

**Manhattan Beach Senior Housing L.P.
HUD Project No.: 012-11473**

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

June 30, 2024

Manhattan Beach Senior Housing L.P.
HUD Project No.: 012-11473

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**Manhattan Beach Senior Housing L.P.
HUD Project No.: 012-11473**

June 30, 2024

Mortgagor's Certification

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

General Partner

Matthew LoCurto
Chief Financial Officer

Date

Telephone Number: (212) 273-5257

**Manhattan Beach Senior Housing L.P.
HUD Project No.: 012-11473**

June 30, 2024

Managing Agent's Certification

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

Managing Agent

JASA Housing Management Services
for the Aged, Inc.

Donald Manning
Director of Housing

Date

Taymar Both Elon
Property Manager

Managing Agent Taxpayer
Identification Number:
13-3078676

Independent Auditor's Report

To the General Partner
Manhattan Beach Senior Housing L.P.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Manhattan Beach Senior Housing L.P., which comprise the balance sheet as of June 30, 2024, and the related statements of operations, partners' equity (deficit), 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 Manhattan Beach Senior Housing, L.P. as of June 30, 2024, and the results of its operations 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 Manhattan Beach Senior Housing L.P., 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 Manhattan Beach Senior Housing L.P.'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 Manhattan Beach Senior Housing L.P.'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 Manhattan Beach Senior Housing L.P.'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 are presented for purposes of additional analysis and are 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 are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2024, on our consideration of Manhattan Beach Senior Housing L.P.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Manhattan Beach Senior Housing L.P.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manhattan Beach Senior Housing L.P.'s internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
September 25, 2024

Taxpayer Identification Number:
22-1478099

Lead Auditor: Michael J. Bisson, CPA

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Balance Sheet
June 30, 2024

Assets

Current assets	
Cash - operations	\$ 1,785,408
Cash - entity	25,735
Tenant accounts receivable	19,958
Allowance for doubtful accounts	(112)
Accounts receivable - HUD	35,417
Prepaid expenses	284,828
	<hr/>
Total current assets	2,151,234
	<hr/>
Deposits held in trust - funded	
Tenant deposits	51,627
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	153,636
Reserve for replacements	2,214,655
Other reserves	167,760
	<hr/>
Total restricted deposits and funded reserves	2,536,051
	<hr/>
Rental property	
Land	490,000
Buildings	8,745,020
Building equipment - portable	183,881
	<hr/>
	9,418,901
Less accumulated depreciation	<hr/> (887,698)
	<hr/>
Total rental property	8,531,203
	<hr/>
Total assets	<u><u>\$ 13,270,115</u></u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Balance Sheet
June 30, 2024

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 166,810
Accrued wages payable	9,067
Accrued payroll taxes payable	1,685
Accrued management fee payable	14,137
Accrued interest payable - first mortgage	45,108
Accrued property taxes payable	44,857
Mortgage payable - first mortgage (short-term)	445,616
Prepaid revenue	23,819
	<hr/>
Total current liabilities	751,099
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	41,965
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	20,856,442
	<hr/>
Total long-term liabilities	20,856,442
	<hr/>
Total liabilities	21,649,506
	<hr/>
Contingency	-
	<hr/>
Partners' equity (deficit)	(8,379,391)
	<hr/>
Total liabilities and partners' equity (deficit)	\$ 13,270,115
	<hr/> <hr/>

See Notes to Financial Statements.

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Statement of Operations
June 30, 2024

Revenue	
Rental	\$ 3,188,931
Vacancies	<u>(16,736)</u>
Net rental revenue	3,172,195
Financial	568
Other	<u>172,303</u>
Total revenue	<u>3,345,066</u>
Expenses	
Administrative	601,715
Utilities	186,199
Operating and maintenance	342,254
Taxes and insurance	730,993
Financial (including interest of \$554,677)	604,114
Nursing home/assisted living/board and care/other elderly care expenses	<u>80,801</u>
Total cost of operations before depreciation	<u>2,546,076</u>
Income (loss) before depreciation	798,990
Depreciation	<u>439,718</u>
Net income	<u><u>\$ 359,272</u></u>

See Notes to Financial Statements.

