

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

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

June 30, 2021

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, 2021

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, 2021

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, 2021 and the related statements of activities and changes in net assets 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 Brighton Beach Housing Development Fund Company, Inc. as of June 30, 2021, 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 21 to 35 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 September 15, 2021, 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.



New York, New York
September 15, 2021

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 30,2021

Assets

Current assets	
Cash - operations	\$ 660,061
Cash - entity	79,996
Tenant accounts receivable	18,157
Prepaid expenses	<u>232,370</u>
Total current assets	<u>990,584</u>
Deposits held in trust - funded	
Tenant deposits	<u>37,269</u>
Restricted deposits and funded reserves	
Escrow deposits	164,626
Reserve for replacements	784,848
Other reserves	<u>15,286,088</u>
Total restricted deposits and funded reserves	<u>16,235,562</u>
Rental property	
Land	644,423
Buildings	12,720,298
Building equipment - portable	131,244
Furnishings	24,870
Office furniture and equipment	92,337
Miscellaneous fixed assets	<u>1,784,110</u>
	15,397,282
Less accumulated depreciation	<u>(10,599,926)</u>
Total rental property	<u>4,797,356</u>
Total assets	<u><u>\$ 22,060,771</u></u>

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

Statement of Financial Position
June 30,2021

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable - operations	\$ 150,998
Accounts payable - construction/development	166,206
Accrued wages payable	70,857
Accrued payroll taxes payable	5,266
Accrued management fee payable	20,546
Accrued interest payable - first mortgage	59,548
Mortgage payable - first mortgage (short-term)	592,940
Prepaid revenue	3,725
	<hr/>
Total current liabilities	1,070,086
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	35,591
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	30,211,834
	<hr/>
Total long-term liabilities	30,211,834
	<hr/>
Total liabilities	31,317,511
	<hr/>
Contingencies	-
Net assets	
Net assets without donor restrictions	(9,336,736)
Net assets with donor restrictions	79,996
	<hr/>
Total net assets	(9,256,740)
	<hr/>
Total liabilities and net assets (deficit)	<u>\$ 22,060,771</u>

See Notes to Financial Statements.

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

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue			
Rental	\$ 3,186,959	\$ -	\$ 3,186,959
Vacancies	(208,467)	-	(208,467)
	<hr/>	<hr/>	<hr/>
Net rental revenue	2,978,492	-	2,978,492
Financial	4,556	-	4,556
Other revenues	21,663	-	21,663
	<hr/>	<hr/>	<hr/>
Total revenue	3,004,711	-	3,004,711
	<hr/>	<hr/>	<hr/>
Expenses			
Administrative	464,549	-	464,549
Utilities	230,880	-	230,880
Operating and maintenance	472,070	-	472,070
Taxes and insurance	672,818	-	672,818
Financial (including interest of \$717,556)	760,521	-	760,521
Nursing home/assisted living and other elderly care	119,985	-	119,985
	<hr/>	<hr/>	<hr/>
Total cost of operations before depreciation	2,720,823	-	2,720,823
	<hr/>	<hr/>	<hr/>
Income (loss) before depreciation	283,888	-	283,888
Depreciation	427,183	-	427,183
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(143,295)	-	(143,295)
Mortgagor entity expenses, net	7,410,504	-	7,410,504
	<hr/>	<hr/>	<hr/>
Change in net assets	(7,553,799)	-	(7,553,799)
Net assets, beginning	(1,782,937)	79,996	(1,702,941)
	<hr/>	<hr/>	<hr/>
Net assets, end	\$ (9,336,736)	\$ 79,996	\$ (9,256,740)
	<hr/>	<hr/>	<hr/>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Rental receipts	\$ 2,946,079
Interest receipts	4,556
Other operating receipts	<u>21,663</u>
Total receipts	<u>2,972,298</u>
Administrative expenses paid	(99,537)
Management fees paid	(236,715)
Utilities paid	(229,620)
Salaries and wages paid	(434,742)
Operating and maintenance paid	(347,867)
Real estate taxes paid	(355,515)
Property insurance paid	(179,888)
Miscellaneous taxes and insurance paid	(25,277)
Net tenant security deposits received (paid)	(1,641)
Other operating expenses paid	(228,867)
Interest paid on first mortgage	(673,578)
Mortgage insurance premium paid	(85,499)
Entity/construction expenses paid (include detail)	
Contribution expense	(7,367,783)
Loss on extinguishment of debt	(65,537)
Lien release payment	<u>(265,305)</u>
Total disbursements	<u>(10,597,371)</u>
Net cash used in operating activities	<u>(7,625,073)</u>
Cash flows from investing activities	
Net deposits to mortgage escrows	(85,196)
Net withdrawals from reserve for replacements	170,148
Net deposits to other reserves	(15,286,088)
Net withdrawals from residual receipts reserve	38,647
Net purchases of fixed assets	<u>(1,490,988)</u>
Net cash used in investing activities	<u>(16,653,477)</u>

