

**CROWN GARDENS HOUSING CORPORATION**  
HUD Project No. 012-11115

**Financial Statements with Supplementary Information**

For the years ended June 30, 2022 and 2021

# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

Financial Statements

June 30, 2022 and 2021

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## **Independent Auditor's Report**

To the Tenants – Stockholders of  
Crown Gardens Housing Corporation  
Brooklyn, New York

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of Crown Gardens Housing Corporation, HUD Project # 012-11115, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of operations and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Gardens Housing Corporation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Crown Gardens Housing Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Substantial Doubt about the Corporation's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that Crown Gardens Housing Corporation will continue as a going concern. As discussed in Note 15 to the financial statements, Crown Gardens Housing Corporation's current liabilities exceed current assets and restricted deposits and funded reserves by \$639,902 and \$285,244 as of June 30, 2022 and 2021, respectively. This condition raises substantial doubt about Crown Gardens Housing Corporation's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

### ***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 Crown Gardens Housing Corporation's ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Crown Gardens Housing Corporation'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 Crown Gardens Housing Corporation'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 audits are conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 16 to 23 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of Crown Gardens Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crown Gardens Housing Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crown Gardens Housing Corporation's internal control over financial reporting and compliance.

NChing LLP

New York, New York  
January 30, 2023

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Balance Sheets**

As of June 30,

|   | <u>2022</u>                    | <u>2021</u>                    |
|---|--------------------------------|--------------------------------|
| <b><u>Assets</u></b>  |                                |                                |
| <b>Current assets</b>   |                                |                                |
| Cash  | \$ 53,641                      | \$ 41,311                      |
| Tenants - stockholders receivable, net of allowance<br>of \$338,553 in 2022 and \$341,622 in 2021 | 125,216                        | 75,832                         |
| Prepaid expenses  | <u>69,056</u>                  | <u>85,252</u>                  |
| Total current assets  | <u>247,913</u>                 | <u>202,395</u>                 |
| <br><b>Restricted deposits and funded reserves</b>  |                                |                                |
| Reserve for replacements  | 438,116                        | 366,420                        |
| Mortgage escrow account   | <u>187,168</u>                 | <u>287,174</u>                 |
| Total restricted deposits and funded reserves   | <u>625,284</u>                 | <u>653,594</u>                 |
| <br><b>Fixed assets</b>   |                                |                                |
| Land  | 441,344                        | 441,344                        |
| Buildings, furniture and equipment<br>and construction in progress                                | 18,137,890                     | 18,137,890                     |
| Less: accumulated depreciation  | <u>(13,894,222)</u>            | <u>(13,478,568)</u>            |
| Fixed assets, net   | <u>4,685,012</u>               | <u>5,100,666</u>               |
| <br><b>Total assets</b>   | <br><u><u>\$ 5,558,209</u></u> | <br><u><u>\$ 5,956,655</u></u> |

The accompanying notes are an integral part of these financial statements.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Balance Sheets - (continued)**

As of June 30,

|   | <u>2022</u>                | <u>2021</u>                |
|---|----------------------------|----------------------------|
| <b><u>Liabilities and Stockholders' Deficiency</u></b>              |                            |                            |
| <b>Current liabilities</b>  |                            |                            |
| Current portion of mortgage payable                                 | \$ 607,271                 | \$ 417,486                 |
| Accrued interest payable  | 62,147                     | 20,670                     |
| Accounts payable and accrued expenses                               | 754,524                    | 568,221                    |
| Prepaid rent  | 23,547                     | 60,662                     |
| Utilities payable   | 65,610                     | 74,194                     |
| Total current liabilities   | <u>1,513,099</u>           | <u>1,141,233</u>           |
| <b>Deferred credits and deposits</b>                                |                            |                            |
| Equity deposits payable   | 273,402                    | 273,402                    |
| Application deposits payable  | 109,384                    | 121,589                    |
| Total deferred credits and deposits                                 | <u>382,786</u>             | <u>394,991</u>             |
| <b>Long-term liabilities</b>  |                            |                            |
| First mortgage  | 1,360,867                  | 1,723,197                  |
| Second mortgage   | 2,696,460                  | 2,696,460                  |
| Third mortgage  | 2,283,361                  | 2,389,444                  |
| Total mortgages payable   | 6,340,688                  | 6,809,101                  |
| Note payable  | -                          | 77,835                     |
| HUD excess income payable   | 2,527,811                  | 2,527,811                  |
| Total liabilities   | <u>10,764,384</u>          | <u>10,950,971</u>          |
| <b><u>Stockholders' deficiency</u></b>                              |                            |                            |
| Common stock (\$100 par value, 5,945 shares issued and outstanding) | 594,500                    | 594,500                    |
| Additional paid in capital  | 1,007,498                  | 1,007,498                  |
| Accumulated deficit   | (6,808,173)                | (6,596,314)                |
| Total stockholders' deficiency                                      | <u>(5,206,175)</u>         | <u>(4,994,316)</u>         |
| <b>Total liabilities and stockholders' deficiency</b>               | <u><u>\$ 5,558,209</u></u> | <u><u>\$ 5,956,655</u></u> |

The accompanying notes are an integral part of these financial statements.

