

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

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

**June 30, 2024**

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

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

**June 30, 2024**

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

Property address: 3161 Brighton 6<sup>th</sup> Street, Brooklyn,  
NY 11235

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

**June 30, 2024**

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.

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Donald Manning  
Director of Housing

Date

Marcella Leff-Wong  
Property Manager

Managing Agent Taxpayer  
Identification Number:  
13-3078676

## Independent Auditor's Report

To the Board of Trustees  
Brighton Beach Housing Development Fund Company, Inc.

### Report on the Audit of 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, 2024, 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, 2024, 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 GAAS. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2024, on our consideration of Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighton Beach Housing Development Fund Company, Inc.'s internal control over financial reporting and compliance.

*CohnReznick LLP*

New York, New York  
November 20, 2024

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Michael J. Bisson, CPA

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

**Statement of Financial Position**  
**June 30, 2024**

Assets

Current assets	
Cash - operations	\$ 1,188,907
Cash - entity	79,996
Tenant accounts receivable	141,591
Accounts and notes receivable - operations	239,837
Miscellaneous current assets	2,667
Prepaid expenses	287,804
	<hr/>
Total current assets	1,940,802
	<hr/>
Deposits held in trust - funded	
Tenant deposits	43,373
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	658,847
Reserve for replacements	1,458,080
Other reserves	152,510
	<hr/>
Total restricted deposits and funded reserves	2,269,437
	<hr/>
Rental property	
Land	648,023
Buildings	18,942,892
Building equipment - portable	238,500
Furnishings	24,870
Office furniture and equipment	118,872
Maintenance equipment	1,532
	<hr/>
	19,974,689
Less accumulated depreciation	(11,849,251)
	<hr/>
Total rental property	8,125,438
	<hr/>
Total assets	\$ 12,379,050
	<hr/> <hr/>



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

**Statement of Financial Position**  
**June 30, 2024**

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable - operations	\$ 215,920
Accounts payable - construction/development	4,460
Accrued wages payable	60,496
Accrued payroll taxes payable	5,793
Accrued management fee payable	16,892
Accrued interest payable - first mortgage	56,058
Accrued property taxes payable	29,448
Mortgage payable - first mortgage (short-term)	635,255
Prepaid revenue	5,688
	<hr/>
Total current liabilities	1,030,010
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	39,446
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	28,381,714
	<hr/>
Total long-term liabilities	28,381,714
	<hr/>
Total liabilities	29,451,170
	<hr/>
Contingency	-
Net assets (deficit)	
Net assets without donor restrictions	(17,152,116)
Net assets with donor restrictions	79,996
	<hr/>
Total net assets (deficit)	(17,072,120)
	<hr/>
Total liabilities and net assets (deficit)	\$ 12,379,050
	<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, 2024**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Rental	\$ 4,124,972	\$ -	\$ 4,124,972
Vacancies	(17,554)	-	(17,554)
Net rental revenue	4,107,418	-	4,107,418
Financial	13,121	-	13,121
Other	25,545	-	25,545
Total revenue	4,146,084	-	4,146,084
Expenses			
Administrative	487,713	-	487,713
Utilities	244,594	-	244,594
Operating and maintenance	572,476	-	572,476
Taxes and insurance	820,620	-	820,620
Financial (including interest of \$689,786)	764,907	-	764,907
Nursing home/assisted living and other elderly care	150,456	-	150,456
Total cost of operations before depreciation	3,040,766	-	3,040,766
Income before depreciation	1,105,318	-	1,105,318
Depreciation	255,402	-	255,402
Operating income (loss)	849,916	-	849,916
Mortgagor entity expenses, net	8,795,168	-	8,795,168
Change in net assets	(7,945,252)	-	(7,945,252)
Net assets, beginning	(9,206,864)	79,996	(9,126,868)
Net assets, end	\$ (17,152,116)	\$ 79,996	\$ (17,072,120)