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Statement of Partners' Equity (Deficit)
June 30 2024

	<u>General partner</u>	<u>Limited partner</u>	<u>Total</u>
Partners' equity (deficit) June 30, 2023	\$ (4,672,542)	\$ (93)	\$ (4,672,635)
Distributions	(4,066,028)	-	(4,066,028)
Net income	<u>359,236</u>	<u>36</u>	<u>359,272</u>
Partners' equity (deficit) June 30, 2024	<u>\$ (8,379,334)</u>	<u>\$ (57)</u>	<u>\$ (8,379,391)</u>
Partners' percentage of income (losses)	<u>99.99%</u>	<u>0.01%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Statement of Cash Flows
June 30, 2024

Cash flows from operating activities	
Rental receipts	\$ 3,108,767
Interest receipts	568
Other operating receipts	<u>172,303</u>
Total receipts	<u>3,281,638</u>
Administrative expenses paid	(95,264)
Management fees paid	(193,740)
Utilities paid	(162,194)
Salaries and wages paid	(505,986)
Operating and maintenance paid	(182,567)
Real estate taxes paid	(436,118)
Property insurance paid	(264,346)
Miscellaneous taxes and insurance paid	(10,042)
Net tenant security deposits received (paid)	1,272
Other operating expenses paid	(190,989)
Interest paid on first mortgage	(546,305)
Mortgage insurance premium paid	(53,776)
Miscellaneous financial expenses paid	<u>(1,488)</u>
Total disbursements	<u>(2,641,543)</u>
Net cash provided by operating activities	<u>640,095</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	10,654
Net withdrawals from reserve for replacements	2,764,264
Net withdrawals from other reserves	3,952,828
Net purchases of fixed assets	<u>(1,708,112)</u>
Net cash provided by (used in) investing activities	<u>5,019,634</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(434,583)
Distributions to partners	<u>(4,066,028)</u>
Net cash used in financing activities	<u>(4,500,611)</u>
Net increase in cash and restricted cash	1,159,118
Cash and restricted cash, beginning	<u>703,652</u>
Cash and restricted cash, end	<u><u>\$ 1,862,770</u></u>

Manhattan Beach Senior Housing, L.P.
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Statement of Cash Flows
June 30, 2024

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 359,272</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	439,718
Amortization of debt issuance costs	9,279
Bad debts	1,026
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(14,794)
Accounts receivable - other	(30,906)
Prepaid expenses	(62,189)
Increase (decrease) in liabilities	
Accounts payable	39,604
Accrued liabilities	(105,524)
Accrued interest payable	(907)
Tenant security deposits held in trust	1,272
Prepaid revenue	<u>4,244</u>
Total adjustments	<u>280,823</u>
Net cash provided by operating activities	<u><u>\$ 640,095</u></u>

See Notes to Financial Statements.

Manhattan Beach Senior Housing, L.P.
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Notes to Financial Statements
June 30, 2024

Note 1 - Organizations

Manhattan Beach Senior Housing L.P. (the "Partnership") was formed as a limited partnership under the laws of the State of New York on August 8, 2019 for the purpose of acquiring, rehabilitating, developing, owning, maintaining, and operating a rental housing project under Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD"). The project consists of 149 units located in Brooklyn, New York, and is currently operating under the name Scheuer House of Manhattan Beach (the "Project"). On November 18, 2021, the Partnership acquired the Project from an affiliate.

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

The Partnership consists of two partners, Manhattan Beach Senior Residence GP LLC, a New York limited liability company (the "General Partner"), and Manhattan Beach Senior Residence LLC, a New York limited liability company (the "Limited Partner"), (collectively, the "Partners"). The General Partner and Limited Partner own 99.99% and 0.01%, respectively. Collectively, the Partners are wholly controlled by the JASA Corporation. JASA Corporation also wholly controls the Jewish Association Serving the Aging ("JASA"), and JASA Housing Management Services for the Aged, Inc. ("JHM").

