

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

**Financial Statements with Supplementary Information**

For the years ended June 30, 2021 and 2020

# **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

Financial Statements

June 30, 2021 and 2020

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## **Independent Auditors' Report**

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

### ***Report on the Financial Statements***

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, 2021 and 2020, and the related statements of revenue and expenses, accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crown Gardens Housing Corporation as of June 30, 2021 and 2020, 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.

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 21 is presented for purposes of additional analysis and is not required part of the financial statements.

The accompanying supplementary information shown on pages 14 to 21 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. Such 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 accompanying supplementary information shown on pages 14 to 21 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 March 11, 2022 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 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 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.

NC Cheng LLP

New York, New York  
March 11, 2022

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Balance Sheets**

As of June 30,

	<u>2021</u>	<u>2020</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash	\$ 41,311	\$ 161,613
Tenants - stockholders receivable, net of allowance of \$341,622 in 2021 and \$243,053 in 2020	75,832	53,870
Prepaid expenses	<u>85,252</u>	<u>79,308</u>
Total current assets	<u>202,395</u>	<u>294,791</u>
 <b>Restricted deposits and funded reserves</b>		
Reserve for replacements	366,420	547,714
Mortgage escrow account	<u>287,174</u>	<u>354,364</u>
Total restricted cash	<u>653,594</u>	<u>902,078</u>
 <b>Fixed assets</b>		
Land	441,344	441,344
Buildings, furniture and equipment and construction in progress	18,137,890	18,037,767
Less: accumulated depreciation	<u>(13,478,568)</u>	<u>(13,045,397)</u>
Fixed assets, net	<u>5,100,666</u>	<u>5,433,714</u>
 <b>Total assets</b>	 <u><u>\$ 5,956,655</u></u>	 <u><u>\$ 6,630,583</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>2021</u>	<u>2020</u>
<b><u>Liabilities and Stockholders' Deficiency</u></b>		
<b>Current liabilities</b>		
Current portion of mortgage payable	\$ 417,486	\$ 396,047
Accrued interest payable	20,670	20,670
Accounts payable and accrued expenses	568,221	484,891
Prepaid rent	60,662	47,059
Utilities payable	74,194	92,354
Total current liabilities	<u>1,141,233</u>	<u>1,041,021</u>
<b>Deferred credits and deposits</b>		
Equity deposits payable	273,402	273,402
Application deposits payable	121,589	58,230
Total deferred credits and deposits	<u>394,991</u>	<u>331,632</u>
<b>Long-term liabilities</b>		
First mortgage	1,723,197	2,037,302
Second mortgage	2,696,460	2,696,460
Third mortgage	2,389,444	2,492,655
Total mortgages payable	6,809,101	7,226,417
Note payable	77,835	-
HUD excess income payable	2,527,811	2,542,255
Total liabilities	<u>10,950,971</u>	<u>11,141,325</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	(6,596,314)	(6,112,740)
Total stockholders' deficiency	<u>(4,994,316)</u>	<u>(4,510,742)</u>
<b>Total liabilities and stockholders' deficiency</b>	<u>\$ 5,956,655</u>	<u>\$ 6,630,583</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,

	2021	2020
<b>Revenue</b>		
Maintenance and other charges	\$ 2,586,864	\$ 2,531,938
Interest reduction assistance	292,210	292,210
Other revenue	52,896	121,265
Total revenues	<u>2,931,970</u>	<u>2,945,413</u>
<b>Expenses</b>		
Utilities	818,454	803,760
Operating and maintenance	1,104,120	902,651
Taxes and insurance	488,383	436,114
Administrative	402,645	350,663
Financial	168,771	171,843
Total expenses	<u>2,982,373</u>	<u>2,665,031</u>
Revenue in excess of expenses before depreciation	(50,403)	280,382
Depreciation	<u>(433,171)</u>	<u>(421,440)</u>
Excess of expenses over revenue	(483,574)	(141,058)
Accumulated deficit - beginning of year	<u>(6,112,740)</u>	<u>(5,971,682)</u>
Accumulated deficit - end of year	<u><u>\$ (6,596,314)</u></u>	<u><u>\$ (6,112,740)</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,