Brighton Beach Housing Development Fund Company, Inc.
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Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from financing activities	
Mortgage principal payments - first mortgage	(314,512)
Proceeds from mortgages, notes and loans payable	31,263,000
Other financing activities (include detail)	
Payment of debt issuance costs	(267,994)
Mortgage principal payments - first mortgage refinancing	(6,369,442)
Entity/construction financing activities (include detail)	
Contribution revenue	<u>265,305</u>
Net cash provided by financing activities	<u>24,576,357</u>
Net increase in cash and restricted cash	297,807
Cash and restricted cash, beginning	<u>479,519</u>
Cash and restricted cash, end	<u><u>\$ 777,326</u></u>
Significant noncash investing and financing activities	
Additions to rental property included in accounts payable - construction/development	<u><u>\$ 166,206</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2021

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 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 Brooklyn, 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.

The Corporation has entered into a regulatory agreement with HUD governing the operations of the Project.

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.

Cash distributions are limited by agreements between the Corporation and HUD to the extent of surplus cash as defined by HUD.

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, 2021

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, 2021.

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, 2021. 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 years since 2017 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 Corporation and the tenants of the property are operating leases.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2021

Grant income

The Corporation was awarded a cost reimbursed grant from HUD (see Note 8). 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 \$678,218 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 \$660,061 and accounts receivable of \$18,157. 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.

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 was collateralized by a deed of trust on the rental property. The note bore interest at the rate of 3.73% per annum. Principal and interest were payable by the Corporation in monthly installments of \$37,474 through maturity on March 1, 2041.

Effective January 22, 2021, the Corporation refinanced its mortgage with a new lender and the existing mortgage was repaid in full. The Corporation incurred fees totaling \$65,537 from the new lender, which are reported in other expenses on the accompanying statement of activities and changes in net assets. The new mortgage, in the original amount of \$31,263,000, is insured by HUD under section 207, pursuant to section 223(f) of the National Housing Act. The mortgage note is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 2.3% per annum. Principal and interest are payable by the Corporation in monthly installments of \$108,441 through maturity on February 1, 2065. As of June 30, 2021, the outstanding principal and accrued interest balances were \$31,068,362 and \$59,548, respectively.

For the year ended June 30, 2021, interest expense of \$717,556, inclusive of \$4,601 of amortization of debt issuance costs, was incurred and charged to operations.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2021

Debt issuance costs, net of accumulated amortization, totaled \$263,588 as of June 30, 2021 and are related to the mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 2.36%.

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, 2021, \$119,985 was incurred and used for program services and is included in the statements of activities and changes in net assets as nursing home/assisted living and other elderly care expenses. As of June 30, 2021, a deposit of \$144,117 is due to the replacement reserve.

Under agreements with the mortgage lender and HUD, 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 Company 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.