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, 2024**

Cash flows from operating activities	
Rental receipts	\$ 4,016,107
Interest receipts	13,121
Other operating receipts	<u>25,545</u>
Total receipts	<u>4,054,773</u>
Administrative expenses paid	(346,783)
Management fees paid	(405,451)
Utilities paid	(244,594)
Salaries and wages paid	(483,471)
Operating and maintenance paid	(392,599)
Real estate taxes paid	(380,340)
Property insurance paid	(243,797)
Miscellaneous taxes and insurance paid	(2,148)
Net tenant security deposits received (paid)	135
Other operating expenses paid	(264,773)
Interest paid on first mortgage	(680,462)
Mortgage insurance premium paid	(72,790)
Miscellaneous financial expenses paid	(1,161)
Entity/construction expenses paid (include detail)	
Distribution expense paid to JASA	<u>(8,795,168)</u>
Total disbursements	<u>(12,313,402)</u>
Net cash used in operating activities	<u>(8,258,629)</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	(63,988)
Net deposits to reserve for replacements	(596,876)
Net withdrawals from other reserves	11,353,497
Net purchases of fixed assets	<u>(919,123)</u>
Net cash provided by investing activities	<u>9,773,510</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	<u>(620,824)</u>
Net cash used in financing activities	<u>(620,824)</u>
Net increase in cash and restricted cash	894,057
Cash and restricted cash, beginning	<u>418,219</u>
Cash and restricted cash, end	<u><u>\$ 1,312,276</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, 2024**

**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.

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

**Notes to Financial Statements**  
**June 30, 2024**

**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 tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2024, 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 useful lives</u>
Buildings	40 years
Land improvements	20 years
Equipment	5 - 10 years
Furniture	10 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, 2024.

**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, 2024. 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 2020 remain open.

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

**Notes to Financial Statements**  
**June 30, 2024**

**Rental income**

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

**Grant income**

The Corporation was awarded a cost reimbursed grant from HUD (see Note 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 \$1,570,335 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 \$1,188,907 and accounts receivable of \$381,428. 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, 2024, interest expense of \$689,786, inclusive of \$10,514 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, 2024, the outstanding principal and accrued interest balances were \$29,247,876 and \$56,058, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$230,907 as of June 30, 2024 and are related to the mortgage. Debt issuance costs on the above note are being amortized using an imputed interest 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, 2024, \$150,456 was incurred and used for program services and is included in the statement of activities and changes in net assets as nursing home/assisted living and other elderly care expenses.

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

**Notes to Financial Statements**  
**June 30, 2024**

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 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, 2025	\$	635,255
2026		650,021
2027		665,130
2028		680,590
2029		696,410
Thereafter		<u>25,920,470</u>
Total balance due		29,247,876
Current maturities		(635,255)
Unamortized debt issuance costs		<u>(230,907)</u>
Net long-term balance	\$	<u><u>28,381,714</u></u>

**Note 5 - Restricted deposits and funded 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, 2024, the balance in the reserve for replacements was \$1,458,080.

**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, 2024, the balance in the escrows was \$658,847.

**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, 2024, the balance of the reserve was \$152,510 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, 2024**

**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	\$ 1,268,903
Tenant deposits	<u>43,373</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 1,312,276</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, 2024 was \$243,797. Workmen's compensation and health insurance and other employee benefits for the year ended June 30, 2024 were \$56,558. As of June 30, 2024, \$34,380 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 June 30, 2024 were \$150,456. 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, 2024, 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, 2024, the Corporation reimbursed JASA for \$34,019 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, 2024 was \$17,134 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, 2024 were \$208,592. As of June 30, 2024, \$16,892 remains payable inclusive of accrued management fees from a prior year.

The property pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. Fees incurred for the year ended June 30, 2024 were \$38,376 and are included in bookkeeping fees/accounting services on the statement of activities and changes in net assets. As of June 30, 2024, \$3,198 remains payable to JHM and is included in accounts payable - operations 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, 2024**

**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, 2024 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, 2024, a rental assistance payment of \$3,548,447 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, 2024.

**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, 2024**

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

The table below presents expenses by both their nature and function during the year ended June 30, 2024:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 220,905	\$ 266,808	\$ 487,713
Utilities expense	244,594	-	244,594
Operating and maintenance expenses	572,476	-	572,476
Taxes and insurance	820,620	-	820,620
Financial expenses	764,907	-	764,907
Nursing home/assisted living/board and care/other elderly care expenses	150,456	-	150,456
Depreciation	255,402	-	255,402
Corporate or mortgagor entity expenses, net	-	8,795,168	8,795,168
<b>Total</b>	<b>\$ 3,029,360</b>	<b>\$ 9,061,976</b>	<b>\$ 12,091,336</b>

**Note 13 - Construction contracts**

The Corporation has entered into multiple construction contracts in the total amount of \$3,567,349, inclusive of change orders of \$221,310, with unrelated parties to complete rehabilitation of the Project. As of June 30, 2024, \$3,518,792 has been incurred and is included in rental property in the accompanying statement of financial position. As of June 30, 2024, \$4,460 remains payable and is included in accounts payable - construction/development on the accompanying statement of financial position.