	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from shareholders	\$ 2,466,089	\$ 2,505,888
Interest income	11,572	20,025
Other income and receipts	333,534	393,450
Total receipts	2,811,195	2,919,363
Administrative	(70,248)	(166,628)
Management fees	(81,549)	(81,649)
Utilities	(815,942)	(837,424)
Salaries and wages	(385,052)	(375,973)
Operating and maintenance	(842,980)	(589,983)
Real estate taxes	(133,831)	(125,112)
Property insurance premium	(157,812)	(89,884)
Miscellaneous taxes and insurance	(201,503)	(221,676)
Interest	(168,771)	(191,704)
Total expenditures	(2,857,688)	(2,680,033)
Net cash (used in)/provided by operating activities	(46,493)	239,330
<b>Cash flows from investing activities</b>		
Reserve for replacements	181,294	85,958
Mortgage escrow account	67,190	23,335
Acquisition of fixed assets	(35,006)	(37,615)
Net cash provided by investing activities	213,478	71,678
<b>Cash flows from financing activities</b>		
Repayment of mortgages payable	(395,877)	(375,834)
Proceeds from note payable	77,835	-
Proceeds from application deposits payable	63,359	6,107
Repayment of HUD excess income payable	(14,444)	(13,332)
Repayment of utilities loan payable	(18,160)	(18,534)
Net cash used in financing activities	(287,287)	(401,593)
Net change in cash	(120,302)	(90,585)
Cash - beginning of year	161,613	252,198
Cash - end of year	\$ 41,311	\$ 161,613
<b>Supplemental disclosure</b>		
Cash paid for interest	\$ 168,771	\$ 191,704

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, 2021 and 2020

### **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, 2021 and 2020

### **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, 2021 and 2020.

**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. 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.

**Reclassification.** Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications had no effect on 2020 stockholders' deficiency.

**CROWN GARDENS HOUSING CORPORATION**

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**Notes to the Financial Statements**

June 30, 2021 and 2020

**Note 3 Fixed assets**

Fixed assets consist of the following:

		June 30,
	2021	2020
Land	\$ 441,344	\$ 441,344
Building and improvements	15,537,738	15,437,615
Building equipment	2,587,837	2,587,837
Furniture and fixtures	12,315	12,315
Total	18,579,234	18,479,111
Less: accumulated depreciation	(13,478,568)	(13,045,397)
Fixed assets, net	<u>\$ 5,100,666</u>	<u>\$ 5,433,714</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, 2021 and 2020 was \$366,420 and \$547,714, 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, 2021
	Beginning balance	Additions	Deductions	Ending 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>

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2021 and 2020

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

				June 30, 2020
	Beginning balance	Additions	Deductions	Ending balance
Property insurance	\$ 43,075	\$ 93,924	\$ (87,225)	\$ 49,774
Real estate	72,966	86,548	(122,626)	36,888
Water and sewer	261,658	258,594	(252,550)	267,702
Total	<u>\$ 377,699</u>	<u>\$ 439,066</u>	<u>\$ (462,401)</u>	<u>\$ 354,364</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, 2021 and June 30, 2020 amounted to \$292,210. The outstanding balance at June 30, 2021 and June 30, 2020 amounted to \$2,050,456 and \$2,344,020, 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, 2021 and June 30, 2020 amounted to \$2,696,460.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2021 and 2020

**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, 2021 and 2020 amounted to \$2,479,671 and \$2,581,984, respectively.

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

<u>Year ending June 30,</u>	
2022	\$ 417,486
2023	440,310
2024	189,378
2025	170,979
2026	177,137
Thereafter	<u>5,831,297</u>
Total	7,226,587
Less: current portion	<u>(417,486)</u>
Long term balance	<u><u>\$ 6,809,101</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. At June 30, 2021, the outstanding balance of note payable was \$77,835.