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 years and thereafter are as follows:

June 30, 2022	\$	592,940
2023		597,371
2024		609,551
2025		625,818
2026		640,569
Thereafter		<u>28,002,113</u>
Total balance due		31,068,362
Current maturities		(592,940)
Unamortized debt issuance costs		<u>(263,588)</u>
Net long-term balance	\$	<u><u>30,211,834</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. Prior to the 2021 refinance, required monthly deposits were \$14,138, of which \$9,864 was a requirement of the Corporation's 2014 refinancing. Effective January 22, 2021, required monthly deposits are \$3,208. As of June 30, 2021, the balance in the reserve for replacements was \$784,848.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2021

Residual receipts reserve

The Corporation was required by HUD to fund a residual receipts reserve to be used for capital improvements. Upon refinancing of the mortgage in 2021 (see Note 4) and in accordance with the new regulatory agreement with HUD, the residual receipts reserve is no longer required. During the year ended June 30, 2021, the residual receipts reserve was closed and all funds were transferred to the replacement reserve.

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, 2021, the balance in the escrows was \$164,626.

Repair reserve

Under agreements with the mortgage lender, the Corporation has established a reserve to complete non-critical and other deferred repairs. As of June 30, 2021, the balance of the reserve was \$14,528,227 and is included in other reserves in the accompanying statement of financial position.

Latent defect reserve

Under agreements with the mortgage lender and HUD, the Corporation has established a reserve to fund all defects in the repair work of the Project within 12 months from completion of the repair work. As of June 30, 2021, the balance of the reserve was \$757,861 and is included in other reserves in the accompanying statement of financial position.

Note 6 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$ 740,057
Tenant deposits	<u>37,269</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 777,326</u></u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by regulatory authority.

Note 7 - 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, 2021 was \$179,888. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2021 were \$70,903.

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 were \$57,699.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2021

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, 2021, 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, 2021, the Corporation reimbursed JASA for \$15,936 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, 2021 was \$14,868 and is included in other revenues on the statement of activities and changes in net assets.

As of June 30, 2021, \$10,182 remains payable to JASA and is included on the statement of financial position in accounts payable - operations.

During the year ended June 30, 2021, the Corporation made a contribution to JASA in the amount of \$7,367,783 with proceeds from the refinance of the mortgage (see Note 4).

JHM

The property is managed by an affiliate of the Corporation, JHM, pursuant to a management agreement approved by HUD. Prior to the refinance on January 22, 2021 (see Note 4), the management agreement provided for a fee of 6.01% of residential income collected monthly. The current management agreement provides for a fee of 5.235% of residential income collected monthly. Management fees incurred for the year ended June 30, 2021 were \$176,710.

The property pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. Fees incurred for the year ended June 30, 2021 were \$42,759 and are included in bookkeeping fees/accounting services on the statement of activities and changes in net assets.

As of June 30, 2021, \$20,546 remains payable to JHM and is included on the statement of financial position as accrued management fee payable.

Note 8 - Hurricane Sandy

In 2013, the Corporation received a grant from the Fund for the City of New York in the amount of \$95,000. Use of the \$95,000 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 funds as of June 30, 2021 was \$79,996.

In 2014, the Company received a Social Services Block Grant from the Department of Health and Human Services ("HHS") for Hurricane Sandy relief. In consideration for the funds, a Notice of Federal Interest was placed on the Project. During the year ended June 30, 2021, JASA Corporation contributed \$265,305 to the Company, which was paid to HHS to release the Project from the Notice of Federal Interest.

Note 9 - 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 January 31, 2041. For the year ended June 30, 2021, a rental assistance payment of \$2,695,158 was earned under the terms of the agreement.

Brighton Beach Housing Development Fund Company, Inc.
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Notes to Financial Statements
June 30, 2021

Note 10 - 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, 2021.

Note 11 - 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.