**Note 14 - 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.

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

**Notes to Financial Statements**  
**June 30, 2024**

**Note 15 - Mortgagor entity expenses**

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

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

Description	Beginning liability	Expensed amount	Paid amount	Ending liability
Distribution expense paid to JASA	\$ -	\$ 8,795,168	\$ (8,795,168)	\$ -
	<u>\$ -</u>	<u>\$ 8,795,168</u>	<u>\$ (8,795,168)</u>	<u>\$ -</u>

**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 November 20, 2024 (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, 2024**

Assets

Account No.

Current assets

1120	Cash - operations		\$ 1,188,907
1125	Cash - entity		79,996
1130	Tenant accounts receivable		141,591
1140	Accounts and notes receivable - operations		239,837
1190	Miscellaneous current assets		2,667
1200	Prepaid expenses		<u>287,804</u>

1100T	Total current assets		1,940,802
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Deposits held in trust - funded

1191	Tenant deposits		43,373
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Restricted deposits and funded reserves

1310	Escrow deposits	\$ 658,847	
1320	Reserve for replacements	1,458,080	
1330	Other reserves	<u>152,510</u>	

1300T	Total deposits		2,269,437
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Rental property

1410	Land	648,023	
1420	Buildings	18,942,892	
1440	Building equipment - portable	238,500	
1460	Furnishings	24,870	
1465	Office furniture and equipment	118,872	
1470	Maintenance equipment	<u>1,532</u>	

1400T	Total fixed assets	19,974,689	
1495	Less accumulated depreciation	<u>(11,849,251)</u>	

1400N	Net fixed assets		<u>8,125,438</u>
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1000T	Total assets		<u>\$ 12,379,050</u>
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**Brighton Beach Housing Development Fund Company, Inc.  
HUD Project No.: 012-11279**

**Supplementary Information**

**Statement of Financial Position Data  
June 30, 2024**

Liabilities and Net Assets (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations		\$	215,920
2111	Accounts payable - construction/development			4,460
2120	Accrued wages payable			60,496
2121	Accrued payroll taxes payable			5,793
2123	Accrued management fee payable			16,892
2131	Accrued interest payable - first mortgage			56,058
2150	Accrued property taxes payable			29,448
2170	Mortgage payable - first mortgage (short-term)			635,255
2210	Prepaid revenue			5,688
				<hr/>
2122T	Total current liabilities			1,030,010

Deposits liability

2191	Tenant deposits held in trust (contra)			39,446
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Long-term liabilities

2320	Mortgage payable - first mortgage	\$	28,381,714	
				<hr/>
2300T	Total long-term liabilities			28,381,714
				<hr/>
2000T	Total liabilities			29,451,170
3131	Net assets without donor restrictions	(17,152,116)		
3133	Net assets with donor restrictions	79,996		
				<hr/>
3130	Total net assets (deficit)			(17,072,120)
				<hr/>
2033T	Total liabilities and net assets (deficit)		\$	12,379,050
				<hr/> <hr/>

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

**Supplementary Information**

**Statement of Activities Data  
Year Ended June 30, 2024**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 574,505	
5121	Tenant assistance payments	3,548,447	
5170	Garage and parking spaces	<u>2,020</u>	
5100T	Total rental revenue		\$ 4,124,972
Vacancies			
5220	Apartments	<u>(17,554)</u>	
5200T	Total vacancies		<u>(17,554)</u>
5152N	Net rental revenue		4,107,418
Financial revenue			
5440	Revenue from investments - replacement reserve	8,531	
5490	Revenue from investments - miscellaneous	<u>4,590</u>	
5400T	Total financial revenue		13,121
Other revenue			
5910	Laundry and vending	7,268	
5920	Tenant charges	1,143	
5990	Miscellaneous revenue	<u>17,134</u>	
5900T	Total other revenue		<u>25,545</u>
5000T	Total revenue		<u>4,146,084</u>

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

**Supplementary Information**

**Statement of Activities Data  
Year Ended June 30, 2024**

Account No.

