 Company 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 Company reimbursed JASA \$5,712 for pension costs.

As of June 30, 2019, \$111,337 remains payable to JASA and is included in accounts payable - operations on the statement of financial position.

JHM

The property is managed by an affiliate of the Company, JHM, pursuant to a management agreement approved by HUD. The current management agreement provides for a fee of 5.41% of rental receipts. Management fees incurred during the year ended June 30, 2019 totaled \$149,762.

The property pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. Fees incurred during the year ended June 30, 2019 totaled \$33,300 and are included in bookkeeping fees/accounting services on the statement of activities.

As of June 30, 2019, \$113,662 remains payable to JHM.

Note 7 - Grant revenue

The Company was awarded a service coordinator grant from HUD to use toward payment of the service coordinator's salary, benefits, and other administrative costs. The Company reimburses JASA with the grant. For the year ended June 30, 2019, revenue recognized was \$58,850. As of June 30, 2019, \$19,132 remains receivable from HUD.

Note 8 - Housing assistance payment contract agreement

HUD has contracted with the Company pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Company on behalf of qualified tenants. The agreement expires August 1, 2020.

Note 9 - Concentration of credit risk

The Company maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Company up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Company 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.

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

Notes to Financial Statements
June 30, 2019

Note 10 - Liability for HUD use of excess balance of residual receipts

In connection with its HAP contract, HUD has notified the Company 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 \$38,000 (its "Retained Balance") will be used by HUD to offset HAP payments. Under the Notice the Company is allowed to retain residual receipts up to the amount of its Retained Balance for general project purposes. During the year ended June 30, 2019, there were no residual receipts in excess of the Retained Balance.

Note 11 - Current vulnerability due to certain concentrations

The Company's principal asset is a 152-unit apartment facility. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company 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.

Note 12 - Expenses by nature and function

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

	<u>Total program services expense</u>	<u>Total supporting services expense (management and general)</u>	<u>Total</u>
Administrative expenses	\$ 183,873	\$ 199,584	\$ 383,457
Utilities expense	173,579	-	173,579
Operating and maintenance expenses	707,523	-	707,523
Taxes and insurance	747,713	-	747,713
Financial expenses	340,707	-	340,707
Nursing home/assisted living/board and care/other elderly care expenses	116,851	-	116,851
Depreciation	398,092	-	398,092
	<u>\$ 2,668,338</u>	<u>\$ 199,584</u>	<u>\$ 2,867,922</u>
Total	<u>\$ 2,668,338</u>	<u>\$ 199,584</u>	<u>\$ 2,867,922</u>

All expenses are directly attributable to a specific function.

Note 13 - Commitments and contingencies

Pursuant to the Company's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Company 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

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

Notes to Financial Statements
June 30, 2019

disallowances could be substantial, in the opinion of management, actual disallowances resulting from such reviews, if any, would be immaterial.

Note 14 - Superstorm Sandy

In 2013, the Company received a grant from the Fund for the City of New York in the amount of \$50,000. Use of the \$50,000 is restricted by the grantor for resiliency planning (equipping the Project to reduce the impact of future natural disasters) and is included as net assets with donor restrictions. The remaining balance of the restricted fund as of June 30, 2019 is \$42,460.

Note 15 - 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 Company through November 11, 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

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

Supplementary Information

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

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations		\$ 179,177
1125	Cash - entity		50,654
1130	Tenant accounts receivable	\$ 36,626	
1131	Allowance for doubtful accounts	(30,118)	
1130N	Net tenants accounts receivable		6,508
1135	Accounts receivable - HUD		19,132
1200	Prepaid expenses		<u>205,196</u>
1100T	Total current assets		460,667
Deposits held in trust - funded			
1191	Tenant deposits		36,094
Restricted deposits and funded reserves			
1310	Escrow deposits	85,310	
1320	Reserve for replacements	894,575	
1330	Other reserves	953,438	
1340	Residual receipts reserve	<u>26</u>	
1300T	Total deposits		1,933,349
Rental property			
1410	Land	86,850	
1420	Buildings	12,304,586	
1440	Building equipment - portable	124,236	
1465	Office furniture and equipment	12,500	
1490	Miscellaneous fixed assets	<u>24,666</u>	
1400T	Total fixed assets	12,552,838	
1495	Less accumulated depreciation	<u>(9,158,174)</u>	
1400N	Net fixed assets		<u>3,394,664</u>
1000T	Total assets		<u><u>\$ 5,824,774</u></u>

