



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

Index

	<u>Page</u>
Mortgagor's Certification	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Statement of Financial Position	7
Statement of Activities and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	12
Supplementary Information	
Statement of Financial Position Data	21
Statement of Activities Data	23
Statement of Changes in Net Assets (Deficit) Data	27
Statement of Cash Flows Data	28
Reserve for Replacements	30
Computation of Surplus Cash, Distributions and Residual Receipts	31
Changes in Fixed Asset Accounts	32
Detail of Accounts - Statement of Financial Position	33
Detail of Accounts - Statement of Activities	34
Other Information	35
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	40
Schedule of Findings and Questioned Costs	43

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

**June 30, 2022**

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

\_\_\_\_\_  
Matthew LoCurto  
Chief Financial Officer

Date

Telephone Number: (212) 273-5257

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

**June 30, 2022**

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 Date  
Director of Housing

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 financial statements of Brighton Beach Housing Development Fund Company, Inc., which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brighton Beach Housing Development Fund Company, Inc. as of June 30, 2022, 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brighton Beach Housing Development Fund Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighton Beach Housing Development Fund Company, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Brighton Beach Housing Development Fund Company, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighton Beach Housing Development Fund Company, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates, as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the HUD-required financial data templates and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.



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

**Statement of Financial Position**  
**June 30, 2022**

Assets

Current assets	
Cash - operations	\$ 1,199,524
Cash - entity	79,996
Tenant accounts receivable	73,347
Accounts and notes receivable - operations	2,214
Prepaid expenses	<u>632,652</u>
Total current assets	<u>1,987,733</u>
Deposits held in trust - funded	
Tenant deposits	<u>40,480</u>
Restricted deposits and funded reserves	
Escrow deposits	99,373
Reserve for replacements	821,666
Other reserves	<u>11,720,918</u>
Total restricted deposits and funded reserves	<u>12,641,957</u>
Rental property	
Land	644,423
Buildings	14,290,532
Building equipment - portable	182,421
Furnishings	24,870
Office furniture and equipment	92,337
Miscellaneous fixed assets	<u>3,225,670</u>
	18,460,253
Less accumulated depreciation	<u>(11,068,456)</u>
Total rental property	<u>7,391,797</u>
Total assets	<u>\$ 22,061,967</u>



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

**Statement of Financial Position**  
**June 30, 2022**

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable - operations	\$ 179,234
Accounts payable - construction/development	390,258
Accrued wages payable	67,201
Accrued payroll taxes payable	5,548
Accrued management fee payable	20,946
Accrued interest payable - first mortgage	58,411
Mortgage payable - first mortgage (short-term)	606,722
Prepaid revenue	5,995
	<hr/>
Total current liabilities	1,334,315
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	37,868
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	29,616,767
	<hr/>
Total long-term liabilities	29,616,767
	<hr/>
Total liabilities	30,988,950
	<hr/>
Contingency	-
	<hr/>
Net assets	
Net assets without donor restrictions	(9,006,979)
Net assets with donor restrictions	79,996
	<hr/>
Total net assets	(8,926,983)
	<hr/>
Total liabilities and net assets (deficit)	\$ 22,061,967
	<hr/> <hr/>

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, 2022**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Rental	\$ 3,826,434	\$ -	\$ 3,826,434
Vacancies	(198,059)	-	(198,059)
Net rental revenue	3,628,375	-	3,628,375
Financial	4,255	-	4,255
Other	22,473	-	22,473
Total revenue	3,655,103	-	3,655,103
Expenses			
Administrative	467,555	-	467,555
Utilities	248,155	-	248,155
Operating and maintenance	503,820	-	503,820
Taxes and insurance	682,195	-	682,195
Financial (including interest of \$718,865)	828,706	-	828,706
Nursing home/assisted living and other elderly care	126,385	-	126,385
Total cost of operations before depreciation	2,856,816	-	2,856,816
Income before depreciation	798,287	-	798,287
Depreciation	468,530	-	468,530
Change in net assets	329,757	-	329,757
Net assets, beginning	(9,336,736)	79,996	(9,256,740)
Net assets, end	\$ (9,006,979)	\$ 79,996	\$ (8,926,983)