Administrative expenses

6203	Conventions and meetings	1,161
6204	Management consultants	850
6210	Advertising and marketing	433
6250	Other renting expenses	2,907
6310	Office salaries	116,416
6311	Office expenses	37,905
6320	Management fee	208,592
6330	Manager or superintendent salaries	31,573
6331	Administrative rent free unit	21,972
6340	Legal expense - project	4,090
6350	Auditing expense	12,350
6351	Bookkeeping fees/accounting services	45,866
6390	Miscellaneous administrative expenses	<u>3,598</u>

6263T	Total administrative expenses		487,713
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Utilities expense

6450	Electricity	48,990
6451	Water	45,962
6452	Gas	76,765
6453	Sewer	<u>72,877</u>

6400T	Total utilities expense		244,594
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Operating and maintenance expenses

6510	Payroll	110,900
6515	Supplies	37,132
6520	Contracts	176,350
6530	Security payroll/contract	210,406
6546	Heating/cooling repairs and maintenance	<u>37,688</u>

6500T	Total operating and maintenance expenses		572,476
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**Brighton Beach Housing Development Fund Company, Inc.**  
**HUD Project No.: 012-11279**

**Supplementary Information**

**Statement of Activities Data**  
**Year Ended June 30, 2024**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	460,079	
6711	Payroll taxes	23,319	
6720	Property and liability insurance	243,797	
6722	Workmen's compensation	4,362	
6723	Health insurance and other employee benefits	86,915	
6790	Miscellaneous taxes, licenses, permits and insurance	2,148	
6700T	Total taxes and insurance		820,620
Financial expenses			
6820	Interest on first mortgage payable	689,786	
6850	Mortgage insurance premium/service charge	73,960	
6890	Miscellaneous financial expenses	1,161	
6800T	Total financial expenses		<u>764,907</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>150,456</u>
6000T	Total cost of operations before depreciation		<u>3,040,766</u>
5060T	Income (loss) before depreciation		<u>1,105,318</u>
Depreciation			
6600	Depreciation expense	255,402	
	Total depreciation		<u>255,402</u>
5060N	Operating income (loss)		<u>849,916</u>
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	8,795,168	
7100T	Net entity expenses		<u>8,795,168</u>
	Total expenses		<u>12,091,336</u>
3250	Change in net assets		<u><u>\$ (7,945,252)</u></u>

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

**Supplementary Information**

**Statement of Activities Data**  
**Year Ended June 30, 2024**

<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>\$ 620,824</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, 2024**

<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, 2023	\$ (9,206,864)	\$ 79,996	\$ (9,126,868)
3247/3249	Change in net assets	<u>(7,945,252)</u>	<u>-</u>	<u>(7,945,252)</u>
3130	Net assets			
3131/3133	June 30, 2024	<u>\$ (17,152,116)</u>	<u>\$ 79,996</u>	<u>\$ (17,072,120)</u>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2024**

<u>Account No.</u>			
	Cash flows from operating activities		
S1200-010	Rental receipts		\$ 4,016,107
S1200-020	Interest receipts		13,121
S1200-030	Other operating receipts		<u>25,545</u>
S1200-040	Total receipts		<u>4,054,773</u>
S1200-050	Administrative expenses paid		(346,783)
S1200-070	Management fees paid		(405,451)
S1200-090	Utilities paid		(244,594)
S1200-100	Salaries and wages paid		(483,471)
S1200-110	Operating and maintenance paid		(392,599)
S1200-120	Real estate taxes paid		(380,340)
S1200-140	Property insurance paid		(243,797)
S1200-150	Miscellaneous taxes and insurance paid		(2,148)
S1200-160	Net tenant security deposits received (paid)		(1,201)
S1200-170	Other operating expenses paid		(264,773)
S1200-180	Interest paid on first mortgage		(680,462)
S1200-210	Mortgage insurance premium paid		(72,790)
S1200-220	Miscellaneous financial expenses paid		(1,161)
S1200-225	Entity/construction expenses paid (include detail)		
S1200-226	Distribution expense paid to JASA	<u>\$ (8,795,168)</u>	<u>(8,795,168)</u>
S1200-230	Total disbursements		<u>(12,314,738)</u>
S1200-240	Net cash used in operating activities		<u>(8,259,965)</u>
	Cash flows from investing activities		
S1200-245	Net deposits to mortgage escrows		(63,988)
S1200-250	Net deposits to reserve for replacements		(596,876)
S1200-255	Net withdrawals from other reserves		
S1200-256	Repair reserve	10,748,146	
S1200-256	Latent defect reserve	<u>605,351</u>	<u>11,353,497</u>
S1200-330	Net purchases of fixed assets		<u>(919,123)</u>
S1200-350	Net cash provided by investing activities		<u>9,773,510</u>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2024**