The Partnership will continue to operate for an infinite time period, unless dissolved by law or in accordance with the provisions of the Amended and Restated Partnership Agreement.

Cash distributions are limited by agreements between the Partnership 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 accounting principles generally accepted in the United States of America ("GAAP").

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable and allowance for doubtful accounts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2024, the balance of the allowance for doubtful accounts was \$112.

Manhattan Beach Senior Housing, L.P.
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Notes to Financial Statements
June 30, 2024

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 service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used. Depreciation of rental property is computed primarily using the following useful lives:

<u>Property classification</u>	<u>Estimated useful lives (years)</u>
Buildings	20 - 40 years
Building equipment - portable	5 - 10 years
Office furniture and equipment	5 years

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Impairment of long-lived assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended June 30, 2024.

Rental income

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

Grant income

The Partnership was awarded a cost reimbursed grant from HUD (see Note 8). Revenue is recognized as costs are incurred.

Advertising costs

The Partnership's policy is to expense advertising costs when incurred.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service (the "IRS") and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the IRS for a

Manhattan Beach Senior Housing, L.P.
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Notes to Financial Statements
June 30, 2024

period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2021 remain open.

Note 3 - Restricted deposits and funded reserves

Mortgage escrows

The mortgage lender requires the Partnership to establish and maintain escrows for real estate taxes, property insurance and mortgage insurance premium. As of June 30, 2024, the balance of the escrows was \$153,636 and is included in escrow deposits.

Replacement reserve

The mortgage lender requires the Partnership to establish and maintain a replacement reserve fund. Commencing December 1, 2021, the Partnership is required to make monthly deposits in the amount of \$3,125. During the year ended June 30, 2024, the Partnership made all required deposits. As of June 30, 2024, the balance of the replacement reserve was \$2,214,655.

Operating deficit reserve

Pursuant to the loan agreement and agreements with HUD, the Partnership established an operating deficit reserve in the amount of \$167,760. As of June 30, 2024, the balance of the operating deficit reserve was \$167,760.

Holdback escrow

Pursuant to the loan agreement and agreements with HUD, the Partnership established a cash out holdback escrow upon acquisition. As of June 30, 2024, the balance of the escrow was \$0.

Note 4 - Mortgage payable

First mortgage payable

On November 18, 2021, the Partnership executed a mortgage agreement with Berkadia Commercial Mortgage LLC. The mortgage, in the original amount of \$22,595,200, 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 a rate of 2.51% per annum. During the year ended June 2024, interest expense of \$554,677, inclusive of \$9,279 of amortization of debt issuance costs, was incurred and charged to operations. Additionally, the note bears a mortgage insurance premium of 0.25% per annum. Principal and interest are payable by the Partnership in monthly installments of \$81,741 through December 1, 2041. Thereafter, monthly installments of \$79,148 will be due through maturity on December 1, 2056. As of June 30, 2024, the outstanding principal balance and accrued interest were \$21,528,838 and \$45,108, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$226,780, as of June 30, 2024 and are related to mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 2.58%.

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Notes to Financial Statements
June 30, 2024

Future maturities as of June 30, 2024 are as follows:

June 30, 2025	\$	445,616
2026		456,931
2027		468,533
2028		480,429
2029		492,628
Thereafter		<u>19,184,701</u>
Total balance due		21,528,838
Current maturities		(445,616)
Unamortized debt issuance costs		<u>(226,780)</u>
Net long-term balance	\$	<u><u>20,856,442</u></u>

Note 5 - Related party transactions

JASA

The Partnership is a participant in a general insurance plan with JASA, which also includes health insurance and workers' compensation. Property and liability insurance expense for the year ended June 30, 2024, was \$264,346. Workers' compensation and health insurance and other employee benefits for the year ended June 30, 2024 was \$65,490, of which \$30,246 remains payable to JASA and is included in accounts payable - operations on the accompanying balance sheet.