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, 2022**

Cash flows from operating activities	
Rental receipts	\$ 3,550,823
Interest receipts	4,255
Other operating receipts	<u>22,473</u>
Total receipts	<u>3,577,551</u>
Administrative expenses paid	(129,447)
Management fees paid	(213,006)
Utilities paid	(234,064)
Salaries and wages paid	(381,665)
Operating and maintenance paid	(214,170)
Real estate taxes paid	(770,403)
Property insurance paid	(210,949)
Miscellaneous taxes and insurance paid	(5,245)
Net tenant security deposits received (paid)	2,277
Other operating expenses paid	(206,642)
Interest paid on first mortgage	(708,348)
Mortgage insurance premium paid	<u>(124,962)</u>
Total disbursements	<u>(3,196,624)</u>
Net cash provided by operating activities	<u>380,927</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	65,253
Net deposits to reserve for replacements	(36,818)
Net withdrawals from other reserves	3,565,170
Net purchases of fixed assets	<u>(2,838,919)</u>
Net cash provided by investing activities	<u>754,686</u>

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

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Cash flows from financing activities	
Mortgage principal payments - first mortgage	<u>(592,939)</u>
Net cash used in financing activities	<u>(592,939)</u>
Net increase in cash and restricted cash	542,674
Cash and restricted cash, beginning	<u>777,326</u>
Cash and restricted cash, end	<u><u>\$ 1,320,000</u></u>
Significant noncash investing and financing activities	
Additions to rental property included in accounts payable - construction/development	<u><u>\$ 224,052</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, 2022**

**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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

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 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

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

**Notes to Financial Statements**  
**June 30, 2022**

tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022, the balance of the allowance for doubtful accounts was \$0.

**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 during the year ended June 30, 2022.

**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, 2022. 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 2018 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.**  
**HUD Project No.: 012-11279**

**Notes to Financial Statements**  
**June 30, 2022**

**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 \$1,272,871 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 \$1,199,524 and accounts receivable of \$73,347. 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 January 22, 2021, the Corporation entered into a mortgage agreement with Greystone Funding Company, LLC. The 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. During the year ended June 30, 2022, interest expense of \$718,865, inclusive of \$11,654 of amortization of debt issuance costs, was incurred and charged to operations. Principal and interest are payable by the Corporation in monthly installments of \$108,441 through maturity on February 1, 2056. As of June 30, 2022, the outstanding principal and accrued interest balances were \$30,475,423 and \$58,411, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$251,934 as of June 30, 2022 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, 2022, \$126,385 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, 2022, a deposit of \$281,834 is due to the replacement reserve.

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. The

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

**Notes to Financial Statements**  
**June 30, 2022**

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.

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

June 30, 2023	\$	606,722
2024		609,551
2025		625,818
2026		640,569
2027		655,667
Thereafter		<u>27,337,096</u>
Total balance due		30,475,423
Current maturities		(606,722)
Unamortized debt issuance costs		<u>(251,934)</u>
Net long-term balance	\$	<u><u>29,616,767</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. Effective January 22, 2021, required monthly deposits are \$3,208. As of June 30, 2022, the balance in the reserve for replacements was \$821,666.

**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, 2022, the balance in the escrows was \$99,373.

**Repair reserve**

Under agreements with the mortgage lender, the Corporation has established a reserve to complete noncritical and other deferred repairs. As of June 30, 2022, the balance of the reserve was \$10,963,057 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, 2022, the balance of the reserve was \$757,861 and is included in other reserves in the accompanying statement of financial position.



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

**Notes to Financial Statements**  
**June 30, 2022**

**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	\$ 1,279,520
Tenant deposits	<u>40,480</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,320,000</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, 2022 was \$210,949. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2022 were \$50,212. As of June 30, 2022, \$32,341 remains payable to JASA and is included on the statement of financial position in accounts payable - operations.

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 \$126,385.

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, 2022, 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, 2022, the Corporation reimbursed JASA for \$10,905 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, 2022 was \$15,165 and is included in other revenues on the statement of activities and changes in net assets.