**CROWN GARDENS HOUSING CORPORATION**  
 HUD Project No. 012-11115  
**Statements of Operations and Accumulated Deficit**  
 For the years ended June 30,

|   | 2022                         | 2021                         |
|---|------------------------------|------------------------------|
| <b>Revenue</b>                                    |                              |                              |
| Maintenance and other charges                     | \$ 2,552,867                 | \$ 2,586,864                 |
| Interest reduction assistance                     | 292,210                      | 292,210                      |
| Cancellation of debt                              | 77,835                       | -                            |
| Other revenue                                     | 73,348                       | 52,896                       |
| Total revenues                                    | <u>2,996,260</u>             | <u>2,931,970</u>             |
| <b>Expenses</b>                                   |                              |                              |
| Utilities   | 837,153                      | 818,454                      |
| Operating and maintenance                         | 759,234                      | 1,104,120                    |
| Taxes and insurance                               | 716,082                      | 488,383                      |
| Administrative                                    | 328,511                      | 402,645                      |
| Financial   | 151,485                      | 168,771                      |
| Total expenses                                    | <u>2,792,465</u>             | <u>2,982,373</u>             |
| Revenue in excess of expenses before depreciation | 203,795                      | (50,403)                     |
| Depreciation                                      | <u>(415,654)</u>             | <u>(433,171)</u>             |
| Excess of expenses over revenue                   | (211,859)                    | (483,574)                    |
| Accumulated deficit - beginning of year           | <u>(6,596,314)</u>           | <u>(6,112,740)</u>           |
| Accumulated deficit - end of year                 | <u><u>\$ (6,808,173)</u></u> | <u><u>\$ (6,596,314)</u></u> |

The accompanying notes are an integral part of these financial statements.



**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Statements of Cash Flows**

For the years ended June 30,

|   | 2022                     | 2021                     |
|---|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>         |                          |                          |
| Cash received from shareholders                     | \$ 2,375,656             | \$ 2,466,089             |
| Interest income                                     | 5,012                    | 11,572                   |
| Other income and receipts                           | 360,546                  | 333,534                  |
| Total receipts                                      | <u>2,741,214</u>         | <u>2,811,195</u>         |
| Administrative                                      | (64,163)                 | (70,248)                 |
| Management fees                                     | (89,296)                 | (81,549)                 |
| Utilities   | (842,882)                | (815,942)                |
| Salaries and wages                                  | (351,286)                | (385,052)                |
| Operating and maintenance                           | (269,015)                | (842,980)                |
| Real estate taxes                                   | (133,954)                | (133,831)                |
| Property insurance premium                          | (346,030)                | (157,812)                |
| Miscellaneous taxes and insurance                   | (223,822)                | (201,503)                |
| Interest  | (110,008)                | (168,771)                |
| Total expenditures                                  | <u>(2,430,456)</u>       | <u>(2,857,688)</u>       |
| Net cash provided by/(used in) operating activities | <u>310,758</u>           | <u>(46,493)</u>          |
| <b>Cash flows from investing activities</b>         |                          |                          |
| Reserve for replacements                            | (71,696)                 | 181,294                  |
| Mortgage escrow account                             | 100,006                  | 67,190                   |
| Acquisition of fixed assets                         | (27,321)                 | (35,006)                 |
| Net cash provided by investing activities           | <u>989</u>               | <u>213,478</u>           |
| <b>Cash flows from financing activities</b>         |                          |                          |
| Repayment of mortgages payable                      | (278,628)                | (395,877)                |
| Proceeds from note payable                          | -                        | 77,835                   |
| Proceeds from application deposits payable          | -                        | 63,359                   |
| Repayment of application deposits payable           | (12,205)                 | -                        |
| Repayment of HUD excess income payable              | -                        | (14,444)                 |
| Repayment of utilities loan payable                 | (8,584)                  | (18,160)                 |
| Net cash used in financing activities               | <u>(299,417)</u>         | <u>(287,287)</u>         |
| Net change in cash                                  | 12,330                   | (120,302)                |
| Cash - beginning of year                            | <u>41,311</u>            | <u>161,613</u>           |
| Cash - end of year                                  | <u><u>\$ 53,641</u></u>  | <u><u>\$ 41,311</u></u>  |
| <b>Supplemental disclosure</b>                      |                          |                          |
| Cash paid for interest                              | <u><u>\$ 110,008</u></u> | <u><u>\$ 168,771</u></u> |

The accompanying notes are an integral part of these financial statements.

# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

## **Notes to the Financial Statements**

June 30, 2022 and 2021

### **Note 1      Organization**

Crown Gardens Housing Corporation (“Corporation”) was incorporated on June 11, 1969 for the purpose of organizing, constructing and operating a limited-profit housing project under Article II of the Private Housing Finance Law of the State of New York (the Mitchell-Lama Law). The Corporation consists of 241 residential apartments (of which one unit is occupied by the building superintendent), and a garage located in Brooklyn, New York.