JASA is a participant in a multiemployer, defined benefit retirement plan sponsored by the UJA-Federation. The actuarial present value of the benefit obligation and fair value of plan assets are not available separately for each employer who participates in the plan. During the year ended June 30, 2024, the Partnership 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 Partnership reimbursed JASA \$19,491 for pension costs.

The Partnership pays JASA, through a HUD grant, for the Service Coordinator Program, which provides social services for the tenants. The program expenses for the year ended June 30, 2024 was \$80,801 (see Note 8).

JHM

The property is managed by an affiliate of the Partnership, JHM, pursuant to a management agreement approved by HUD. The current management agreement provides for a fee of 6.09% of residential income collected monthly. Management fees incurred for the year ended June 30, 2024, were \$188,053, of which \$14,137 remains payable as of June 30, 2024.

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 \$37,416 and are included in administrative expenses on the statement of operations.

Manhattan Beach Senior Housing, L.P.
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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 balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$ 1,811,143
Tenant deposits	<u>51,627</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 1,862,770</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 the regulatory authority.

Note 7 - Real estate tax exemption

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 8 - Grant revenue

The Partnership was awarded a service coordinator grant from HUD to use toward payment of the service coordinator's salary, benefits, and other administrative costs. The Partnership reimburses JASA with the grant. The Partnership received and recognized grant revenue of \$80,242 for the year ended June 30 2024. Grant expense for the year ended June 30, 2024, was \$80,801 (see Note 5).

Note 9 - Housing assistance payment contract agreements

HUD has contracted with the Partnership pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants. The agreement expires November 30, 2041.

The Partnership also participates in housing choice voucher programs, through which individual tenant vouchers are accepted.

Total revenue earned from these programs and agreements for the year ended June 30, 2024 was \$2,649,989.

Note 10 - Concentration of credit risk

The Partnership maintains its cash balances in several accounts in one bank. At times, these balances may exceed the federal insurance limits; however, the Partnership 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 balances as of June 30, 2024.

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Notes to Financial Statements
June 30, 2024

Note 11 - Current vulnerability due to certain concentrations

The Partnership's principal asset is a 152-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 12 - Contingency

Pursuant to the Partnership's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Partnership with regard to transactions relating to these contracts. The accompanying financial statements contain no provision for possible disallowances resulting from such reviews. Although such possible disallowances could be substantial, in the opinion of management, actual disallowances resulting from such reviews, if any, would be immaterial.

Note 13 - Subsequent events

Events that occur after the balance sheet 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through September 25, 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

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information

Balance Sheet Data
June 30, 2024

Assets

Account No.

Current assets

1120	Cash - operations		\$ 1,785,408
1125	Cash - entity		25,735
1130	Tenant accounts receivable	\$ 19,958	
1131	Allowance for doubtful accounts	(112)	
1130N	Net tenants accounts receivable		19,846
1135	Accounts receivable - HUD		35,417
1200	Prepaid expenses		<u>284,828</u>
1100T	Total current assets		2,151,234
Deposits held in trust - funded			
1191	Tenant deposits		51,627
Restricted deposits and funded reserves			
1310	Escrow deposits	153,636	
1320	Reserve for replacements	2,214,655	
1330	Other reserves	<u>167,760</u>	
1300T	Total deposits		2,536,051
Rental property			
1410	Land	490,000	
1420	Buildings	8,745,020	
1440	Building equipment - portable	<u>183,881</u>	
1400T	Total fixed assets	9,418,901	
1495	Less accumulated depreciation	<u>(887,698)</u>	
1400N	Net fixed assets		<u>8,531,203</u>
1000T	Total assets		<u><u>\$ 13,270,115</u></u>

Manhattan Beach Senior Housing, L.P.
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Supplementary Information