**JHM**

The property is managed by an affiliate of the Corporation, JHM, pursuant to a management agreement approved by HUD. The current management agreement provides for a fee of 5.235% of residential income collected monthly. Management fees incurred for the year ended June 30, 2022 were \$213,406.

The property pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. Fees incurred for the year ended June 30, 2022 were \$44,053 and are included in bookkeeping fees/accounting services on the statement of activities and changes in net assets.

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

**Notes to Financial Statements**  
**June 30, 2022**

As of June 30, 2022, \$20,946 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, 2022 was \$79,996.

**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, 2022, a rental assistance payment of \$3,287,960 was earned under the terms of the agreement.

**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, 2022.

**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.

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

**Notes to Financial Statements**  
**June 30, 2022**

**Note 12 - Expenses by nature and function**

The table below presents expenses by both their nature and function during the year ended June 30, 2022:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 198,746	\$ 268,809	\$ 467,555
Utilities expense	248,155	-	248,155
Operating and maintenance expenses	503,820	-	503,820
Taxes and insurance	682,195	-	682,195
Financial expenses	828,706	-	828,706
Nursing home/assisted living/board and care/other elderly care expenses	126,385	-	126,385
Depreciation	468,530	-	468,530
<b>Total</b>	<b>\$ 3,056,537</b>	<b>\$ 268,809</b>	<b>\$ 3,325,346</b>

**Note 13 - Contingency**

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. The Corporation is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Corporation's performance in future periods will be heavily influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on the Corporation's operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on the Project.

**Note 14 - Construction contracts**

The Corporation has entered into multiple construction contracts in the total amount of \$4,708,004, inclusive of change orders of \$490,665, with unrelated parties to complete rehabilitation of the Project. As of June 30, 2022, \$3,935,953 has been incurred and is included in rental property in the accompanying statement of financial position. As of June 30, 2022, \$390,258 remains payable and is included in accounts payable - construction/development on the accompanying statement of financial position.

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

**Notes to Financial Statements**  
**June 30, 2022**

**Note 15 - 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 16 - 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 26, 2022 (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, 2022**

Assets

Account No.

Current assets

1120	Cash - operations		\$ 1,199,524
1125	Cash - entity		79,996
1130	Tenant accounts receivable		73,347
1140	Accounts and notes receivable - operations		2,214
1200	Prepaid expenses		<u>632,652</u>
1100T	Total current assets		1,987,733

Deposits held in trust - funded

1191	Tenant deposits		40,480
------	-----------------	--	--------

Restricted deposits and funded reserves

1310	Escrow deposits	\$ 99,373	
1320	Reserve for replacements	821,666	
1330	Other reserves	<u>11,720,918</u>	
1300T	Total deposits		12,641,957

Rental property

1410	Land	644,423	
1420	Buildings	14,290,532	
1440	Building equipment - portable	182,421	
1460	Furnishings	24,870	
1465	Office furniture and equipment	92,337	
1490	Miscellaneous fixed assets	<u>3,225,670</u>	
1400T	Total fixed assets	18,460,253	
1495	Less accumulated depreciation	<u>(11,068,456)</u>	
1400N	Net fixed assets		<u>7,391,797</u>
1000T	Total assets		<u><u>\$ 22,061,967</u></u>

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

**Supplementary Information**

**Statement of Financial Position Data  
June 30, 2022**

Liabilities and Net Assets (Deficit)

Account No.

<u>Current liabilities</u>		
2110	Accounts payable - operations	\$ 179,234
2111	Accounts payable - construction/development	390,258
2120	Accrued wages payable	67,201
2121	Accrued payroll taxes payable	5,548
2123	Accrued management fee payable	20,946
2131	Accrued interest payable - first mortgage	58,411
2170	Mortgage payable - first mortgage (short-term)	606,722
2210	Prepaid revenue	<u>5,995</u>
2122T	Total current liabilities	1,334,315
<u>Deposits liability</u>		
2191	Tenant deposits held in trust (contra)	37,868
<u>Long-term liabilities</u>		
2320	Mortgage payable - first mortgage	<u>\$ 29,616,767</u>
2300T	Total long-term liabilities	<u>29,616,767</u>
2000T	Total liabilities	30,988,950
3131	Net assets without donor restrictions	<u>(8,926,983)</u>
3130	Total net assets (deficit)	<u>(8,926,983)</u>
2033T	Total liabilities and net assets (deficit)	<u><u>\$ 22,061,967</u></u>