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Notes to the Financial Statements**

June 30, 2021 and 2020

**Note 8 HUD excess income payable**

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

	2021	2020
Amount to be settled after July 2021	\$ 2,542,255	\$ 2,555,587
Payments made in fiscal year	(14,444)	(13,332)
Total due as of June 30,	<u>\$ 2,527,811</u>	<u>\$ 2,542,255</u>
	2021	2020
Excess income collected	\$ 387,921	\$ 358,784
Amount allowed by HUD (this amount is negotiated by the Corporation with HUD on an annual basis)	(490,000)	(490,000)
Balance, end of year	<u>\$ (102,079)</u>	<u>\$ (131,216)</u>

**Note 9 Real estate taxes payable**

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, 2021 and 2020, the outstanding balance amounted to \$50,633 and \$68,583 respectively.

## **CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

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

June 30, 2021 and 2020

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

The Corporation has approximately \$4,584,000 in net operating loss carryforwards (“NOLS”) available for federal income tax purposes. These NOLS were generated from patronage and nonpatronage activities. 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, 2021 and 2020 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. The total management fees for the years ended June 30, 2021 and 2020 was \$81,549 and \$81,649, 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.

#### **Note 15 Subsequent events**

The Corporation has evaluated its June 30, 2021 financial statements for subsequent events through March 11, 2022, the date the financial statements were available to be issued. The Corporation is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

**CROWN GARDENS HOUSING CORPORATION**

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**Supplementary Information – Balance Sheet Data**

June 30, 2021

<b><u>Assets</u></b>		
<b>Current assets</b>		
1120	Cash	\$ 41,311
1130	Tenant/member accounts receivable (coops)	417,454
1131	Allowance for doubtful accounts	(341,622)
1130N	Net tenants accounts receivable	75,832
1200	Prepaid expenses	85,252
1100T	Total current assets	202,395
<b>Restricted deposits and funded reserves</b>		
1310	Escrow deposits	287,174
1320	Replacement reserve	366,420
1300T	Total restricted deposits and funded reserves	653,594
<b>Fixed assets</b>		
1410	Land	441,344
1420	Buildings	15,537,738
1440	Building equipment	2,587,837
1450	Furniture	12,315
1400T	Total fixed assets	18,579,234
1495	Less: accumulated depreciation	(13,478,568)
1400N	Net fixed assets	5,100,666
1000T	Total assets	\$ 5,956,655



**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

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

June 30, 2021

<b><u>Liabilities and Stockholders' Deficiency</u></b>		
<b>Current liabilities</b>		
2110	Accounts payable - operations	\$ 642,415
2170	Current portion of mortgage payable - first mortgage	327,259
2172	Current portion of mortgage payable - other mortgage	90,227
2131	Accrued interest payable	20,670
2210	Prepaid revenue	60,662
2190	Miscellaneous current liabilities	<u>394,991</u>
2122T	Total current liabilities	<u>1,536,224</u>
<b>Long-term liability</b>		
2320	Mortgage payable (long-term) - first mortgage	1,723,197
2322	Other mortgage payable (long-term) - other mortgage	5,085,904
2310	Notes payable (long-term)	2,527,811
2324	Other note payable	<u>77,835</u>
2300T	Total long term liabilities	<u>9,414,747</u>
2000T	Total liabilities	<u>10,950,971</u>
4000T	Total stockholders' deficiency	<u>(4,994,316)</u>
2040T	Total liabilities and stockholders' deficiency	<u><u>\$ 5,956,655</u></u>