### **Note 2      Significant accounting policies**

**Basis of accounting.** The financial statements of the Corporation 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 generally accepted accounting principles 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.

**Concentrations of credit risk.** Financial instruments, which potentially subject the Corporation to concentrations of credit risk include cash and accounts receivable. The Corporation maintains cash in bank deposits which, at times, may exceed the current insured amount under the Federal Deposit Insurance Corporation (FDIC). The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

**Capitalization policy.** Building and improvements, building equipment, furniture and fixtures are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

The estimated useful lives of assets are as follows:

|                        |            |
|------------------------|------------|
| Buildings              | 50 years   |
| Building improvements  | 27.5 years |
| Building equipment     | 15 years   |
| Furniture and fixtures | 10 years   |

**Tenants - stockholders receivable.** Tenants - stockholders receivable is reported less 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 tenants shareholders receivable. It is reasonably possible that management’s estimate of the allowance will change.

# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

## **Notes to the Financial Statements**

June 30, 2022 and 2021

### **Note 2 Significant accounting policies - (continued)**

**Impairment.** The Corporation reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no losses recorded for the years ended June 30, 2022 and 2021.

**Maintenance charges.** Maintenance charges and special assessments to stockholders for the property maintenance and operating expenses for the building, as well as to provide funds for building improvements and amortization of the mortgage debt. Maintenance charges and special assessments are recognized as income when the related performance obligation is satisfied. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future periods.

**Risks and uncertainties.** The Corporation is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low income housing subsidies or the demand for such housing.

**Income taxes.** The Corporation's income tax policies provide that those portions of maintenance charges that are applicable to capital improvements, as determined by the Board, and mortgage amortization, will be accounted for as contributions to the additional paid-in capital of the Corporation for income tax reporting purposes, whereas, such items are recognized as revenue for financial reporting. This accounting practice results in a permanent difference between financial and tax reporting revenue.

The Corporation has adopted the provisions of Accounting Standards Codification Topic, "Income Taxes – Accounting for Uncertainties", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2022 and 2021

**Note 3 Fixed assets**

Fixed assets consist of the following:

|                                |                     | June 30,            |
|--------------------------------|---------------------|---------------------|
|                                | 2022                | 2021                |
| Land                           | \$ 441,344          | \$ 441,344          |
| Building and improvements      | 15,537,738          | 15,537,738          |
| Building equipment             | 2,587,837           | 2,587,837           |
| Furniture and fixtures         | 12,315              | 12,315              |
| Total                          | 18,579,234          | 18,579,234          |
| Less: accumulated depreciation | (13,894,222)        | (13,478,568)        |
| Fixed assets, net              | <u>\$ 4,685,012</u> | <u>\$ 5,100,666</u> |

**Note 4 Reserve requirements**

The mortgage refinancing agreement requires the Corporation to maintain a replacement reserve fund. The required monthly contribution to this fund is \$2,500 for a total yearly required deposit of \$30,000. The reserve balance at June 30, 2022 and 2021 was \$438,116 and \$366,420, respectively.

**Note 5 Mortgage escrow account**

The Corporation established a mortgage escrow account for the payment of property insurance, real estate taxes and water and sewer charges. Details of transactions during the year were as follows:

|                    |                      |                   |                     | June 30, 2022     |
|--------------------|----------------------|-------------------|---------------------|-------------------|
|                    | Beginning<br>balance | Additions         | Deductions          | Ending<br>balance |
| Property insurance | \$ 35,864            | \$ 174,396        | \$ (152,982)        | \$ 57,278         |
| Real estate        | 13,212               | 66,111            | (79,323)            | -                 |
| Water and sewer    | 238,098              | 151,312           | (259,520)           | 129,890           |
| Total              | <u>\$ 287,174</u>    | <u>\$ 391,819</u> | <u>\$ (491,825)</u> | <u>\$ 187,168</u> |

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2022 and 2021

**Note 5 Mortgage escrow account - (continued)**

|                    |                      |                   |                     | June 30, 2021     |
|--------------------|----------------------|-------------------|---------------------|-------------------|
|                    | Beginning<br>balance | Additions         | Deductions          | Ending<br>balance |
| Property insurance | \$ 49,774            | \$ 101,549        | \$ (115,459)        | \$ 35,864         |
| Real estate        | 36,888               | 145,495           | (169,171)           | 13,212            |
| Water and sewer    | 267,702              | 222,945           | (252,549)           | 238,098           |
| Total              | <u>\$ 354,364</u>    | <u>\$ 469,989</u> | <u>\$ (537,179)</u> | <u>\$ 287,174</u> |

**Note 6 Mortgages payable**

On September 23, 2005, the Corporation refinanced its existing mortgage with New York City Housing Development Corporation (HDC) and New York City Department of Housing Preservation and Development (HPD) pursuant to Section 236 of the National Housing Act.

