

**Manhattan Beach Housing Development Fund  
Corporation**

**HUD Project No.: 012-11287  
NY HAP Contract No.: NY36-T781-028**

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

**June 30, 2021**

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**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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**Manhattan Beach Housing Development Fund Corporation**  
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**June 30, 2021**

Mortgagor's Certification

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

Officer

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Tracy Welsh  
Chief Operating Officer

Date

Telephone Number: (212) 273-5212

**Manhattan Beach Housing Development Fund Corporation  
HUD Project No.: 012-11287  
NY HAP Contract No.: NY36-T781-028**

**June 30, 2021**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Manhattan Beach 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.

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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  
Manhattan Beach Housing Development Fund Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of Manhattan Beach Housing Development Fund Corporation, which comprise the statement of financial position as of June 30, 2021, and the related statement 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 Manhattan Beach Housing Development Fund Corporation 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 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 14, 2021, on our consideration of Manhattan Beach 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 Manhattan Beach 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 Manhattan Beach Housing Development Fund Corporation's internal control over financial reporting and compliance.



New York, New York  
September 14, 2021

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Winell Belfonte

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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

Assets

Current assets	
Cash - operations	\$ 338,484
Cash - entity	287,026
Tenant accounts receivable	8,433
Allowance for doubtful accounts	(112)
Accounts receivable - HUD	3,151
Accounts and notes receivable - operations	2,288
Prepaid expenses	194,909
Total current assets	834,179
Deposits held in trust - funded	
Tenant deposits	39,462
Restricted deposits and funded reserves	
Escrow deposits	128,127
Reserve for replacements	529,409
Other reserves	25,453
Residual receipts reserve	60,284
Total restricted deposits and funded reserves	743,273
Rental property	
Land	789,289
Buildings	14,961,195
Building equipment - portable	46,004
Office furniture and equipment	126,136
Miscellaneous fixed assets	146,572
	16,069,196
Less accumulated depreciation	(11,076,826)
Total rental property	4,992,370
Total assets	\$ 6,609,284

**Manhattan Beach Housing Development Fund Corporation**  
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**Statement of Financial Position**  
**June 30, 2021**

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable - operations	\$ 214,123
Accounts payable - construction/development	154,324
Accounts payable - entity	22,784
Accrued wages payable	36,227
Accrued payroll taxes payable	2,729
Accrued management fee payable	15,181
Accrued interest payable - first mortgage	23,692
Mortgage payable - first mortgage (short-term)	218,095
Prepaid revenue	<u>3,563</u>
Total current liabilities	<u>690,718</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>38,141</u>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	<u>7,024,879</u>
Total long-term liabilities	<u>7,024,879</u>
Total liabilities	<u>7,753,738</u>
Contingencies	
	-
Net assets	
Net assets without donor restrictions	(1,391,154)
Net assets with donor restrictions	<u>246,700</u>
Total net assets (deficit)	<u>(1,144,454)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 6,609,284</u></u>

See Notes to Financial Statements.

**Manhattan Beach Housing Development Fund Corporation**  
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**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2021**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Rental	\$ 2,586,372	\$ -	\$ 2,586,372
Vacancies	(207,464)	-	(207,464)
Net rental revenue	2,378,908	-	2,378,908
Nursing home/assisted living and other revenue	84,146	-	84,146
Financial	212	-	212
Other	57,718	-	57,718
Total revenue	2,520,984	-	2,520,984
Expenses			
Administrative	405,174	-	405,174
Utilities	181,249	-	181,249
Operating and maintenance	531,653	-	531,653
Taxes and insurance	625,142	-	625,142
Financial (including interest of \$288,544)	322,007	-	322,007
Nursing home/assisted living and other elderly care	57,665	-	57,665
Total cost of operations before depreciation	2,122,890	-	2,122,890
Income (loss) before depreciation	398,094	-	398,094
Depreciation	555,094	-	555,094
Operating income (loss)	(157,000)	-	(157,000)
Mortgagor entity expenses	23	-	23
Change in net assets	(157,023)	-	(157,023)
Net assets, beginning	(1,234,131)	246,700	(987,431)
Net assets, end	\$ (1,391,154)	\$ 246,700	\$ (1,144,454)

See Notes to Financial Statements.