Note 12 - Expenses by nature and function

The table below presents expenses by both their nature and function during the year ended June 30, 2021:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 234,230	\$ 230,319	\$ 464,549
Utilities expense	230,880	-	230,880
Operating and maintenance expenses	472,070	-	472,070
Taxes and insurance	672,818	-	672,818
Financial expenses	760,521	-	760,521
Nursing home/assisted living/board and care/other elderly care expenses	119,985	-	119,985
Depreciation	427,183	-	427,183
Corporate or mortgagor entity expenses, net	-	7,410,504	7,410,504
Total	\$ 2,917,687	\$ 7,640,823	\$ 10,558,510

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

Notes to Financial Statements
June 30, 2021

Note 13 - 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.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Corporation's financial position, results of operations, and cash flows. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

Note 14 - Mortgagor entity expenses

Mortgagor entity expenses included in the statement of activities and changes in net assets 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 and changes in net assets for that reason. Unpaid mortgagor entity expenses included in the statement of activities and changes in net assets 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.

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

Description	Beginning liability	Expensed amount	Paid amount	Ending liability
Loss on extinguishment of debt	\$ -	\$ 65,537	\$ (65,537)	\$ -
Residual receipts obligation	31,884	(31,884)	-	-
Contribution expense	-	7,367,783	(7,367,783)	-
Lien release payment	-	265,305	(265,305)	-
	<u>\$ 31,884</u>	<u>\$ 7,666,741</u>	<u>\$ (7,698,625)</u>	<u>\$ -</u>

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

Notes to Financial Statements
June 30, 2021

Note 15 - Construction contracts

The Corporation has entered into multiple construction contracts in the total amount of \$4,120,687, inclusive of change orders of \$242,677, with unrelated parties to complete rehabilitation of the Project. As of June 30, 2021, \$1,414,706 has been incurred and is included in construction in progress in the accompanying statement of financial position. As of June 30, 2021, \$166,206 remains payable and is included in accounts payable - construction/development on the accompanying statement of financial position.

Note 16 - Real estate taxes

The property has been granted a partial exemption from real estate taxes under Section 577 of the Private Housing Finance Law by resolution of the City Council of New York. The exemption shall continue for as long as the housing assistance payment contract remains in effect. Under the terms of the exemption, the property is subject to annual shelter rent payments, which are assessed based on a percentage of contract rents.

Note 17 - 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 September 15, 2021 (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, 2021

Assets

Account No.

Current assets			
1120	Cash - operations		\$ 660,061
1125	Cash - entity		79,996
1130	Tenant accounts receivable		18,157
1200	Prepaid expenses		<u>232,370</u>
1100T	Total current assets		990,584
Deposits held in trust - funded			
1191	Tenant deposits		37,269
Restricted deposits and funded reserves			
1310	Escrow deposits	\$ 164,626	
1320	Reserve for replacements	784,848	
1330	Other reserves	<u>15,286,088</u>	
1300T	Total deposits		16,235,562
Rental property			
1410	Land	644,423	
1420	Buildings	12,720,298	
1440	Building equipment - portable	131,244	
1460	Furnishings	24,870	
1465	Office furniture and equipment	92,337	
1490	Miscellaneous fixed assets	<u>1,784,110</u>	
1400T	Total fixed assets	15,397,282	
1495	Less accumulated depreciation	<u>(10,599,926)</u>	
1400N	Net fixed assets		<u>4,797,356</u>
1000T	Total assets		<u><u>\$ 22,060,771</u></u>

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2021**

Liabilities and Net Assets (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations	\$	150,998
2111	Accounts payable - construction/development		166,206
2120	Accrued wages payable		70,857
2121	Accrued payroll taxes payable		5,266
2123	Accrued management fee payable		20,546
2131	Accrued interest payable - first mortgage		59,548
2170	Mortgage payable - first mortgage (short-term)		592,940
2210	Prepaid revenue		<u>3,725</u>
2122T	Total current liabilities		1,070,086