The original mortgage of \$11,097,778 was replaced by two mortgages from HDC as follows:

- (a) A first mortgage in the amount of \$8,241,951 bears an interest rate of 6.5% per annum. Under the agreement, the required monthly payments are \$65,755 for the first five months and \$37,504 effective December 2018. A portion of the monthly debt service is subsidized by Section 236 interest subsidy. The Section 236 subsidy expires on July 1, 2023 and the balance, if any, is due in full on October 1, 2035. Property and equipment are pledged as collateral for the note. The total interest subsidy received by the Corporation for both of the years ended June 30, 2022 and June 30, 2021 amounted to \$292,210. The outstanding balance at June 30, 2022 and June 30, 2021 amounted to \$1,809,250 and \$2,050,456, respectively.
- (b) An interest free subordinate second mortgage in the amount of \$2,696,460 is due and payable on October 1, 2035. The mortgage indebtedness may be prepaid in whole without penalty at any time after the first fifteen years. Notice of such prepayment must be given within 30 and 60 days prior to the proposed date of payment. The outstanding balance at June 30, 2022 and June 30, 2021 amounted to \$2,696,460.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2022 and 2021

**Note 6 Mortgages payable - (continued)**

On September 7, 2016, the Corporation entered into a new loan agreement with the New York City Department of Housing Preservation and Development. The new loan was used for certain capital improvements to the building. These include boiler, window and roof replacement. The loan is allocated into two components Loan A and Loan B. Loan A has a face value of \$2,829,201 bearing interest of 1% per annum over 30-year term. Loan A has a monthly installment of interest and principal of \$9,369. Loan B is for \$800,000 with 0% interest per annum maturing in 30 years with no required monthly payment of interest and principal. Both loans are subordinated to other senior mortgages with New York City Housing Development Corporation. The outstanding balance at June 30, 2022 and 2021 amounted to \$2,442,249 and \$2,479,671, respectively.

Principal payments on the mortgages for each the next five years and thereafter are as follows:

| <u>Year ending June 30,</u> |                            |
|-----------------------------|----------------------------|
| 2023                        | \$ 607,271                 |
| 2024                        | 189,378                    |
| 2025                        | 170,979                    |
| 2026                        | 177,138                    |
| 2027                        | 183,655                    |
| Thereafter                  | <u>5,619,538</u>           |
| Total                       | 6,947,959                  |
| Less: current portion       | <u>(607,271)</u>           |
| Long term balance           | <u><u>\$ 6,340,688</u></u> |

**Note 7 Note payable**

In June 2021, the Corporation received a Paycheck Protection Program ("PPP") loan in the amount of \$77,835 under the Coronavirus Aid, Relief, and Economic Security Act. The PPP loan bears interest at 1% per annum and will mature in June 2026. The PPP loan and accrued interest allow for forgiveness based on the bank's evaluation of the Corporation's use of such proceeds. The PPP loan was forgiven in March 2022.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2022 and 2021

**Note 8 HUD excess income payable**

HUD excess income payable as of June 30, is as follows:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Amount to be settled after July 2021  | \$ 2,527,811        | \$ 2,542,255        |
| Payments made in fiscal year  | -                   | (14,444)            |
| Total due as of June 30,  | <u>\$ 2,527,811</u> | <u>\$ 2,527,811</u> |
|   | 2022                | 2021                |
| Excess income collected   | \$ 380,186          | \$ 387,921          |
| Amount allowed by HUD (this amount is negotiated by<br>the Corporation with HUD on an annual basis) | (490,000)           | (490,000)           |
| Balance, end of year  | <u>\$ (109,814)</u> | <u>\$ (102,079)</u> |

**Note 9 Real estate taxes**

The Corporation is under the shelter rent program (real estate taxes) through the maturity date of the HUD mortgage.

**Note 10 Utilities payable**

Utilities payable includes water and sewer arrears financed through a loan from New York City Housing Development Corporation. On September 23, 2005, the Corporation signed a promissory note in the amount of \$252,320 with New York City Housing Development Corporation which requires the Corporation to make monthly payments as follows:

From October 1, 2005 to September 30, 2006 – Interest only at the rate of 1.32% per annum or \$250 per month.

From October 1, 2006 to September 30, 2008 – Interest only at the rate of 5.28% per annum or \$1,000 per month.

From October 1, 2008 to September 1, 2023 (maturity date) – Interest and principal at the rate of 6.25% per annum or \$1,947 per month.

As of June 30, 2022 and 2021, the outstanding balance amounted to \$42,128 and \$50,633 respectively.

## **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

### **Notes to the Financial Statements**

June 30, 2022 and 2021

#### **Note 11 Income taxes**

The Corporation has approximately \$4,742,000 in net operating loss carryforwards (“NOLS”) available for federal income tax purposes. The NOLS from 2017 and prior have expiration dates until June 30, 2032. The NOLS from 2018 and after may be carried forward indefinitely. Because the future utilization of these NOLS tax is uncertain, no related deferred tax asset has been reflected in the accompanying financial statements.

The Corporation is subject to federal income tax. No income tax expense was recognized in the statements of operations for the years ended June 30, 2022 and 2021 as a result of NOLS being applied.