Balance Sheet Data
June 30, 2024

Liabilities and Partners' Equity (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations	\$ 166,810
2120	Accrued wages payable	9,067
2121	Accrued payroll taxes payable	1,685
2123	Accrued management fee payable	14,137
2131	Accrued interest payable - first mortgage	45,108
2150	Accrued property taxes payable	44,857
2170	Mortgage payable - first mortgage (short-term)	445,616
2210	Prepaid revenue	<u>23,819</u>
2122T	Total current liabilities	751,099

Deposits liability

2191	Tenant deposits held in trust (contra)	41,965
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Long-term liabilities

2320	Mortgage payable - first mortgage	<u>\$ 20,856,442</u>
2300T	Total long-term liabilities	<u>20,856,442</u>
2000T	Total liabilities	21,649,506
3130	Partners' equity (deficit)	<u>(8,379,391)</u>
2033T	Total liabilities and partners' equity (deficit)	<u><u>\$ 13,270,115</u></u>

**Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473**

Supplementary Information

**Statement of Operations Data
June 30, 2024**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 538,942	
5121	Tenant assistance payments	<u>2,649,989</u>	
5100T	Total rental revenue		\$ 3,188,931
Vacancies			
5220	Apartments	<u>(16,736)</u>	
5200T	Total vacancies		<u>(16,736)</u>
5152N	Net rental revenue		3,172,195
Financial revenue			
5440	Revenue from investments - replacement reserve	<u>568</u>	
5400T	Total financial revenue		568
Other revenue			
5910	Laundry and vending	6,155	
5920	Tenant charges	85,906	
5990	Miscellaneous revenue	<u>80,242</u>	
5900T	Total other revenue		<u>172,303</u>
5000T	Total revenue		<u>3,345,066</u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information

Statement of Operations Data
June 30, 2024

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	347,006	
6711	Payroll taxes	22,179	
6720	Property and liability insurance	264,346	
6722	Workmen's compensation	3,617	
6723	Health insurance and other employee benefits	83,803	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>10,042</u>	
6700T	Total taxes and insurance		730,993
Financial expenses			
6820	Interest on first mortgage payable	554,677	
6850	Mortgage insurance premium/service charge	47,949	
6890	Miscellaneous financial expenses	<u>1,488</u>	
6800T	Total financial expenses		<u>604,114</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>80,801</u>
6000T	Total cost of operations before depreciation		<u>2,546,076</u>
5060T	Income (loss) before depreciation		<u>798,990</u>
Depreciation			
6600	Depreciation expense	<u>439,718</u>	
	Total depreciation		<u>439,718</u>
5060N	Operating income (loss)		<u>359,272</u>
	Total expenses		<u>2,985,794</u>
3250	Net income (loss)		<u><u>\$ 359,272</u></u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information

Statement of Operations Data
June 30, 2024

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>\$ 434,583</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>\$ 38,368</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u>\$ -</u>

**Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473**

Supplementary Information

**Statement of Partners' Equity (Deficit) Data
June 30, 2024**

<u>Account No.</u>		<u>General partner</u>	<u>Limited partner</u>	<u>Total</u>
S1100-010	Partners' equity (deficit) June 30, 2023	\$ (4,672,542)	\$ (93)	\$ (4,672,635)
S1200-420	Distributions	(4,066,028)	-	(4,066,028)
3250	Net income (loss)	<u>359,236</u>	<u>36</u>	<u>359,272</u>
3130	Partners' equity (deficit) June 30, 2024	<u>\$ (8,379,334)</u>	<u>\$ (57)</u>	<u>\$ (8,379,391)</u>
	Partners' percentage of income (losses)	<u>99.99%</u>	<u>0.01%</u>	<u>100.00%</u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information