<u>Account No.</u>		
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(620,824)</u>
S1200-460	Net cash used in financing activities	<u>(620,824)</u>
S1200-470	Net increase in cash	892,721
S1200-480	Cash, beginning	<u>376,182</u>
S1200T	Cash, end	<u><u>\$ 1,268,903</u></u>

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

Supplementary Information  
Year Ended June 30, 2024

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 861,204
1320DT	Total monthly deposits	38,500
1320ODT	Other deposits	
1320OD-010	Additional deposit	666,260
1320INT	Interest income	8,531
1320WT	Approved withdrawals	<u>(116,415)</u>
1320	Balance at June 30, 2024	<u><u>\$ 1,458,080</u></u>

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

**Supplementary Information**  
**Year Ended June 30, 2024**

**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)	\$ 1,232,280
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	1,232,280
		<hr/>
S1300-050	Accrued mortgage interest payable	56,058
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	215,920
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)	83,181
2210	Prepaid revenue (Account 2210)	5,688
2191	Tenant security deposits liability (Account 2191)	39,446
S1300-110	Other current obligations (describe in detail)	
S1300-120	Mortgage principal	\$ 52,382
S1300-120	Replacement reserve deposit	3,208
S1300-120	Tax and insurance escrow deposit	9,554
S1300-120	MIP escrow deposit	5,904
		<hr/>
		71,048
		<hr/>
S1300-140	Less total current obligations	471,341
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ 760,939
		<hr/> <hr/>
S1300-210	<u>Amount available for distribution during next fiscal period</u>	<u>\$ 760,939</u>

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

**Supplementary Information  
Year Ended June 30, 2024**

**Changes in Fixed Asset Accounts**

	Assets			Balance 6/30/24
	Balance 6/30/23	Additions	Deletions	
Land	\$ 648,023	\$ -	\$ -	\$ 648,023
Buildings	18,655,456	287,436	-	18,942,892
Building equipment - portable	201,850	36,650	-	238,500
Furnishings	24,870	-	-	24,870
Office furniture and equipment	118,872	-	-	118,872
Maintenance equipment	1,532	-	-	1,532
	<u>\$ 19,650,603</u>	<u>\$ 324,086</u>	<u>\$ -</u>	<u>\$ 19,974,689</u>
Accumulated depreciation	<u>\$ 11,593,849</u>	<u>\$ 255,402</u>	<u>\$ -</u>	<u>\$ 11,849,251</u>
Total net book value				<u>\$ 8,125,438</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Building renovations	<u>\$ 287,436</u>

Additions to Building Equipment - Portable Account

<u>Item and quantity</u>	<u>Amount</u>
Stoves	\$ 21,919
Refrigerators	<u>14,731</u>
	<u>\$ 36,650</u>



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

Supplementary Information  
Year Ended June 30, 2024

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

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

Other

Mortgage escrow refund in transit

\$ 239,837

Other Reserves (Account No. 1330)

Latent defect reserve

\$ 152,510

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

Supplementary Information  
Year Ended June 30, 2024

**Detail of Accounts - Statement of Activities**

Revenue from Investments - Miscellaneous (Account No. 5490)

Interest income - other reserves \$ 4,590

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous revenue - use of premises \$ 17,134

Other Entity Expenses (Account No. 7190)

Distribution expense \$ 8,795,168

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

Supplementary Information  
Year Ended June 30, 2024

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JASA - service coordinator	\$ 74,868
S3100-210	JHM - bookkeeping fees	50,204
S3100-210	JHM - management fees	405,451
S3100-210	JASA - distribution expense	<u>8,795,168</u>
		<u>\$ 9,325,691</u>

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

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/ (Pass-through Grantor)/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development direct programs			
Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	14.155	N/A	\$ 29,868,700
Section 8 Project Based Cluster, Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	<u>3,548,447</u>
Total U.S. Department of Housing and Urban Development			<u>33,417,147</u>
Total expenditures of federal awards			<u><u>\$ 33,417,147</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, 2024**

**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, 2024. 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. For the year ended June 30, 2024, no awards were passed through to subrecipients.