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
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**Statement of Cash Flows**  
**Year Ended June 30, 2021**

Cash flows from operating activities	
Rental receipts	\$ 2,348,697
Interest receipts	212
Other operating receipts	<u>141,864</u>
Total receipts	<u>2,490,773</u>
Administrative expenses paid	(85,711)
Management fees paid	(144,451)
Utilities paid	(184,281)
Salaries and wages paid	(439,346)
Operating and maintenance paid	(124,962)
Real estate taxes paid	(352,857)
Property insurance paid	(189,101)
Miscellaneous taxes and insurance paid	(76)
Net tenant security deposits received (paid)	(2,296)
Other operating expenses paid	(140,109)
Interest paid on first mortgage	(288,782)
Mortgage insurance premium paid	(32,515)
Entity/construction expenses paid (include detail)	
Lien release payment	<u>(802,084)</u>
Total disbursements	<u>(2,786,571)</u>
Net cash used in operating activities	<u>(295,798)</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	71,685
Net deposits to reserve for replacements	(53,346)
Net deposits to other reserves	(1,176)
Net deposits to residual receipts reserve	(23)
Net purchases of fixed assets	<u>(127,750)</u>
Net cash used in investing activities	<u>(110,610)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(209,724)
Entity/construction financing activities (include detail)	
Contribution revenue	<u>802,084</u>
Net cash provided by financing activities	<u>592,360</u>
Net increase in cash and restricted cash	185,952
Cash and restricted cash, beginning	<u>479,020</u>
Cash and restricted cash, end	<u><u>\$ 664,972</u></u>

**Manhattan Beach Housing Development Fund Corporation**  
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**Statement of Cash Flows**  
**Year Ended June 30, 2021**

Significant noncash investing and financing activities

Additions to rental property included in accounts payable -  
construction/development

\$ 154,324

See Notes to Financial Statements.

**Manhattan Beach Housing Development Fund Corporation**  
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**Notes to Financial Statements**  
**June 30, 2021**

**Note 1 - Organization**

Manhattan Beach Housing Development Fund Corporation (the "Company") was organized in 1978 as a nonstock, nonprofit Company for the purpose of developing and operating housing and auxiliary facilities for aged persons of low income (the "Project"). 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 150 units located in Brooklyn, New York and is currently operating under the name of Scheuer House of Manhattan Beach. 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, 2021, the balance of the allowance for doubtful accounts was \$112.

**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.

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**Notes to Financial Statements**  
**June 30, 2021**

**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, 2021.

**Debt 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.

**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, 2021. 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 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 Company and the tenants of the property are operating leases.

**Grant income**

The Company was awarded a cost reimbursed grant from HUD (see Note 8). 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.

**Manhattan Beach Housing Development Fund Corporation**  
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**Notes to Financial Statements**  
**June 30, 2021**

**Note 3 - Liquidity and availability**

The Company has \$352,244 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 \$338,484 and accounts receivable, net of allowances, of \$13,760. 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 3.92% per annum. During the year ended June 30, 2021, interest expense incurred was \$288,544, inclusive of amortization of debt issuance costs of \$447. Principal and interest are payable by the Company in monthly installments of \$41,542 through maturity on January 1, 2043. As of June 30, 2021, the outstanding principal and accrued interest balances were \$7,252,622 and \$23,692, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$9,648 as of June 30, 2021 and are related to the mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 3.93%.

Under agreements with the mortgage lender and HUD, the Company is required to make monthly escrow deposits for taxes and insurance, 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.

The Company is required to spend \$15,218 annually from its Debt Service Savings, as defined in agreements with HUD. If there is any unspent portion, HUD requires the Company to deposit it into the replacement reserve for the subsequent year. For the year ended June 30, 2021, no funds were used for program services. As of June 30, 2021, \$23,922 is due to the replacement reserve.