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

Supplementary Information

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

<u>Account No.</u>	<u>Liabilities and Net Assets</u>	
Current liabilities		
2110	Accounts payable - operations	\$ 228,796
2120	Accrued wages payable	46,027
2121	Accrued payroll taxes payable	3,521
2123	Accrued management fee payable	113,311
2131	Accrued interest payable - first mortgage	25,875
2170	Mortgage payable - first mortgage (short-term)	203,930
2210	Prepaid revenue	<u>4,229</u>
2122T	Total current liabilities	625,689
Deposits liability		
2191	Tenant deposits held in trust (contra)	36,094
Long-term liabilities		
2320	Mortgage payable - first mortgage	<u>\$ 8,615,220</u>
2300T	Total long-term liabilities	<u>8,615,220</u>
2000T	Total liabilities	9,277,003
3131	Net assets without donor restrictions	(3,494,689)
3133	Net assets with donor restrictions	<u>42,460</u>
3130	Total net assets	<u>(3,452,229)</u>
2033T	Total liabilities and net assets	<u><u>\$ 5,824,774</u></u>

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

Supplementary Information

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

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 499,153	
5121	Tenant assistance payments	2,338,817	
5170	Garage and parking spaces	<u>2,357</u>	
5100T	Total rental revenue		\$ 2,840,327
Vacancies			
5220	Apartments	<u>(26,094)</u>	
5200T	Total vacancies		<u>(26,094)</u>
5152N	Net rental revenue		2,814,233
5300	Nursing home/Assisted living/Board and care/Other elderly care/Coop and other revenue		58,850
Financial revenue			
5430	Revenue from investments - residual receipts	1	
5440	Revenue from investments - replacement reserve	2,047	
5490	Revenue from investments - miscellaneous	<u>2,184</u>	
5400T	Total financial revenue		4,232
Other revenue			
5910	Laundry and vending	8,543	
5920	Tenant charges	1,966	
5990	Miscellaneous revenue	<u>172</u>	
5900T	Total other revenue		<u>10,681</u>
5000T	Total revenue		<u>2,887,996</u>

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

Supplementary Information

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

Account No.

Administrative expenses

6203	Conventions and meetings	270
6204	Management consultants	538
6250	Other renting expenses	1,178
6310	Office salaries	78,375
6311	Office expenses	26,355
6320	Management fee	149,762
6330	Manager or superintendent salaries	21,336
6331	Administrative rent free unit	21,720
6340	Legal expense - project	800
6350	Auditing expense	10,100
6351	Bookkeeping fees/accounting services	39,722
6370	Bad debts	25,163
6390	Miscellaneous administrative expenses	<u>8,138</u>

6263T	Total administrative expenses		383,457
-------	-------------------------------	--	---------

Utilities expense

6450	Electricity	41,696
6451	Water	24,921
6452	Gas	67,338
6453	Sewer	<u>39,624</u>

6400T	Total utilities expense		173,579
-------	-------------------------	--	---------

Operating and maintenance expenses

6510	Payroll	235,399
6515	Supplies	22,594
6520	Contracts	281,293
6530	Security payroll/contract	139,078
6546	Heating/cooling repairs and maintenance	<u>29,159</u>

6500T	Total operating and maintenance expenses		707,523
-------	--	--	---------

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

Supplementary Information

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

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	356,427	
6711	Payroll taxes	38,935	
6720	Property and liability insurance	105,774	
6722	Workmen's compensation	19,994	
6723	Health insurance and other employee benefits	223,926	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>2,657</u>	
6700T	Total taxes and insurance		747,713
Financial expenses			
6820	Interest on first mortgage payable	301,583	
6850	Mortgage insurance premium/service charge	<u>39,124</u>	
6800T	Total financial expenses		<u>340,707</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>116,851</u>
6000T	Total cost of operations before depreciation		<u>2,469,830</u>
5060T	Income (loss) before depreciation		<u>418,166</u>
Depreciation			
6600	Depreciation expense	<u>398,092</u>	
	Total depreciation		<u>398,092</u>
5060N	Operating income (loss)		<u>20,074</u>
	Total expenses		<u>2,867,922</u>
3250	Change in net assets		<u><u>\$ 20,074</u></u>