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

**Supplementary Information**

**Statement of Activities Data**  
**Year Ended June 30, 2022**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 536,524	
5121	Tenant assistance payments	3,287,960	
5170	Garage and parking spaces	<u>1,950</u>	
5100T	Total rental revenue		\$ 3,826,434
Vacancies			
5220	Apartments	<u>(198,059)</u>	
5200T	Total vacancies		<u>(198,059)</u>
5152N	Net rental revenue		3,628,375
Financial revenue			
5440	Revenue from investments - replacement reserve	240	
5490	Revenue from investments - miscellaneous	<u>4,015</u>	
5400T	Total financial revenue		4,255
Other revenue			
5910	Laundry and vending	6,808	
5920	Tenant charges	500	
5990	Miscellaneous revenue	<u>15,165</u>	
5900T	Total other revenue		<u>22,473</u>
5000T	Total revenue		<u>3,655,103</u>



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

**Supplementary Information**

**Statement of Activities Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
Administrative expenses			
6203	Conventions and meetings	164	
6210	Advertising and marketing	20,136	
6250	Other renting expenses	4,220	
6310	Office salaries	72,565	
6311	Office expenses	43,261	
6320	Management fee	213,406	
6330	Manager or superintendent salaries	29,719	
6331	Administrative rent free unit	21,972	
6340	Legal expense - project	72	
6350	Auditing expense	11,350	
6351	Bookkeeping fees/accounting services	44,053	
6370	Bad debts	2,660	
6390	Miscellaneous administrative expenses	<u>3,977</u>	
6263T	Total administrative expenses		467,555
Utilities expense			
6450	Electricity	55,942	
6451	Water	48,292	
6452	Gas	67,110	
6453	Sewer	<u>76,811</u>	
6400T	Total utilities expense		248,155
Operating and maintenance expenses			
6510	Payroll	102,286	
6515	Supplies	44,630	
6520	Contracts	142,031	
6530	Security payroll/contract	173,439	
6546	Heating/cooling repairs and maintenance	<u>41,434</u>	
6500T	Total operating and maintenance expenses		503,820

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

**Supplementary Information**

**Statement of Activities Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	385,462	
6711	Payroll taxes	18,822	
6720	Property and liability insurance	210,949	
6722	Workmen's compensation	4,682	
6723	Health insurance and other employee benefits	57,035	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>5,245</u>	
6700T	Total taxes and insurance		682,195
Financial expenses			
6820	Interest on first mortgage payable	718,865	
6850	Mortgage insurance premium/service charge	<u>109,841</u>	
6800T	Total financial expenses		<u>828,706</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>126,385</u>
6000T	Total cost of operations before depreciation		<u>2,856,816</u>
5060T	Income (loss) before depreciation		<u>798,287</u>
Depreciation			
6600	Depreciation expense	<u>468,530</u>	
	Total depreciation		<u>468,530</u>
5060N	Operating income (loss)		<u>329,757</u>
	Total expenses		<u>3,325,346</u>
3250	Change in net assets		<u><u>\$ 329,757</u></u>

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

**Supplementary Information**

**Statement of Activities Data**  
**Year Ended June 30, 2022**

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 592,939</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>\$ 38,500</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, 2022**