The Company entered into a regulatory agreement with the Secretary of HUD which prohibits, among other matters: (i) distributions (as defined) without prior written approval; (ii) the sale, assignment, disposal, or alteration of certain fixed assets covered by the mortgage; and (iii) the Company's engaging in other business activities or incurring any liabilities not connected with the operation and rental of the buildings without prior written consent from HUD.

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**Notes to Financial Statements**  
**June 30, 2021**

The required principal payments for the mortgage in each of the five years subsequent to June 30, 2021 and thereafter in the aggregate are as follows:

	June 30, 2022	\$	218,095
	2023		226,800
	2024		235,852
	2025		245,265
	2026		255,054
	Thereafter		<u>6,071,556</u>
			7,252,622
	Current		(218,095)
Unamortized debt issuance costs			<u>(9,648)</u>
	Net	\$	<u><u>7,024,879</u></u>

**Note 5 - Restricted deposits and funded 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 \$4,315 are required. As of June 30, 2021, the balance in the replacement reserve was \$529,409.

**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 required 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, 2021, the balance in the residual receipts reserve was \$60,284.

**Escrow deposits**

In accordance with the mortgage agreement, the Company is required to make monthly deposits to an insurance escrow and a mortgage insurance premium escrow. As of June 30, 2021, the balance in the escrows totaled \$153,580.

**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, 2021 was \$189,101. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2021 was \$52,617.

The Company also pays JASA through a HUD grant for an elderly and congregate services program (see Note 8) conducted by JASA for the tenants. Expenses related to this grant for the year ended June 30, 2021 were \$57,665.

The Company 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

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**Notes to Financial Statements**  
**June 30, 2021**

are not available separately for each employer who participates in the plan. For the year ended June 30, 2021, 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, 2021, the Company reimbursed JASA \$10,654 for pension costs.

JASA pays the Company a license fee for the use of space for a community services facility located at the site. License fee revenue for the year ended June 30, 2021 was \$51,908 and is included in miscellaneous revenue on the statement of activities and changes in net assets.

As of June 30, 2021, \$7,982 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 6.09% of rental receipts. Management fees incurred for the year ended June 30, 2021 were \$144,112.

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 \$34,752 and are included in bookkeeping fees/accounting services on the statements of activities and changes in net assets.

As of June 30, 2021, \$15,181 remain payable to JHM and are included on the statement of financial position as accrued management fee payable.

**Note 7 - 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	\$ 625,510
Tenant deposits	<u>39,462</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 664,972</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 8 - 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, 2021, revenue recognized was \$84,146. As of June 30, 2021, \$3,151 remains receivable from HUD.

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**Notes to Financial Statements**  
**June 30, 2021**

**Note 9 - 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 on May 26, 2022. During the year ended June 30, 2021, \$2,100,663 was earned.

**Note 10 - 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, 2021.

**Note 11 - Current vulnerability due to certain concentrations**

The Company's principal asset is a 150-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, 2021:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 208,539	\$ 196,635	\$ 405,174
Utilities expense	181,249	-	181,249
Operating and maintenance expenses	531,653	-	531,653
Taxes and insurance	625,142	-	625,142
Financial expenses	322,007	-	322,007
Nursing home/assisted living/board and care/other elderly care expenses	57,665	-	57,665
Depreciation	555,094	-	555,094
Corporate or mortgagor entity expenses, net	-	23	23
<b>Total</b>	<b><u>\$ 2,481,349</u></b>	<b><u>\$ 196,658</u></b>	<b><u>\$ 2,678,007</u></b>

All expenses are directly attributable to a specific function.

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**Notes to Financial Statements**  
**June 30, 2021**

**Note 13 - 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 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 Company'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 - 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 \$37,500 (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, 2021, the Company recorded an expense of \$23 for the amount of its residual receipts account in excess of its Retained Balance.