#### **Note 12 Management fee**

On July 1, 2016, the Corporation signed a management agreement with Prestige Management, Inc. In August 2021, the Corporation signed a new management agreement with Metro Management Development Inc. The total management fees for the years ended June 30, 2022 and 2021 was \$89,296 and \$81,549, respectively.

#### **Note 13 Tenant Stockholders’ maintenance fee increase**

The New York City Department of Housing Preservation and Development approves the increase in carrying charge for the Corporation. The last increase in the carrying charges, including utilities, was 6% per room per month. This increase was effective on July 1, 2014.

#### **Note 14 Potential impact of the pandemic**

In January 2020, the World Health Organization declared a Public Health Emergency of international concern as a result of the spread of a new virus – coronavirus (COVID-19). This contagious disease outbreak, which has continued to spread to many countries, and any related adverse public health developments, could adversely affect the Corporation. The outbreak could affect workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. The effects of an economic downturn on the Corporation cannot be determined at this time.



# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

## **Notes to the Financial Statements**

June 30, 2022 and 2021

### **Note 15    Going concern**

The Corporation's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. However, at June 30, 2022, the Corporation's current liabilities exceed current assets and restricted deposits and funded reserves by \$639,902 and has limited resources of financing facilities to satisfy its obligations for the next 12 months. These conditions, among others, raise substantial doubt about the ability of the Corporation to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Corporation, which in turn is dependent upon the Corporation's ability to meet its financial requirements, generate sufficient revenue to cover expenses and debt obligations, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Corporation not continue as a going concern.

The Corporation has submitted an application to HPD for maintenance charge increase over the next three years, requested increase per year is approximately \$400,000. The Corporation believes that approval of this application will provide the opportunity for the Corporation to continue as a going concern.

### **Note 16    Subsequent events**

The Corporation has evaluated its June 30, 2022 financial statements for subsequent events through January 30, 2023, the date the financial statements were available to be issued. In July 2022, the Corporation submitted application for maintenance charge increase to HPD.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Balance Sheet Data**

As of June 30, 2022

| <b><u>Assets</u></b>                           |   |                     |
|--|---|---------------------|
| <b>Current assets</b>                          |   |                     |
| 1120   | Cash  | \$ 53,641           |
| 1130   | Tenant/member accounts receivable (coops)     | 463,769             |
| 1131   | Allowance for doubtful accounts               | <u>(338,553)</u>    |
| 1130N  | Net tenants accounts receivable               | <u>125,216</u>      |
| 1200   | Prepaid expenses                              | <u>69,056</u>       |
| 1100T  | Total current assets                          | <u>247,913</u>      |
| <b>Restricted deposits and funded reserves</b> |   |                     |
| 1310   | Escrow deposits                               | 187,168             |
| 1320   | Replacement reserve                           | <u>438,116</u>      |
| 1300T  | Total restricted deposits and funded reserves | <u>625,284</u>      |
| <b>Fixed assets</b>                            |   |                     |
| 1410   | Land  | 441,344             |
| 1420   | Buildings                                     | 15,537,738          |
| 1440   | Building equipment                            | 2,587,837           |
| 1450   | Furniture                                     | <u>12,315</u>       |
| 1400T  | Total fixed assets                            | 18,579,234          |
| 1495   | Less: accumulated depreciation                | <u>(13,894,222)</u> |
| 1400N  | Net fixed assets                              | <u>4,685,012</u>    |
| 1000T  | Total assets                                  | <u>\$ 5,558,209</u> |

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Balance Sheet Data – (continued)**

As of June 30, 2022

| <b><u>Liabilities and Stockholders' Deficiency</u></b> |  |                            |
|--|--|----------------------------|
| <b>Current liabilities</b>                             |  |                            |
| 2110   | Accounts payable - operations                        | \$ 820,134                 |
| 2170   | Current portion of mortgage payable - first mortgage | 448,383                    |
| 2172   | Current portion of mortgage payable - other mortgage | 158,888                    |
| 2131   | Accrued interest payable                             | 62,147                     |
| 2210   | Prepaid revenue                                      | 23,547                     |
| 2190   | Miscellaneous current liabilities                    | <u>382,786</u>             |
| 2122T  | Total current liabilities                            | <u>1,895,885</u>           |
| <b>Long-term liability</b>                             |  |                            |
| 2320   | Mortgage payable (long-term) - first mortgage        | 1,360,867                  |
| 2322   | Other mortgage payable (long-term) - other mortgage  | 4,979,821                  |
| 2310   | Notes payable (long-term)                            | <u>2,527,811</u>           |
| 2300T  | Total long term liabilities                          | <u>8,868,499</u>           |
| 2000T  | Total liabilities                                    | <u>10,764,384</u>          |
| 4000T  | Total stockholders' deficiency                       | <u>(5,206,175)</u>         |
| 2040T  | Total liabilities and stockholders' deficiency       | <u><u>\$ 5,558,209</u></u> |