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Profit and Loss Data**

For the year ended June 30, 2021

<b>Revenue</b>		
5120	Rent revenue – gross potential	\$ 2,081,807
5170	Garage and parking spaces	53,220
5190	Miscellaneous rent revenue	116,688
5194	Retained excess income	387,921
5100T	Total rent revenue	<u>2,639,636</u>
<b>Vacancies</b>		
5220	Apartments	<u>(52,772)</u>
5200T	Total vacancies	<u>(52,772)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>2,586,864</u>
<b>Financial revenue</b>		
5410	Financial revenue - project operations	5,752
5440	Revenue from investments - replacement reserve	5,820
5400T	Total financial revenue	<u>11,572</u>
<b>Other revenue</b>		
5910	Laundry and vending	21,000
5920	Tenant charges	19,755
5945	Interest reduction payments revenue	292,210
5990	Miscellaneous revenue	569
5900T	Total other revenue	<u>333,534</u>
5000T	Total revenue	<u>2,931,970</u>
<b>Administrative expenses</b>		
6204	Management consultation	24,302
6311	Office expenses	26,981
6320	Management fee	81,549
6330	Manager or superintendent salaries	104,987
6331	Administrative rent free unit	9,100
6340	Legal expense - project	11,457
6350	Audit expense	27,300
6370	Bad debt	103,316
6390	Miscellaneous administrative fees	13,653
6263T	Total administrative expenses	<u>402,645</u>

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

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

For the year ended June 30, 2021

	<b>Utilities expenses</b>	
6450	Electricity	322,039
6451	Water	252,549
6452	Gas	243,866
		<hr/>
6400T	Total utilities expenses	818,454
		<hr/>
	<b>Operating and maintenance expenses</b>	
6510	Payroll	280,065
6515	Supplies	28,536
6520	Contracts	444,393
6530	Security payroll/contract	346,866
6590	Miscellaneous operating and maintenance expenses	4,260
		<hr/>
6500T	Total operating and maintenance expenses	1,104,120
		<hr/>
	<b>Taxes and insurance</b>	
6710	Real estate taxes	121,889
6711	Payroll taxes (project share)	32,037
6720	Property and liability insurance (hazard)	165,427
6722	Workmen's compensation	17,447
6723	Health insurance and other employee benefits	150,030
6790	Miscellaneous taxes, licenses, permits and insurance	1,553
		<hr/>
6700T	Total taxes and insurance	488,383
		<hr/>
	<b>Financial expenses</b>	
6820	Interest expenses	168,771
		<hr/>
6800T	Total financial expenses	168,771
		<hr/>
6000T	Total cost of operations before depreciation	2,982,373
		<hr/>
5060T	Profit (loss) before depreciation	(50,403)
6600	Depreciation	(433,171)
		<hr/>
5060N	Operating (loss)	\$ (483,574)
		<hr/>

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Supplementary Information – Cash Flow Data**

For the year ended June 30, 2021

	<b>Cash flows from operating activities</b>	
S1200-010	Cash received from stockholders	\$ 2,466,089
S1200-020	Interest income	11,572
S1200-030	Other receipts	<u>333,534</u>
S1200-040	Total receipts	<u>2,811,195</u>
S1200-050	Administration	(70,248)
S1200-070	Management fee	(81,549)
S1200-090	Utilities	(815,942)
S1200-100	Salaries and wages	(385,052)
S1200-110	Operating and maintenance	(842,980)
S1200-120	Real estate taxes	(133,831)
S1200-140	Property insurance	(157,812)
S1200-150	Other taxes and insurance	(201,503)
S1200-180	Interest on mortgage	<u>(168,771)</u>
S1200-230	Total disbursements	<u>(2,857,688)</u>
S1200-240	Net cash used in operating activities	<u>(46,493)</u>
	<b>Cash flows from investing activities</b>	
S1200-245	Change in mortgage escrow account	67,190
S1200-250	Net deposits to the reserve for replacement account	181,294
S1200-330	Net purchase of fixed assets	<u>(35,006)</u>
S1200-350	Net cash provided by investing activities	<u>213,478</u>
	<b>Cash flows from financing activities</b>	
S1200-360	Principal payments – first mortgage	(293,564)
S1200-362	Principal payments – third mortgage	(102,313)
S1200-365	Proceeds from note payable	77,835
S1200-452	Amount – other financing activities – application deposits	63,359
S1200-452	Amount – other financing activities – HUD excess income payable	(14,444)
S1200-452	Amount – other financing activities – water loan payable	<u>(18,160)</u>
S1200-460	Net cash used in financing activities	<u>(287,287)</u>
S1200-470	Net change in cash	(120,302)
S1200-480	Cash, beginning of year	<u>161,613</u>
S1200T	Cash, end of year	<u><u>\$ 41,311</u></u>