As of June 30, 2021, the Company has a liability of \$22,784, which reflects the remaining excess amount of its residual receipts account. The liability includes an accrual for the amount of surplus cash that is required to be deposited into the residual receipts account after the end of the year that would cause the balance of the account to exceed the Retained Balance amount.

**Note 15 - Hurricane Sandy**

In 2013, the Corporation received a grant from the Fund for the City of New York in the amount of \$300,000. Use of the \$300,000 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 \$246,700.

In 2014, the Corporation 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 \$802,084 to the Corporation, which was paid to HHS to release the Project from the Notice of Federal Interest.

**Note 16 - 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

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**Notes to Financial Statements**  
**June 30, 2021**

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
Residual receipts obligation	\$ 22,761	\$ 23	\$ -	\$ 22,784
Lien release payment	-	802,084	(802,084)	-
	<u>\$ 22,761</u>	<u>\$ 802,107</u>	<u>\$ (802,084)</u>	<u>\$ 22,784</u>

**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 Company through September 14, 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**

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**Supplementary Information**

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

<u>Account No.</u>	<u>Assets</u>	
<b>Current assets</b>		
1120	Cash - operations	\$ 338,484
1125	Cash - entity	287,026
1130	Tenant accounts receivable	\$ 8,433
1131	Allowance for doubtful accounts	<u>(112)</u>
1130N	Net tenants accounts receivable	8,321
1135	Accounts receivable - HUD	3,151
1140	Accounts and notes receivable - operations	2,288
1200	Prepaid expenses	<u>194,909</u>
1100T	Total current assets	834,179
<b>Deposits held in trust - funded</b>		
1191	Tenant deposits	39,462
<b>Restricted deposits and funded reserves</b>		
1310	Escrow deposits	128,127
1320	Reserve for replacements	529,409
1330	Other reserves	25,453
1340	Residual receipts reserve	<u>60,284</u>
1300T	Total deposits	743,273
<b>Rental property</b>		
1410	Land	789,289
1420	Buildings	14,961,195
1440	Building equipment - portable	46,004
1465	Office furniture and equipment	126,136
1490	Miscellaneous fixed assets	<u>146,572</u>
1400T	Total fixed assets	16,069,196
1495	Less accumulated depreciation	<u>(11,076,826)</u>
1400N	Net fixed assets	<u>4,992,370</u>
1000T	Total assets	<u><u>\$ 6,609,284</u></u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**Supplementary Information**

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

<u>Account No.</u>	<u>Liabilities and Net Assets (Deficit)</u>	
<b>Current liabilities</b>		
2110	Accounts payable - operations	\$ 214,123
2111	Accounts payable - construction/development	154,324
2113	Accounts payable - entity	22,784
2120	Accrued wages payable	36,227
2121	Accrued payroll taxes payable	2,729
2123	Accrued management fee payable	15,181
2131	Accrued interest payable - first mortgage	23,692
2170	Mortgage payable - first mortgage (short-term)	218,095
2210	Prepaid revenue	<u>3,563</u>
2122T	Total current liabilities	690,718
<b>Deposits liability</b>		
2191	Tenant deposits held in trust (contra)	38,141
<b>Long-term liabilities</b>		
2320	Mortgage payable - first mortgage	<u>\$ 7,024,879</u>
2300T	Total long-term liabilities	<u>7,024,879</u>
2000T	Total liabilities	7,753,738
3131	Net assets without donor restrictions	(1,391,154)
3133	Net assets with donor restrictions	<u>246,700</u>
3130	Total net assets (deficit)	<u>(1,144,454)</u>
2033T	Total liabilities and net assets (deficit)	<u>\$ 6,609,284</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**Supplementary Information**