Deposits liability

2191	Tenant deposits held in trust (contra)		35,591
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Long-term liabilities

2320	Mortgage payable - first mortgage	\$	<u>30,211,834</u>
2300T	Total long-term liabilities		<u>30,211,834</u>
2000T	Total liabilities		31,317,511
3131	Net assets without donor restrictions	(9,336,736)	
3133	Net assets with donor restrictions	<u>79,996</u>	
3130	Total net assets (deficit)		<u>(9,256,740)</u>
2033T	Total liabilities and net assets (deficit)	\$	<u><u>22,060,771</u></u>

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2021**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 489,601	
5121	Tenant assistance payments	2,695,158	
5170	Garage and parking spaces	<u>2,200</u>	
5100T	Total rental revenue		\$ 3,186,959
Vacancies			
5220	Apartments	<u>(208,467)</u>	
5200T	Total vacancies		<u>(208,467)</u>
5152N	Net rental revenue		2,978,492
Financial revenue			
5430	Revenue from investments - residual receipts	1,991	
5440	Revenue from investments - replacement reserve	643	
5490	Revenue from investments - miscellaneous	<u>1,922</u>	
5400T	Total financial revenue		4,556
Other revenue			
5910	Laundry and vending	6,448	
5920	Tenant charges	347	
5990	Miscellaneous revenue	<u>14,868</u>	
5900T	Total other revenue		<u>21,663</u>
5000T	Total revenue		<u>3,004,711</u>

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2021

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	354,515	
6711	Payroll taxes	24,619	
6720	Property and liability insurance	179,888	
6722	Workmen's compensation	12,956	
6723	Health insurance and other employee benefits	75,563	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>25,277</u>	
6700T	Total taxes and insurance		672,818
Financial expenses			
6820	Interest on first mortgage payable	717,556	
6850	Mortgage insurance premium/service charge	<u>42,965</u>	
6800T	Total financial expenses		<u>760,521</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>119,985</u>
6000T	Total cost of operations before depreciation		<u>2,720,823</u>
5060T	Income (loss) before depreciation		<u>283,888</u>
Depreciation			
6600	Depreciation expense	<u>427,183</u>	
	Total depreciation		<u>427,183</u>
5060N	Operating income (loss)		<u>(143,295)</u>
Corporate or mortgagor entity revenue and expenses			
7105	Entity revenue	(265,305)	
7190	Other expenses	<u>7,675,809</u>	
7100T	Net entity expenses		<u>7,410,504</u>
	Total expenses		<u>10,558,510</u>
3250	Change in net assets		<u><u>\$ (7,553,799)</u></u>

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2021

<u>Account No.</u>		
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>\$ 314,512</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>\$ 111,799</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, 2021**