**CROWN GARDENS HOUSING CORPORATION**  
 HUD Project No. 012-11115  
**Supplementary Information – Reserve Accounts Data**  
 For the year ended June 30, 2021

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

1320P	Balance as of July 1, 2020	\$ 547,714
1320DT	Monthly deposits of \$2,500	58,366
1320INT	Interest income	5,820
1320WT	Withdrawals approved by HUD	<u>(245,480)</u>
1320	Balance as of June 30, 2021	<u><u>\$ 366,420</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, 2021

**Part A – Computation of Surplus Cash**

S1300-010	Cash (accounts 1110, 1120, 1191, 1192)	\$ 41,311
S1300-040	Total Cash	<u>41,311</u>
S1300-050	Accrued mortgage interest payable	20,670
S1300-075	Accounts payable (due within 30 days)	642,415
2210	Prepaid revenue	60,662
S1300-110	Miscellaneous current liabilities	<u>394,991</u>
S1300-140	Less current obligations	<u>1,118,738</u>
S1300-150	Surplus cash/(deficit)	<u><u>\$ (1,077,427)</u></u>

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

S1300-210	Residual receipts required deposit	<u><u>\$ -</u></u>
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**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Schedule of Changes in Fixed Asset Accounts**

For the year ended June 30, 2021

	Fixed assets			Depreciation			Net book value
	Balance		Balance	Balance	Current	Balance	
	07/01/20	Additions	06/30/21	07/01/20	depreciation	06/30/21	06/30/21
Land	\$ 441,344	\$ -	\$ 441,344	\$ -	\$ -	\$ -	\$ 441,344
Building and improvements	15,437,615	100,123	15,537,738	10,775,841	381,414	11,157,255	4,380,483
Furniture and fixtures	12,315	-	12,315	12,315	-	12,315	-
Building equipment	2,587,837	-	2,587,837	2,257,241	51,757	2,308,998	278,839
Total	<u>\$ 18,479,111</u>	<u>\$ 100,123</u>	<u>\$ 18,579,234</u>	<u>\$ 13,045,397</u>	<u>\$ 433,171</u>	<u>\$ 13,478,568</u>	<u>\$ 5,100,666</u>

**Independent Auditors' 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, 2021, and the related statements of revenue and expenses, accumulated deficiency and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2022.

***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 opinion 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 a material weaknesses. However, material weakness may exist that have not been identifies.

***Compliance and other matters***

As part of obtaining reasonable assurance about whether Crown Gardens Housing Corporation's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

NChing LLP

New York, New York  
March 11, 2022

**Independent Auditors' Report on Compliance For Each Major HUD Program and 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 Federal program***

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, 2021. Crown Gardens Housing Corporation's major HUD program is as follows:

Mortgage Insurance Cooperative Projects  
Interest Reduction Payments (Section 236)

***Management's responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

***Auditors' responsibility***

Our responsibility is to express an opinion on compliance for each of Crown Gardens Housing Corporation's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Crown Gardens Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of Crown Gardens Housing Corporation's compliance.

***Opinion on each major Federal program***

In our opinion, 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 its major HUD program for the year ended June 30, 2021.

***Report on internal control over compliance***

Management of Crown Gardens Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crown Gardens Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crown Gardens Housing Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 type of 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 type of 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 first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of 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  
March 11, 2022

**CROWN GARDENS HOUSING CORPORATION**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2021

**None**

**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, 2021

**None**

**CROWN GARDENS HOUSING CORPORATION**

HUD Project No. 012-11115

**Certification of Owner**

June 30, 2021

**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, 2021

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, 2021

Audit partner: Kwabina Appiah, CPA  
NCheng LLP  
40 Wall Street, 32nd Floor  
New York, NY 10005  
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