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

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 485,709	
5121	Tenant assistance payments	<u>2,100,663</u>	
5100T	Total rental revenue		\$ 2,586,372
Vacancies			
5220	Apartments	<u>(207,464)</u>	
5200T	Total vacancies		<u>(207,464)</u>
5152N	Net rental revenue		2,378,908
5300	Nursing home/Assisted living/Board and care/Other elderly care/Coop and other revenue		84,146
Financial revenue			
5430	Revenue from investments - residual receipts	23	
5440	Revenue from investments - replacement reserve	<u>189</u>	
5400T	Total financial revenue		212
Other revenue			
5910	Laundry and vending	5,500	
5920	Tenant charges	310	
5990	Miscellaneous revenue	<u>51,908</u>	
5900T	Total other revenue		<u>57,718</u>
5000T	Total revenue		<u>2,520,984</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
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**Supplementary Information**

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

Account No.

Administrative expenses			
6250	Other renting expenses	433	
6310	Office salaries	68,651	
6311	Office expenses	39,704	
6320	Management fee	144,112	
6330	Manager or superintendent salaries	65,966	
6331	Administrative rent free unit	21,972	
6340	Legal expense - project	492	
6350	Auditing expense	10,850	
6351	Bookkeeping fees/accounting services	41,673	
6370	Bad debts	11,029	
6390	Miscellaneous administrative expenses	<u>292</u>	
6263T	Total administrative expenses		405,174
Utilities expense			
6450	Electricity	44,443	
6451	Water	30,950	
6452	Gas	56,804	
6453	Sewer	<u>49,052</u>	
6400T	Total utilities expense		181,249
Operating and maintenance expenses			
6510	Payroll	109,973	
6515	Supplies	30,101	
6520	Contracts	140,454	
6530	Security payroll/contract	204,103	
6546	Heating/cooling repairs and maintenance	46,422	
6590	Miscellaneous operating and maintenance expenses	<u>600</u>	
6500T	Total operating and maintenance expenses		531,653

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**Supplementary Information**

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

Account No.

Taxes and insurance			
6710	Real estate taxes	352,844	
6711	Payroll taxes	17,930	
6720	Property and liability insurance	189,101	
6722	Workmen's compensation	12,957	
6723	Health insurance and other employee benefits	52,234	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>76</u>	
6700T	Total taxes and insurance		625,142
Financial expenses			
6820	Interest on first mortgage payable	288,544	
6850	Mortgage insurance premium/service charge	<u>33,463</u>	
6800T	Total financial expenses		<u>322,007</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>57,665</u>
6000T	Total cost of operations before depreciation		<u>2,122,890</u>
5060T	Income (loss) before depreciation		<u>398,094</u>
Depreciation			
6600	Depreciation expense	<u>555,094</u>	
	Total depreciation		<u>555,094</u>
5060N	Operating income (loss)		<u>(157,000)</u>
Corporate or mortgagor entity revenue and expenses			
7105	Entity revenue	(802,084)	
7190	Other expenses	<u>802,107</u>	
7100T	Net entity expenses		<u>23</u>
	Total expenses		<u>2,678,007</u>
3250	Change in net assets		<u>\$ (157,023)</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**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>\$ 209,724</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>\$ 53,157</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>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**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>Total</u>
S1100-050	Net assets (deficit)			
S1100-060/080	June 30, 2020	\$ (1,234,131)	\$ 246,700	\$ (987,431)
3247/3249	Change in net assets	<u>(157,023)</u>	<u>-</u>	<u>(157,023)</u>
3130	Net assets (deficit)			
3131/3133	June 30, 2021	<u>\$ (1,391,154)</u>	<u>\$ 246,700</u>	<u>\$ (1,144,454)</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
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**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		\$ 2,348,697
S1200-020	Interest receipts		212
S1200-030	Other operating receipts		<u>141,864</u>
S1200-040	Total receipts		<u>2,490,773</u>
S1200-050	Administrative expenses paid		(85,711)
S1200-070	Management fees paid		(144,451)
S1200-090	Utilities paid		(184,281)
S1200-100	Salaries and wages paid		(439,346)
S1200-110	Operating and maintenance paid		(124,962)
S1200-120	Real estate taxes paid		(352,857)
S1200-140	Property insurance paid		(189,101)
S1200-150	Miscellaneous taxes and insurance paid		(76)
S1200-160	Net tenant security deposits received (paid)		(1,127)
S1200-170	Other operating expenses paid		(140,109)
S1200-180	Interest paid on first mortgage		(288,782)
S1200-210	Mortgage insurance premium paid		(32,515)
S1200-225	Entity/construction expenses paid (include detail)		
S1200-226	Lien release payment	<u>\$ (802,084)</u>	<u>(802,084)</u>
S1200-230	Total disbursements		<u>(2,785,402)</u>
S1200-240	Net cash used in operating activities		<u>(294,629)</u>
	Cash flows from investing activities		
S1200-245	Net withdrawals from mortgage escrows		71,685
S1200-250	Net deposits to reserve for replacements		(53,346)
S1200-255	Net deposits to other reserves		
S1200-256	MIP escrow	<u>(1,176)</u>	(1,176)
S1200-260	Net deposits to residual receipts reserves		(23)
S1200-330	Net purchases of fixed assets		<u>(127,750)</u>
S1200-350	Net cash used in investing activities		<u>(110,610)</u>
	Cash flows from financing activities		
S1200-360	Mortgage principal payments - first mortgage		(209,724)
S1200-455	Entity/construction financing activities (include detail)		
S1200-456	Contribution revenue	<u>802,084</u>	<u>802,084</u>
S1200-460	Net cash provided by financing activities		<u>592,360</u>
S1200-470	Net increase in cash		187,121
S1200-480	Cash, beginning		<u>438,389</u>
S1200T	Cash, end		<u>\$ 625,510</u>