**CROWN GARDENS HOUSING CORPORATION**  
HUD Project No. 012-11115  
**Supplementary Information – Profit and Loss Data**  
For the year ended June 30, 2022

|                                |  |                  |
|--------------------------------|--|------------------|
| <b>Revenue</b>                 |  |                  |
| 5120                           | Rent revenue – gross potential                   | \$ 2,064,149     |
| 5170                           | Garage and parking spaces                        | 75,300           |
| 5190                           | Miscellaneous rent revenue                       | 83,345           |
| 5194                           | Retained excess income                           | 380,186          |
| 5100T                          | Total rent revenue                               | <u>2,602,980</u> |
| <b>Vacancies</b>               |  |                  |
| 5220                           | Apartments                                       | <u>(50,113)</u>  |
| 5200T                          | Total vacancies                                  | <u>(50,113)</u>  |
| 5152N                          | Net rental revenue (rent revenue less vacancies) | <u>2,552,867</u> |
| <b>Financial revenue</b>       |  |                  |
| 5410                           | Financial revenue - project operations           | 3,437            |
| 5440                           | Revenue from investments - replacement reserve   | <u>1,575</u>     |
| 5400T                          | Total financial revenue                          | <u>5,012</u>     |
| <b>Other revenue</b>           |  |                  |
| 5910                           | Laundry and vending                              | 44,600           |
| 5920                           | Tenant charges                                   | 23,736           |
| 5945                           | Interest reduction payments revenue              | 292,210          |
| 5990                           | Cancellation of debt                             | <u>77,835</u>    |
| 5900T                          | Total other revenue                              | <u>438,381</u>   |
| 5000T                          | Total revenue                                    | <u>2,996,260</u> |
| <b>Administrative expenses</b> |  |                  |
| 6204                           | Management consultation                          | 6,595            |
| 6311                           | Office expenses                                  | 23,802           |
| 6320                           | Management fee                                   | 89,296           |
| 6330                           | Manager or superintendent salaries               | 78,095           |
| 6331                           | Administrative rent free unit                    | 9,100            |
| 6340                           | Legal expense - project                          | 5,466            |
| 6350                           | Audit expense                                    | 24,950           |
| 6370                           | Bad debt   | 81,612           |
| 6390                           | Miscellaneous administrative fees                | <u>9,595</u>     |
| 6263T                          | Total administrative expenses                    | <u>328,511</u>   |

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Profit and Loss Data – (continued)**

For the year ended June 30, 2022

|       |  |              |
|-------|--|--------------|
|       | <b>Utilities expenses</b>                            |              |
| 6450  | Electricity  | 321,650      |
| 6451  | Water  | 259,520      |
| 6452  | Gas  | 255,983      |
|       |  | <hr/>        |
| 6400T | Total utilities expenses                             | 837,153      |
|       |  | <hr/>        |
|       | <b>Operating and maintenance expenses</b>            |              |
| 6510  | Payroll  | 273,191      |
| 6515  | Supplies   | 32,896       |
| 6520  | Contracts  | 187,060      |
| 6530  | Security payroll/contract                            | 265,518      |
| 6590  | Miscellaneous operating and maintenance expenses     | 569          |
|       |  | <hr/>        |
| 6500T | Total operating and maintenance expenses             | 759,234      |
|       |  | <hr/>        |
|       | <b>Taxes and insurance</b>                           |              |
| 6710  | Real estate taxes                                    | 129,849      |
| 6711  | Payroll taxes (project share)                        | 32,316       |
| 6720  | Property and liability insurance (hazard)            | 363,097      |
| 6722  | Workmen's compensation                               | 15,539       |
| 6723  | Health insurance and other employee benefits         | 163,621      |
| 6790  | Miscellaneous taxes, licenses, permits and insurance | 11,660       |
|       |  | <hr/>        |
| 6700T | Total taxes and insurance                            | 716,082      |
|       |  | <hr/>        |
|       | <b>Financial expenses</b>                            |              |
| 6820  | Interest expenses                                    | 151,485      |
|       |  | <hr/>        |
| 6800T | Total financial expenses                             | 151,485      |
|       |  | <hr/>        |
| 6000T | Total cost of operations before depreciation         | 2,792,465    |
|       |  | <hr/>        |
| 5060T | Profit before depreciation                           | 203,795      |
| 6600  | Depreciation   | (415,654)    |
|       |  | <hr/>        |
| 5060N | Operating (loss)                                     | \$ (211,859) |
|       |  | <hr/>        |