**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, wherein certain types of expenditures are not allowable or are limited to reimbursements.

**Note 3 - Indirect cost rate**

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 4 - 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 207/223(f) of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Brighton Beach Housing Development Fund Company, Inc. received no additional loans during the year. The balance of the loan outstanding at June 30, 2024 consists of the following:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2024</u>
14.155	Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	<u>\$ 29,247,876</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, 2024, and the related statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2024.

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 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 a 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 were not 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 is 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



New York, New York  
November 20, 2024

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 HUD 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, 2024. 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, 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 of its major federal programs for the year ended June 30, 2024.

*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.

*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, regulations, rules, and provisions of contracts or and 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 Guide 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. 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 Matter*

We noted a certain matter that we are required to report to the management of Brighton Beach Housing Development Fund Company, Inc. in a separate written communication. This matter is described in our management letter dated November 20, 2024.

### Report on 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 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 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 a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material

weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

New York, New York  
November 20, 2024

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

**Schedule of Findings and Questioned Costs  
June 30, 2024**

**A. Summary of Auditor's Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_\_\_ Yes    X    No
- Significant deficiency identified?      \_\_\_\_\_ Yes    X    No

Noncompliance material to financial statements noted?      \_\_\_\_\_ Yes    X    No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?      \_\_\_\_\_ Yes    X    No
- Significant deficiency(ies) identified?      \_\_\_\_\_ Yes    X    None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?      \_\_\_\_\_ Yes    X    No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.155	Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee      \_\_\_\_\_ Yes    X    No

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

**Schedule of Findings and Questioned Costs  
June 30, 2024**

**B. Financial Statement Findings**

None reported

**C. Federal Award Findings and Questioned Costs**

None reported

**Other Information Required by HUD -  
Management's Response**

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

**Summary Schedule of Prior Audit Findings**  
**June 30, 2024**

**Finding No. 2023-1; Sections 207/223(f), Assistance Living 14.155 Section 8, Assistance Listing 14.856**

**Condition**

The accounting records required numerous material adjustments to be proposed and recorded in order for the financial statements to be fairly presented in accordance with generally accepted accounting principles in the United States of America.

**Views of Responsible Officials**

Management agrees with the finding and recommendation put forth by the auditors.

The misstatements and corrections were due to two conditions: the systemic issue involving the newly implemented PO System and the improper recording record of certain expenses as construction-in-progress.

During the fiscal year, a new purchase ordering system was implemented that was to seamlessly integrate into our newly implemented general ledger package. A number of occasions were noted where expenses and liabilities were created at the point of PO creation rather than at the point when the goods or services were received. We are working with a third-party consultant to correct this issue and will prepare the necessary adjusting entries to reverse the expense. We will have this condition corrected by June 30, 2024.

Our auditors prepare an adjusting entry at year end to reclassify the construction items in accounts payable as construction payable for HUD reporting purposes. When the invoices were paid during the audit year, the invoices were either processed against accounts payable instead of the construction payable account or expensed in the current period. To prevent this from occurring again, we will implement a procedure whereby the construction payable entry is reversed at the beginning of the year and reevaluated at the end of the year when the auditors begin their fieldwork. We will also increase the frequency whereby we will review the invoices associated with capital projects to ensure they are classified as construction in progress when processed. We will have this condition corrected by June 30, 2024.

**Current Status**

New systems and processes that were put in place during the year ended June 30, 2024, reducing the need for numerous material adjustments to be proposed and recorded.

**Finding No. 2023-2; Sections 207/223(f), Assistance Living 14.155 Section 8, Assistance Listing 14.856**

**Condition**

The accounting records required numerous adjustments to properly record cash receipts from tenant rent payments.

**Views of Responsible Officials**

Management agrees with the finding and recommendation put forth by the auditors.

The condition noted was due to the improper set up of the general ledger system in which automatic journal entries were generated that incorrectly posted cash receipts as deferred income creating difficulty in reconciling tenant receivable balances. We are collaborating with a third-party consultant to correct this issue and will have this condition corrected by June 30, 2024.

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

**Summary Schedule of Prior Audit Findings**  
**June 30, 2024**

**Current Status**

New systems and processes that were put in place during the year ended June 30, 2024, to eliminate the need to make cash receipts from tenant rent payments.



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