<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, 2021	\$ (9,336,736)	\$ 79,996	\$ (9,256,740)
3247/3249	Change in net assets	<u>329,757</u>	<u>-</u>	<u>329,757</u>
3130	Net assets			
3131/3133	June 30, 2022	<u>\$ (9,006,979)</u>	<u>\$ 79,996</u>	<u>\$ (8,926,983)</u>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2022**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,550,823
S1200-020	Interest receipts	4,255
S1200-030	Other operating receipts	<u>22,473</u>
S1200-040	Total receipts	<u>3,577,551</u>
S1200-050	Administrative expenses paid	(129,447)
S1200-070	Management fees paid	(213,006)
S1200-090	Utilities paid	(234,064)
S1200-100	Salaries and wages paid	(381,665)
S1200-110	Operating and maintenance paid	(214,170)
S1200-120	Real estate taxes paid	(770,403)
S1200-140	Property insurance paid	(210,949)
S1200-150	Miscellaneous taxes and insurance paid	(5,245)
S1200-160	Net tenant security deposits received (paid)	(934)
S1200-170	Other operating expenses paid	(206,642)
S1200-180	Interest paid on first mortgage	(708,348)
S1200-210	Mortgage insurance premium paid	<u>(124,962)</u>
S1200-230	Total disbursements	<u>(3,199,835)</u>
S1200-240	Net cash provided by operating activities	<u>377,716</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	65,253
S1200-250	Net deposits to reserve for replacements	(36,818)
S1200-255	Net withdrawals from other reserves	
S1200-256	Repair reserve	<u>\$ 3,565,170</u>
		3,565,170
S1200-330	Net purchases of fixed assets	<u>(2,838,919)</u>
S1200-350	Net cash provided by investing activities	<u>754,686</u>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2022**

<u>Account No.</u>		
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(592,939)</u>
S1200-460	Net cash used in financing activities	<u>(592,939)</u>
S1200-470	Net increase in cash	539,463
S1200-480	Cash, beginning	<u>740,057</u>
S1200T	Cash, end	<u><u>\$ 1,279,520</u></u>
<u>Account No.</u>		
S1200-620	Comments	
	Additions to rental property included in accounts payable - construction/development	<u><u>\$ 224,052</u></u>

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

Supplementary Information  
Year Ended June 30, 2022

**Reserve for Replacements**

<u>Account No.</u>			
1320P	Balance at June 30, 2021	\$	784,848
1320DT	Total monthly deposits		38,500
1320INT	Interest income		240
1320OWT	Other withdrawals		
1320OW-010	Other adjustment		<u>(1,922)</u>
1320	Balance at June 30, 2022	\$	<u><u>821,666</u></u>

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

**Supplementary Information  
Year Ended June 30, 2022**

**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)	\$	1,240,004
1135	Accounts receivable - HUD		<u>-</u>
S1300-040	Total cash		<u>1,240,004</u>
S1300-050	Accrued mortgage interest payable		58,411
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		179,234
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)		93,695
2210	Prepaid revenue (Account 2210)		5,995
2191	Tenant security deposits liability (Account 2191)		37,868
S1300-110	Other current obligations (describe in detail)		
S1300-120	Mortgage principal	\$	50,029
S1300-120	Replacement reserve deposit		3,208
S1300-120	Tax and insurance escrow deposit		129,999
S1300-120	MIP escrow deposit		6,255
S1300-120	Required deposit to replacement reserve due to unspent funds		<u>281,834</u>
			<u>471,325</u>
S1300-140	Less total current obligations		<u>846,528</u>
S1300-150	Surplus cash (deficiency)	\$	<u>393,476</u>
S1300-200	Amount available for distribution during next fiscal period	\$	<u>393,476</u>



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

**Supplementary Information  
Year Ended June 30, 2022**

**Changes in Fixed Asset Accounts**

	Assets			
	<u>Balance 6/30/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/22</u>
Land	\$ 644,423	\$ -	\$ -	\$ 644,423
Buildings	12,720,298	1,570,234	-	14,290,532
Building equipment - portable	131,244	51,177	-	182,421
Furnishings	24,870	-	-	24,870
Office furniture and equipment	92,337	-	-	92,337
Miscellaneous fixed assets	<u>1,784,110</u>	<u>1,441,560</u>	<u>-</u>	<u>3,225,670</u>
	<u>\$ 15,397,282</u>	<u>\$ 3,062,971</u>	<u>\$ -</u>	<u>\$ 18,460,253</u>
Accumulated depreciation	<u>\$ 10,599,926</u>	<u>\$ 468,530</u>	<u>\$ -</u>	<u>\$ 11,068,456</u>
Total net book value				<u>\$ 7,391,797</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Unit renovations	<u>\$ 1,570,234</u>