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Cash Flow Data**

For the year ended June 30, 2022

|           |  |                         |
|-----------|--|-------------------------|
|           | <b>Cash flows from operating activities</b>                |                         |
| S1200-010 | Cash received from stockholders                            | \$ 2,375,656            |
| S1200-020 | Interest income  | 5,012                   |
| S1200-030 | Other receipts   | <u>360,546</u>          |
| S1200-040 | Total receipts   | <u>2,741,214</u>        |
| S1200-050 | Administration   | (64,163)                |
| S1200-070 | Management fee   | (89,296)                |
| S1200-090 | Utilities  | (842,882)               |
| S1200-100 | Salaries and wages   | (351,286)               |
| S1200-110 | Operating and maintenance                                  | (269,015)               |
| S1200-120 | Real estate taxes  | (133,954)               |
| S1200-140 | Property insurance   | (346,030)               |
| S1200-150 | Other taxes and insurance                                  | (223,822)               |
| S1200-180 | Interest on mortgage                                       | <u>(110,008)</u>        |
| S1200-230 | Total disbursements  | <u>(2,430,456)</u>      |
| S1200-240 | Net cash used in operating activities                      | <u>310,758</u>          |
|           | <b>Cash flows from investing activities</b>                |                         |
| S1200-245 | Change in mortgage escrow account                          | 100,006                 |
| S1200-250 | Net deposits to the reserve for replacement account        | (71,696)                |
| S1200-330 | Net purchase of fixed assets                               | <u>(27,321)</u>         |
| S1200-350 | Net cash provided by investing activities                  | <u>989</u>              |
|           | <b>Cash flows from financing activities</b>                |                         |
| S1200-360 | Principal payments – first mortgage                        | (241,206)               |
| S1200-362 | Principal payments – third mortgage                        | (37,422)                |
| S1200-452 | Amount – other financing activities – application deposits | (12,205)                |
| S1200-452 | Amount – other financing activities – water loan payable   | <u>(8,584)</u>          |
| S1200-460 | Net cash used in financing activities                      | <u>(299,417)</u>        |
| S1200-470 | Net change in cash   | 12,330                  |
| S1200-480 | Cash, beginning of year                                    | <u>41,311</u>           |
| S1200T    | Cash, end of year  | <u><u>\$ 53,641</u></u> |

**CROWN GARDENS HOUSING CORPORATION**  
 HUD Project No. 012-11115  
**Supplementary Information – Reserve Accounts Data**  
 For the year ended June 30, 2022

**Held by New York City Housing Development Corporation**

|         |                             |    |                       |
|---------|-----------------------------|----|-----------------------|
| 1320P   | Balance as of July 1, 2021  | \$ | 366,420               |
| 1320DT  | Monthly deposits of \$2,500 |    | 70,121                |
| 1320INT | Interest income             |    | 1,575                 |
| 1320WT  | Withdrawals approved by HUD |    | <u>-</u>              |
| 1320    | Balance as of June 30, 2022 | \$ | <u><u>438,116</u></u> |

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Computation of Surplus Cash, Distributions and Residual Receipts**

For the year ended June 30, 2022

**Part A – Computation of Surplus Cash**

|           |  |                              |
|-----------|--|------------------------------|
| S1300-010 | Cash (accounts 1110, 1120, 1191, 1192) | \$ 53,641                    |
| S1300-040 | Total Cash                             | <u>53,641</u>                |
| S1300-050 | Accrued mortgage interest payable      | 62,147                       |
| S1300-075 | Accounts payable (due within 30 days)  | 820,134                      |
| 2210      | Prepaid revenue                        | 23,547                       |
| S1300-110 | Miscellaneous current liabilities      | <u>382,786</u>               |
| S1300-140 | Less current obligations               | <u>1,288,614</u>             |
| S1300-150 | Surplus cash/(deficit)                 | <u><u>\$ (1,234,973)</u></u> |

**Part B – Computation of required deposit to residual receipts**

|           |                                    |                    |
|-----------|------------------------------------|--------------------|
| S1300-210 | Residual receipts required deposit | <u><u>\$ -</u></u> |
|-----------|------------------------------------|--------------------|



**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Schedule of Changes in Fixed Asset Accounts**

For the year ended June 30, 2022

|                              | Fixed assets         |             |                      | Depreciation         |                   |                      | Net book<br>value   |
|------------------------------|----------------------|-------------|----------------------|----------------------|-------------------|----------------------|---------------------|
|                              | Balance              |             | Balance              | Balance              | Current           | Balance              |                     |
|                              | 07/01/21             | Additions   | 06/30/22             | 07/01/21             | depreciation      | 06/30/22             | 06/30/22            |
| Land                         | \$ 441,344           | \$ -        | \$ 441,344           | \$ -                 | \$ -              | \$ -                 | \$ 441,344          |
| Building and<br>improvements | 15,537,738           | -           | 15,537,738           | 11,157,255           | 378,279           | 11,535,534           | 4,002,204           |
| Furniture<br>and fixtures    | 12,315               | -           | 12,315               | 12,315               | -                 | 12,315               | -                   |
| Building<br>equipment        | 2,587,837            | -           | 2,587,837            | 2,308,998            | 37,375            | 2,346,373            | 241,464             |
| Total                        | <u>\$ 18,579,234</u> | <u>\$ -</u> | <u>\$ 18,579,234</u> | <u>\$ 13,478,568</u> | <u>\$ 415,654</u> | <u>\$ 13,894,222</u> | <u>\$ 4,685,012</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 Tenants – Stockholders of  
Crown Gardens Housing Corporation  
Brooklyn, New York

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 Crown Gardens Housing Corporation, which comprise the balance sheet as of June 30, 2022, and the related statements of operations and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Crown Gardens Housing Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crown Gardens Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Crown Gardens Housing Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Crown Gardens Housing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, questioned costs, and recommendations as Finding 2022-001.