<u>Account No.</u>		<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 (deficit)			
S1100-060/080	June 30, 2020	\$ (1,782,937)	\$ 79,996	\$ (1,702,941)
3247/3249	Change in net assets	<u>(7,553,799)</u>	<u>-</u>	<u>(7,553,799)</u>
3130	Net assets			
3131/3133	June 30, 2021	<u>\$ (9,336,736)</u>	<u>\$ 79,996</u>	<u>\$ (9,256,740)</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>			
	Cash flows from operating activities		
S1200-010	Rental receipts		\$ 2,946,079
S1200-020	Interest receipts		4,556
S1200-030	Other operating receipts		<u>21,663</u>
S1200-040	Total receipts		<u>2,972,298</u>
S1200-050	Administrative expenses paid		(99,537)
S1200-070	Management fees paid		(236,715)
S1200-090	Utilities paid		(229,620)
S1200-100	Salaries and wages paid		(434,742)
S1200-110	Operating and maintenance paid		(347,867)
S1200-120	Real estate taxes paid		(355,515)
S1200-140	Property insurance paid		(179,888)
S1200-150	Miscellaneous taxes and insurance paid		(25,277)
S1200-160	Net tenant security deposits received (paid)		(1,678)
S1200-170	Other operating expenses paid		(228,867)
S1200-180	Interest paid on first mortgage		(673,578)
S1200-210	Mortgage insurance premium paid		(85,499)
S1200-225	Entity/construction expenses paid (include detail)		
S1200-226	Contribution expense	\$ (7,367,783)	
S1200-226	Loss on extinguishment of debt	(65,537)	
S1200-226	Lien release payment	<u>(265,305)</u>	
			<u>(7,698,625)</u>
S1200-230	Total disbursements		<u>(10,597,408)</u>
S1200-240	Net cash used in operating activities		<u>(7,625,110)</u>
	Cash flows from investing activities		
S1200-245	Net deposits to mortgage escrows		(85,196)
S1200-250	Net withdrawals from reserve for replacements		170,148
S1200-255	Net deposits to other reserves		
S1200-256	Repair reserve	(14,528,227)	
S1200-256	Latent defect reserve	<u>(757,861)</u>	
			(15,286,088)
S1200-260	Net withdrawals from residual receipts reserves		38,647
S1200-330	Net purchases of fixed assets		<u>(1,490,988)</u>
S1200-350	Net cash used in investing activities		<u>(16,653,477)</u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2021**

<u>Account No.</u>			
	Cash flows from financing activities		
S1200-360	Mortgage principal payments - first mortgage		(314,512)
S1200-365	Proceeds from mortgages, notes and loans payable		31,263,000
S1200-450	Other financing activities (include detail)		
S1200-451	Payment of debt issuance costs	(267,994)	
S1200-451	Mortgage principal payments - first mortgage refinancing	<u>(6,369,442)</u>	
			(6,637,436)
S1200-455	Entity/construction financing activities (include detail)		
S1200-456	Contribution revenue	<u>265,305</u>	
			<u>265,305</u>
S1200-460	Net cash provided by financing activities		<u>24,576,357</u>
S1200-470	Net increase in cash		297,770
S1200-480	Cash, beginning		<u>442,287</u>
S1200T	Cash, end		<u><u>\$ 740,057</u></u>
<u>Account No.</u>			
S1200-620	Comments		
	Additions to rental property included in accounts payable - construction/development		<u><u>\$ 166,206</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Reserve for Replacements

<u>Account No.</u>			
1320P	Balance at June 30, 2020	\$	954,996
1320DT	Total monthly deposits		111,799
1320ODT	Other deposits		
1320OD-010	Additional deposit		82,625
1320OD-010	Transfer from residual receipts reserve		40,638
1320INT	Interest income		643
1320WT	Approved withdrawals		(186,000)
1320OWT	Other withdrawals		
1320OW-010	Withdrawals upon refinance		<u>(219,853)</u>
1320	Balance at June 30, 2021	\$	<u>784,848</u>

Residual Receipts Reserve

<u>Account No.</u>			
1340P	Balance at June 30, 2020	\$	38,647
1340INT	Interest income		1,991
1340OWT	Other withdrawals		
1340OW-010	Transfer to replacement reserve		<u>(40,638)</u>
1340	Balance at June 30, 2021	\$	<u>-</u>

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

**Supplementary Information
Year Ended June 30, 2021**

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)		\$ 697,330
1135	Accounts receivable - HUD		<u>-</u>
S1300-040	Total cash		<u>697,330</u>
S1300-050	Accrued mortgage interest payable		59,548
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		150,998
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)		96,669
2210	Prepaid revenue (Account 2210)		3,725
2191	Tenant security deposits liability (Account 2191)		35,591
S1300-110	Other current obligations (describe in detail)		
S1300-120	Mortgage principal	\$ 48,854	
S1300-120	Replacement reserve deposit	3,208	
S1300-120	Tax and insurance escrow deposit	42,573	
S1300-120	MIP escrow deposit	6,513	
S1300-120	Required deposit to replacement reserve due to unspent funds	<u>144,117</u>	
			<u>245,265</u>
S1300-140	Less total current obligations		<u>591,796</u>
S1300-150	Surplus cash (deficiency)		<u>\$ 105,534</u>
S1300-200	Amount available for distribution during next fiscal period		<u>\$ 105,534</u>