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

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>\$ 196,631</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 83,898</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 61,336</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>

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

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	\$ 2,762,193
S1200-020	Interest receipts	4,232
S1200-030	Other operating receipts	69,531
S1200-040	Total receipts	<u>2,835,956</u>
S1200-050	Administrative expenses paid	(86,810)
S1200-070	Management fees paid	(55,945)
S1200-090	Utilities paid	(174,057)
S1200-100	Salaries and wages paid	(487,807)
S1200-110	Operating and maintenance paid	(426,067)
S1200-120	Real estate taxes paid	(362,673)
S1200-140	Property insurance paid	(37,996)
S1200-150	Miscellaneous taxes and insurance paid	(2,657)
S1200-170	Other operating expenses paid	(400,689)
S1200-180	Interest paid on first mortgage	(314,398)
S1200-210	Mortgage insurance premium paid	(38,650)
S1200-230	Total disbursements	<u>(2,387,749)</u>
S1200-240	Net cash provided by operating activities	<u>448,207</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	3,173
S1200-250	Net deposits to reserve for replacements	(28,310)
S1200-255	Net deposits to other reserves	
S1200-256	Deposits to other reserve	<u>\$ (105,923)</u>
		(105,923)
S1200-260	Net deposits to residual receipts reserves	(1)
S1200-330	Net purchases of fixed assets	<u>(84,013)</u>
S1200-350	Net cash used in investing activities	<u>(215,074)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(196,631)</u>
S1200-460	Net cash used in financing activities	<u>(196,631)</u>
S1200-470	Net increase in cash	36,502
S1200-480	Cash, beginning	<u>193,329</u>
S1200T	Cash, end	<u><u>\$ 229,831</u></u>

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

**Supplementary Information
Year Ended June 30, 2019**

Reserve for Replacements

<u>Account No.</u>			
1320P	Balance at June 30, 2018	\$	866,265
1320DT	Total monthly deposits		83,898
1320ODT	Other deposits		
1320OD-010	Deposit of unused interest savings funds, 2018		87,714
1320INT	Interest income		2,047
1320WT	Approved withdrawals		<u>(145,349)</u>
1320	Balance at June 30, 2019	\$	<u><u>894,575</u></u>

Residual Receipts Reserve

<u>Account No.</u>			
1340P	Balance at June 30, 2018	\$	25
1340INT	Interest income		<u>1</u>
1340	Balance at June 30, 2019	\$	<u><u>26</u></u>

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

**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)	\$ 215,271
1135	Accounts receivable - HUD	19,132
		<hr/>
S1300-040	Total cash	234,403
		<hr/>
S1300-050	Accrued mortgage interest payable	25,875
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	228,796
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)	162,859
2210	Prepaid revenue (Account 2210)	4,229
2191	Tenant security deposits liability (Account 2191)	36,094
S1300-110	Other current obligations (describe in detail)	
	Required deposit to replacement reserve due	
S1300-120	to unspent interest savings	\$ 3,971
		<hr/>
		3,971
		<hr/>
S1300-140	Less total current obligations	461,824
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ (227,421)
		<hr/> <hr/>
S1300-210	<u>Part B - Deposit Due Residual Receipts Reserve</u>	\$ -
		<hr/> <hr/>