Statement of Cash Flows Data
June 30, 2024

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,108,767
S1200-020	Interest receipts	568
S1200-030	Other operating receipts	172,303
		<hr/>
S1200-040	Total receipts	3,281,638
		<hr/>
S1200-050	Administrative expenses paid	(95,264)
S1200-070	Management fees paid	(193,740)
S1200-090	Utilities paid	(162,194)
S1200-100	Salaries and wages paid	(505,986)
S1200-110	Operating and maintenance paid	(182,567)
S1200-120	Real estate taxes paid	(436,118)
S1200-140	Property insurance paid	(264,346)
S1200-150	Miscellaneous taxes and insurance paid	(10,042)
S1200-160	Net tenant security deposits received (paid)	(3,011)
S1200-170	Other operating expenses paid	(190,989)
S1200-180	Interest paid on first mortgage	(546,305)
S1200-210	Mortgage insurance premium paid	(53,776)
S1200-220	Miscellaneous financial expenses paid	(1,488)
		<hr/>
S1200-230	Total disbursements	(2,645,826)
		<hr/>
S1200-240	Net cash provided by operating activities	635,812
		<hr/>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	10,654
S1200-250	Net withdrawals from reserve for replacements	2,764,264
S1200-255	Net withdrawals from other reserves	
S1200-256	Holdback escrow	\$ 3,952,828
		<hr/>
		3,952,828
S1200-330	Net purchases of fixed assets	(1,708,112)
		<hr/>
S1200-350	Net cash provided by investing activities	5,019,634
		<hr/>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(434,583)
S1200-420	Distributions to partners	(4,066,028)
		<hr/>
S1200-460	Net cash used in financing activities	(4,500,611)
		<hr/>
S1200-470	Net increase in cash	1,154,835
S1200-480	Cash, beginning	656,308
		<hr/>
S1200T	Cash, end	\$ 1,811,143
		<hr/> <hr/>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information

Statement of Cash Flows Data
June 30, 2024

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	\$ 359,272
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	439,718
S1200-486	Amortization of debt issuance costs	9,279
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(14,794)
S1200-500	Accounts receivable - other	(30,906)
S1200-520	Prepaid expenses	(62,189)
S1200-530	Tenant security deposits funded	(4,283)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	39,604
S1200-560	Accrued liabilities	(105,524)
S1200-570	Accrued interest payable	(907)
S1200-580	Tenant security deposits held in trust	1,272
S1200-590	Prepaid revenue	4,244
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	\$ 1,026
		1,026
	Total adjustments	276,540
S1200-610	Net cash provided by operating activities	\$ 635,812

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 4,978,919
1320DT	Total monthly deposits	38,368
1320ODT	Other deposits	
1320OD-010	Additional deposit	1,474,702
1320INT	Interest income	568
1320OWT	Other withdrawals	
1320OW-010	Withdrawals	<u>(4,277,902)</u>
1320	Balance at June 30, 2024	<u><u>\$ 2,214,655</u></u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
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)	\$ 1,837,035
1135	Accounts receivable - HUD	<u>35,417</u>
S1300-040	Total cash	<u>1,872,452</u>
S1300-050	Accrued mortgage interest payable	45,108
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	166,810
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)	24,889
2210	Prepaid revenue (Account 2210)	23,819
2191	Tenant security deposits liability (Account 2191)	41,965
S1300-110	Other current obligations (describe in detail)	
S1300-120	Mortgage principal	\$ 36,709
S1300-120	Replacement reserve deposit	3,125
S1300-120	Tax and insurance escrow deposit	42,669
S1300-120	MIP escrow deposit	<u>5,228</u>
		<u>87,731</u>
S1300-140	Less total current obligations	<u>390,322</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 1,482,130</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 1,482,130</u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/24
	Balance 6/30/23	Additions	Deletions	
Land	\$ 490,000	\$ -	\$ -	\$ 490,000
Buildings	8,159,735	585,285	-	8,745,020
Building equipment - portable	103,805	80,076	-	183,881
Miscellaneous fixed assets	283,733	(283,733)	-	-
	<u>\$ 9,037,273</u>	<u>\$ 381,628</u>	<u>\$ -</u>	<u>\$ 9,418,901</u>
Accumulated depreciation	<u>\$ 447,980</u>	<u>\$ 439,718</u>	<u>\$ -</u>	<u>\$ 887,698</u>
Total net book value				<u>\$ 8,531,203</u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Unit renovations	\$ 369,052
Construction in progress placed in service	<u>216,233</u>
	<u>\$ 585,285</u>