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

Supplementary Information
Year Ended June 30, 2021

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/21
	Balance 6/30/20	Additions	Deletions	
Land	\$ 644,423	\$ -	\$ -	\$ 644,423
Buildings	12,685,499	34,799	-	12,720,298
Building equipment - portable	128,193	3,051	-	131,244
Furnishings	24,870	-	-	24,870
Office furniture and equipment	92,337	-	-	92,337
Miscellaneous fixed assets	164,766	1,619,344	-	1,784,110
	<u>\$ 13,740,088</u>	<u>\$ 1,657,194</u>	<u>\$ -</u>	<u>\$ 15,397,282</u>
Accumulated depreciation	<u>\$ 10,172,743</u>	<u>\$ 427,183</u>	<u>\$ -</u>	<u>\$ 10,599,926</u>
Total net book value				<u>\$ 4,797,356</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Unit renovations	<u>\$ 34,799</u>

Additions to Building Equipment - Portable Account

<u>Item and quantity</u>	<u>Amount</u>
Refrigerators	<u>\$ 3,051</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in progress	<u>\$ 1,619,344</u>

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Statement of Financial Position

Other Reserves (Account No. 1330)

Repair reserve	\$ 14,528,227
Latent defect reserve	<u>757,861</u>
	<u>\$ 15,286,088</u>

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Statement of Activities

Revenue from Investments - Miscellaneous (Account No. 5490)

Interest income - other reserves	\$ 1,922
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Miscellaneous Other Revenue (Account No. 5990)

User of premises	\$ 14,505
Miscellaneous revenue	363

\$ 14,868

Other Entity Expenses (Account No. 7190)

Contribution expense	\$ 7,367,783
Lien release payment	265,305
Loss on extinguishment of debt, net of write-off of residual receipts obligation	33,653
Loss on extinguishment of debt - write-off of unamortized debt issuance costs	9,068

\$ 7,675,809

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

6990 Other service expenses	\$ 119,985
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Brighton Beach Housing Development Fund Company, Inc.
HUD Project No.: 012-11279

Supplementary Information
Year Ended June 30, 2021

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JHM - management fee	\$ 236,715
S3100-210	JASA - service coordinator	57,699
S3100-210	JHM - bookkeeping fees	35,628
		<u>\$ 330,042</u>

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development Supportive Housing for the Elderly: Section 202 Direct Loan	14.157	N/A	\$ 6,489,316
Section 8 - Housing Assistance Payments	14.856	N/A	<u>2,695,158</u>
Total U.S. Department of Housing and Urban Development			<u>9,184,474</u>
Total expenditures of federal awards			<u>\$ 9,184,474</u>

See Notes to Schedule of Expenditures of Federal Awards.

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

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brighton Beach Housing Development Fund Company, Inc., HUD Project No. 012-11279, under programs of the federal government for the year ended June 30, 2021. 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 ("HUD") 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. During the year ended June 30, 2021, Brighton Beach Housing Development Fund Company, Inc. refinanced its Section 202 loan with a HUD direct loan under Sections 207/223(f) of the National Housing Act. The balance of the loan outstanding at June 30, 2021 consists of the following:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2021</u>
14.155	Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	<u>\$ 31,068,362</u>

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, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2021.

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") as a basis for designing 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 financial statements. 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
September 15, 2021

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, 2021. 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, 2021.

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
September 15, 2021

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

Schedule of Findings and Questioned Costs
June 30, 2021

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 program tested as a major program was:

Section 202 Direct Loan, CFDA #14.157
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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