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

Supplementary Information
Year Ended June 30, 2019

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/19
	Balance 6/30/18	Additions	Deletions	
Land	\$ 86,850	\$ -	\$ -	\$ 86,850
Buildings	12,236,779	67,807	-	12,304,586
Building equipment - portable	124,236	-	-	124,236
Office furniture and equipment	12,500	-	-	12,500
Miscellaneous fixed assets	8,460	16,206	-	24,666
	<u>\$ 12,468,825</u>	<u>\$ 84,013</u>	<u>\$ -</u>	<u>\$ 12,552,838</u>
Accumulated depreciation	<u>\$ 8,760,082</u>	<u>\$ 398,092</u>	<u>\$ -</u>	<u>\$ 9,158,174</u>
Total net book value				<u>\$ 3,394,664</u>

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

**Supplementary Information
Year Ended June 30, 2019**

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Water pump	\$ 9,828
Waterproof building façade	12,050
Booster pump	9,828
Expansion tank	11,840
Doors	3,461
Construct new access hallway to parking lot	14,900
Handicapped shower pan	5,900
	<u>\$ 67,807</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in progress deposit	<u>\$ 16,206</u>

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

**Supplementary Information
Year Ended June 30, 2019**

Detail of Accounts - Statement of Financial Position

Other Reserves (Account No. 1330)

Debt savings reserve	<u>\$ 953,438</u>
----------------------	-------------------

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

**Supplementary Information
Year Ended June 30, 2019**

Detail of Accounts - Statement of Activities

Revenue from Investments - Miscellaneous (Account No. 5490)

Interest from miscellaneous investments

\$ 2,184

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

**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	\$ 55,945
S3100-210	JHM - Bookkeeping/accounting	33,300
S3100-210	JASA - Service coordinator	<u>56,474</u>
		<u>\$ 145,719</u>

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

**Supplementary Information
Year Ended June 30, 2019**

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

6990	Other service expenses	<u>\$ 116,851</u>
------	------------------------	-------------------

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

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

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Mortgage Insurance Rental Housing - Section 207	14.134	N/A	\$ 8,703,184
Multi-Family Housing Service Coordinator	14.191	N/A	58,850
Section 8 Project Based Cluster			
Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation	14.856	N/A	<u>2,338,817</u>
Total Section 8 Project Based Cluster			<u>2,338,817</u>
Total U.S. Department of Housing and Urban Development			<u>2,397,667</u>
Total expenditures of federal awards			<u><u>\$ 2,397,667</u></u>

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

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

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Seagirt Housing Development Fund Corporation, HUD Project No. 012-11293, 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 Seagirt Housing Development Fund Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Seagirt Housing Development Fund Corporation

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. Seagirt Housing Development Fund Corporation 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

Seagirt Housing Development Fund Corporation has received a U.S. Department of Housing and Urban Development mortgage insurance loan under Section 207 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Seagirt Housing Development Fund Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2019 consists of the following:

<u>CFDA Number</u>	<u>Program name</u>	<u>Outstanding balance June 30, 2019</u>
14.134	Mortgage Insurance Rental Housing (Section 207)	\$ 8,506,553

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
Seagirt Housing Development Fund Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seagirt Housing Development Fund Corporation, 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 November 11, 2019.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seagirt Housing Development Fund 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 Seagirt Housing Development Fund Corporation'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 11, 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
Seagirt Housing Development Fund Corporation

Report on Compliance for Each Major Federal Program

We have audited Seagirt Housing Development Fund Corporation'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 Seagirt Housing Development Fund Corporation's major federal programs for the year ended June 30, 2019. Seagirt Housing Development Fund Corporation'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 Seagirt Housing Development Fund Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seagirt Housing Development Fund Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Seagirt Housing Development Fund Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Section 8 Housing Assistance for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Seagirt Housing Development Fund 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 Seagirt Housing Development Fund 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 Seagirt Housing Development Fund 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 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.

CohnReznick LLP

New York, New York
November 11, 2019

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

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Seagirt Housing Development Fund Corporation 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 Seagirt Housing Development Fund Corporation, 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 Seagirt Housing Development Fund Corporation expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for Seagirt Housing Development Fund Corporation.
7. The programs tested as major programs included:
 - Section 207 Mortgage Insurance, CFDA #14.134
 - Section 8 Housing Assistance Program, CFDA #14.856
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Seagirt Housing Development Fund Corporation 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



Independent Member of Nexia International

cohnreznick.com