Additions to Building Equipment - Portable Account

<u>Item and quantity</u>	<u>Amount</u>
Refrigerators and appliances	\$ 12,576
Equipment	<u>67,500</u>
	<u>\$ 80,076</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in progress placed in service	<u>\$ (283,733)</u>

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Detail of Accounts - Balance Sheet

Other Reserves (Account No. 1330)

Operating deficit reserve

\$ 167,760

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

HUD service coordinator revenue	<u>\$ 80,242</u>
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Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Supplementary Information
June 30, 2024

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JHM - management fee	\$ 193,740
S3100-210	JASA - service coordinator	80,242
S3100-210	JHM - bookkeeping fees	44,989
		<u>\$ 318,971</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 General Partner
Manhattan Beach Senior Housing, L.P.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Manhattan Beach Senior Housing, L.P., which comprise the balance sheet as of June 30, 2024, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manhattan Beach Senior Housing, L.P.'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 Manhattan Beach Senior Housing, L.P.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manhattan Beach Senior Housing, L.P.'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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manhattan Beach Senior Housing, L.P.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

CohnReznick LLP

New York, New York
September 25, 2024

Independent Auditor's Report on Compliance for Each Major HUD Program and
 Report on Internal Control over Compliance Required by the
Consolidated Audit Guide for Audits of HUD Programs

To the General Partner
 Manhattan Beach Senior Housing, L.P.

Report on Compliance for Each Major HUD Program

Opinion on Each Major HUD Program

We have audited Manhattan Beach Senior Housing, L.P.'s compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of Manhattan Beach Senior Housing, L.P.'s major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended June 30, 2024. Manhattan Beach Senior Housing, L.P.'s major HUD programs and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 8 Housing Assistance Payment Contract	Fair Housing and Nondiscrimination; Reserve for Replacements; Distributions to Owners; Equity Skimming; Cash Receipts; Cash Disbursements; Tenant Leasing and Eligibility; Extremely Low-Income Families; Security Deposits; Management Functions; Unauthorized Ownership Changes; Unauthorized Project Loans
Section 223(f) Refinancing with Substantial Rehabilitation	Fair Housing and Nondiscrimination, Mortgage Loan Status, Reserve for Replacements, Distributions to Owners, Equity Skimming, Cash Receipts, Cash Disbursements, Tenant Application, Eligibility, and Recertification, Tenant Security Deposits, Management Functions, Unauthorized Changes of Ownership/Acquisition of Liabilities and Unauthorized Loans of Project Funds

In our opinion, Manhattan Beach Senior Housing, L.P. 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 HUD programs for the year ended June 30, 2024.

Basis for Opinion on Each Major HUD 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 Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Manhattan Beach Senior Housing, L.P. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. Our audit does not provide a legal determination of Manhattan Beach Senior Housing, L.P.'s compliance.

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 Manhattan Beach Senior Housing, L.P.'s HUD 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 Manhattan Beach Senior Housing, L.P.'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 that for 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 Manhattan Beach Senior Housing, L.P.'s compliance with the requirements of each major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, 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 Manhattan Beach Senior Housing, L.P.'s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Manhattan Beach Senior Housing, L.P.'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 Guide, but not for the purpose of expressing an opinion on the effectiveness of Manhattan Beach Senior Housing, L.P.'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.

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 HUD 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 HUD 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 HUD 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. 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 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 Guide. Accordingly, this report is not suitable for any other purpose.



New York, New York
September 25, 2024

**Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473**

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

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Manhattan Beach Senior Housing, L.P.
HUD Project No.: 012-11473

Schedule of Status of Prior Audit Findings, Questioned Costs and Recommendations
June 30, 2024

1. Audit Report, dated December 21, 2023, for the year ended June 30, 2023, issued by CohnReznick LLP.
2. **Finding No. 2023-1**
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.

Status

Cleared.

3. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by the audit.
4. There were no letters or reports issued by HUD management during the period covered by this audit.



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