Manhattan Beach Housing Development Fund Corporation  
HUD Project No.: 012-11287  
NY HAP Contract No.: NY36-T781-028

Supplementary Information

Statement of Cash Flows Data  
Year Ended June 30, 2021

<u>Account No.</u>	Comments	
S1200-620	Additions to rental property included in accounts payable - construction/development	<u>\$ 154,324</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at June 30, 2020	\$ 476,063
1320DT	Total monthly deposits	51,781
1320ODT	Other deposits	
1320OD-010	Debt service savings deposit	1,376
1320INT	Interest income	<u>189</u>
1320	Balance at June 30, 2021	<u><u>\$ 529,409</u></u>

**Residual Receipts Reserve**

<u>Account No.</u>		
1340P	Balance at June 30, 2020	\$ 60,261
1340INT	Interest income	<u>23</u>
1340	Balance at June 30, 2021	<u><u>\$ 60,284</u></u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**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)	\$ 377,946
1135	Accounts receivable - HUD	3,151
		<hr/>
S1300-040	Total cash	381,097
		<hr/>
S1300-050	Accrued mortgage interest payable	23,692
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	214,123
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)	54,137
2210	Prepaid revenue (Account 2210)	3,563
2191	Tenant security deposits liability (Account 2191)	38,141
S1300-110	Other current obligations (describe in detail)	
S1300-120	Required deposit to replacement reserve due to unspent interest savings	\$ 23,922
		<hr/>
		23,922
		<hr/>
S1300-140	Less total current obligations	357,578
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ 23,519
		<hr/>
S1300-210	<u>Part B - Deposit Due Residual Receipts Reserve</u>	<u>\$ 23,519</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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

**Changes in Fixed Asset Accounts**

	Assets			Balance 6/30/21
	Balance 6/30/20	Additions	Deletions	
Land	\$ 789,289	\$ -	\$ -	\$ 789,289
Buildings	14,772,153	189,042	-	14,961,195
Building equipment - portable	35,882	10,122	-	46,004
Office furniture and equipment	126,136	-	-	126,136
Miscellaneous fixed assets	63,662	82,910	-	146,572
	<u>\$ 15,787,122</u>	<u>\$ 282,074</u>	<u>\$ -</u>	<u>\$ 16,069,196</u>
Accumulated depreciation	<u>\$ 10,521,732</u>	<u>\$ 555,094</u>	<u>\$ -</u>	<u>\$ 11,076,826</u>
Total net book value				<u>\$ 4,992,370</u>