Additions to Building Equipment - Portable Account

<u>Item and quantity</u>	<u>Amount</u>
Refrigerators and appliances	<u>\$ 51,177</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in progress	<u>\$ 1,441,560</u>

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

Supplementary Information  
Year Ended June 30, 2022

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

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

Other

Tenant security deposits receivable

\$ 2,214

Other Reserves (Account No. 1330)

Repair reserve

\$ 10,963,057

Latent defect reserve

757,861

\$ 11,720,918

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

Supplementary Information  
Year Ended June 30, 2022

**Detail of Accounts - Statement of Activities**

Revenue from Investments - Miscellaneous (Account No. 5490)

Interest income - other reserves \$ 4,015

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous revenue - use of premises \$ 15,165

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

6990 Other service expenses \$ 126,385

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

Supplementary Information  
Year Ended June 30, 2022

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JHM - management fee	\$ 213,006
S3100-210	JASA - service coordinator	76,187
S3100-210	JHM - bookkeeping fees	<u>44,053</u>
		<u>\$ 333,246</u>

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

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	14.155	N/A	\$ 31,068,362
Section 8 Project Based Cluster, Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>3,287,960</u>
Total U.S. Department of Housing and Urban			<u>34,356,322</u>
Total expenditures of federal awards			<u><u>\$ 34,356,322</u></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**  
**June 30, 2022**

**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, 2022. 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, 2022, 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, 2022 consists of the following:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2022</u>
14.155	Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	<u>\$ 30,475,423</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, 2022, 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 26, 2022.

Report on 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 as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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*.





Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report 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

*Opinion on Each Major Federal Program*

We have audited Brighton Beach Housing Development Fund Company, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, except for the noncompliance described in the Matter Giving Rise to Qualified Opinion on Each Major Federal Program section of our report, Brighton Beach Housing Development Fund Company, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2022.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Brighton Beach Housing Development Fund Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Brighton Beach Housing Development Fund Company, Inc.'s compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on Each Major Federal Program*

As described in the accompanying schedule of findings and questioned costs, Brighton Beach Housing Development Fund Company, Inc. did not comply with requirements regarding each major federal program as described in finding number 2022-01.

Compliance with such requirements is necessary, in our opinion, for Brighton Beach Housing Development Fund Company, Inc. to comply with requirements applicable to each major federal program.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Brighton Beach Housing Development Fund Company, Inc.'s federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Brighton Beach Housing Development Fund Company, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Brighton Beach Housing Development Fund Company, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Brighton Beach Housing Development Fund Company, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Brighton Beach Housing Development Fund Company, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Brighton Beach Housing Development Fund Company, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### *Other Matters*

*Government Auditing Standards* requires the auditor to perform limited procedures on Brighton Beach Housing Development Fund Company, Inc.'s response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Brighton Beach Housing Development Fund Company, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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

**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

**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. One significant deficiencies in internal control over major federal award programs was 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 a qualified opinion on all major federal programs.
6. There is one audit finding required to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
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
  - 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. 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**

Department of Housing and Urban Development

Finding No. 2022-01; Section 8, Assistance Listing 14.856

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

**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

**Criteria**

Management fee payments are limited to amounts determined in accordance with the terms of the management agreement.

**Condition**

During the year ended June 30, 2022, the Project paid management fees of \$25,661 in excess of the amount approved by HUD.

**Cause**

Lack of management oversight caused management fees to continue to be paid at the previous, higher, rate.

**Effect or Potential Effect**

The overpaid amount is an unauthorized distribution and therefore considered to be questioned costs.

**Questioned Costs**

\$25,661

**Recommendation**

The management company should reimburse the Project for overpaid management in the amount \$25,661 and implement procedures to ensure that the management fee paid does not exceed the amount determined in accordance with the management agreement.

**Auditor Noncompliance Code:** J - Unauthorized management fees

**Finding Resolution Status:** In process

**Views of Responsible Officials**

The Corporation agrees with the finding and the auditor's recommendations are in process.