***Corporation's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on Crown Gardens Housing Corporation's response to the finding identified in our audit and described in the accompanying schedule of findings, questioned costs, and recommendations. Crown Gardens Housing Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



New York, New York  
January 30, 2023

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

To the Tenants – Stockholders of  
Crown Gardens Housing Corporation  
Brooklyn, New York

***Report on Compliance for Each Major HUD Program***

***Opinion***

We have audited Crown Gardens Housing Corporation'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 Crown Gardens Housing Corporation's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended June 30, 2022. Crown Gardens Housing Corporation's major HUD programs are as follows:

Mortgage Insurance Cooperative Projects  
Interest Reduction Payments (Section 236)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, Crown Gardens Housing Corporation 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, 2022.

***Basis for Qualified Opinion on the Major HUD Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the 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 Crown Gardens Housing Corporation and to meet our other ethical responsibilities, in accordance with 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. However, our audit does not provide a legal determination of Crown Gardens Housing Corporation's compliance.

As described in the accompanying schedule of findings, questioned costs, and recommendations, Crown Gardens Housing Corporation did not comply with requirements regarding the major HUD programs as further described in Finding 2022-001. Compliance with such requirements is necessary, in our opinion, for Crown Gardens Housing Corporation to comply with the requirements applicable to the programs.

### ***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 Crown Gardens Housing Corporation'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 express an opinion on Crown Gardens Housing Corporation'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 generally accepted auditing standards, *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 Crown Gardens Housing Corporation's compliance with the requirements of each major HUD program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Crown Gardens Housing Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Crown Gardens Housing Corporation'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 Crown Gardens Housing Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on Crown Gardens Housing Corporation's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings, questioned costs, and recommendations. Crown Gardens Housing Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***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 a 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 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 may exist that were not 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.

NChing LLP

New York, New York  
January 30, 2023

## **CROWN GARDENS HOUSING CORPORATION**

### **Schedule of Findings and Questioned Costs**

For the year ended June 30, 2022

Finding No.: 2022-001 – Failure to make mortgage payments in accordance with debt agreements with the New York City Housing Development Corporation (HDC) and New York City Department of Housing Preservation and Development (HPD).

Finding Resolution Status: In progress

Statement of Condition: The Corporation failed to make mortgage payments for the amounts as required by the HDC and HPD debt agreements.

Criteria: The respective debt agreements require the Corporation to make monthly mortgage payments of \$37,504 (HDC) and \$9,369 (HPD).

Effect: The Corporation is delinquent in its payments under debt agreements to the HDC and the HPD and is not in compliance with the respective debt agreements.

Cause: The Corporation currently does not have sufficient funds to fulfill its obligations under the HDC and HPD debt agreements.

Recommendation: The Corporation should evaluate opportunities to generate sufficient revenue streams, such as applying for maintenance charge increases from the HPD. In addition, the Corporation should consider cost control initiatives, possible vendor balance workouts and/or possible refinancing opportunities.

Noncompliance Code: Q

Questioned Costs: N/A

Views of Responsible Official: Board members of the Corporation agree with this finding.

Proposed Completion Date: N/A

Action Planned on the Finding: In July 2022, the Corporation submitted an application for maintenance charge increases to the HPD and, as of the date of this report, is waiting for approval of the application.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Summary Schedule of Prior Year Audit Findings and Questioned Cost**

For the year ended June 30, 2022

**None**



# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

## **Corrective Action Plan**

For the year ended June 30, 2022

### **1. Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.**

Finding 2022-001 - Failure to make mortgage payments in accordance with debt agreements with the New York City Housing Development Corporation (HDC) and New York City Department of Housing Preservation and Development (HPD).

i. Comments on the Finding and Each Recommendation: Board members concur with the finding and the auditor's recommendation to evaluate opportunities to generate sufficient revenue streams, such as applying for maintenance charge increases from the HPD, consider cost control initiatives, possible vendor balance workouts and/or possible refinancing opportunities.

ii. Actions Taken on the Finding: In July 2022, the Corporation submitted an application for maintenance charge increases to the HPD and, as of the date of this report, is waiting for approval of the application.

### **2. Status of Corrective Actions on Findings Reported in the Prior Audit Schedule of Findings, Questioned Costs, and Recommendations.**

No findings reported in the prior year's audit.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Certification of Owner**

June 30, 2022

**Project EIN No.: 13-2688287**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Crown Gardens Housing Corporation and, to the best of our knowledge and belief, the same is complete and accurate.

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Signature

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Title

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Date

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Certification of Management Agent**

June 30, 2022

We hereby certify that we have examined the accompanying financial statements and supplemental data of Crown Gardens Housing Corporation and, to the best of our knowledge and belief, the same is complete and accurate.

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Managing Agent

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Date

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Auditor's Information**

June 30, 2022

Audit partner:           Nerou Cheng, CPA  
                                  NCheng LLP  
                                  40 Wall Street, 32nd Floor  
                                  New York, NY 10005  
                                  (212) 785-0100  
                                  EIN 81-0926770