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Various apartment renovations	<u>\$ 189,042</u>

Additions to Building Equipment - Portable Account

Item and quantity	Amount
Appliances	<u>\$ 10,122</u>

Additions to Miscellaneous Fixed Assets Account

Item and quantity	Amount
Construction-in-progress	<u>\$ 82,910</u>

Manhattan Beach Housing Development Fund Corporation  
HUD Project No.: 012-11287  
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Supplementary Information  
Year Ended June 30, 2021

**Detail of Accounts - Statement of Financial Position**

Accounts and Notes Receivable - Operations (Account No. 1140)

Other

Tenant security deposits receivable

\$ 2,288

Other Reserves (Account No. 1330)

Mortgage insurance premium escrow

\$ 25,453

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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

**Detail of Accounts - Statement of Activities**

Miscellaneous Other Revenue (Account No. 5990)

Use of premises \$ 51,908

Other Entity Expenses (Account No. 7190)

Residual receipts obligation \$ 23  
Lien release payment 802,084

\$ 802,107

Nursing Home/Assisted Living/Board and Care/Other Elderly Care/Coop and Other Revenue  
(Account No. 5300)

5390 Other service revenue \$ 84,146

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

6990 Other service expenses \$ 57,665

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
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**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	\$ 144,451
S3100-210	JHM - bookkeeping/accounting	34,752
S3100-210	JASA - service coordinator	<u>57,665</u>
		<u>\$ 236,868</u>

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**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 Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	14.155	N/A	\$ 7,462,346
Section 8 Project Based Cluster Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	2,100,663
Multi-Family Housing Service Coordinators	14.191	N/A	<u>84,146</u>
Total U.S. Department of Housing and Urban Development			<u>9,647,155</u>
Total expenditures of federal awards			<u>\$ 9,647,155</u>

See Notes to Schedule of Expenditures of Federal Awards.

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

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

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Manhattan Beach Housing Development Fund Corporation, HUD Project No.: 012-11287, 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 Manhattan Beach Housing Development Fund Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Manhattan Beach 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. Manhattan Beach Housing Development Fund Corporation has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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

Manhattan Beach Housing Development Fund Corporation has received a U.S. Department of Housing and Urban Development direct 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. Manhattan Beach Housing Development Fund Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2021 consists of:

CFDA Number	Program name	Outstanding balance June 30, 2021
14.155	Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	<u>\$ 7,252,622</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  
Manhattan Beach 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 Manhattan Beach Housing Development Fund Corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2021.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manhattan Beach Housing Development Fund Corporation'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 Manhattan Beach Housing Development Fund Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Manhattan Beach 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 Manhattan Beach 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 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 of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

New York, New York  
September 14, 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  
Manhattan Beach Housing Development Fund Corporation

Report on Compliance for Each Major Federal Program

We have audited Manhattan Beach 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 Manhattan Beach Housing Development Fund Corporation's major federal programs for the year ended June 30, 2021. Manhattan Beach 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 Manhattan Beach 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 Manhattan Beach 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 Manhattan Beach Housing Development Fund Corporation's compliance.

*Opinion on Each Major Federal Program*

In our opinion, Manhattan Beach 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 each major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Manhattan Beach 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

Manhattan Beach 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 Manhattan Beach 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.



New York, New York  
September 14, 2021

**Manhattan Beach Housing Development Fund Corporation**  
**HUD Project No.: 012-11287**  
**NY HAP Contract No.: NY36-T781-028**

**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 Manhattan Beach 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 Cooper Square 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 Manhattan Beach 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 Manhattan Beach Housing Development Fund Corporation.
7. The programs tested as major programs were:
  - Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f) - CFDA No. 14.155
  - Section 8 Project Based Cluster Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation - CFDA No. 14.856
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Manhattan Beach 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



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