

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115

Financial Statements and Audit Reports
And Supplementary Information
June 30, 2023 and 2022

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Index to Financial Statements and Audit Reports
And Supplemental Information

	Page(s)
Independent Auditor's Report	1 - 3
Financial Statements	
Balance Sheets	4 - 5
Statement of Operations and Accumulated Deficit	6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 16
Supplementary Information	
Schedules Required by HUD	17 - 24
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	25 - 26
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required By the Uniform Guidance	27 - 29
Schedule of Prior Year Audit Findings for the Year Ended June 30, 2022	30
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2023	31
Corrective Action Plan June 30, 2023	32
Certificate of Management Agent	33
Certificate of Board of Directors	34



Independent Auditor's Report

To the Board of Directors
Crown Gardens Housing Corporation.

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, 2023, and the related Statements of Operations and Accumulated Deficit, and Cash Flows for year then ended, and the related notes to the financial statements. The financial statements of Crown Gardens Housing Corporation as of and for the year ended June 30, 2022, were audited by other auditors.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Crown Gardens Housing Corporation as of June 30, 2023, and the results of its Operations and and Cash Flow for the years then ended for them to be 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 13 to the financial statements, Crown Gardens Housing Corporation's current liabilities exceed current assets and restricted deposits and funded reserves by \$1,033,723 and \$639,902 as of June 30, 2023 and 2022, 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 13. 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 U.S. generally accepted accounting principles, 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 for one year from the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted information about the Future Major Repairs and Replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our Audit of the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 24 is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, 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.

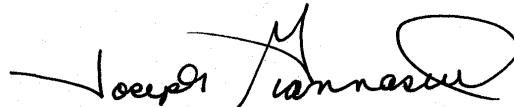
Other Matters

The financial statements of Crown Gardens Housing Corporation as of and for the year ended June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated January 30, 2023. Our opinion is not modified in respect of this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2024, on our consideration of the 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 the 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 the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Giannasco", with a stylized flourish at the end.

JOSEPH GIANNASCO CPA, LLC
Certified Public Accountant

Jericho, New York
August 14, 2024

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115

Balance Sheets
June 30, 2023 and 2022

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 212,654	\$ 53,641
Tenants' Accounts Receivable - net of allowance of \$562,759 in 2023 and \$338,553 in 2022	160,482	125,216
Prepaid Insurance	78,619	36,627
Prepaid real estate taxes	25,250	32,429
TOTAL CURRENT ASSETS	477,005	247,913

DEPOSITS HELD IN TRUST - FUNDED:

Equity deposits	151,687	-
TOTAL DEPOSITS HELD IN TRUST - FUNDED	151,687	-
Escrow Deposits	392	187,168
Replacement reserve	367,894	438,116
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	368,286	625,284

FIXED ASSETS:

Land	441,344	441,344
Buildings and improvements	15,822,259	15,537,738
Building equipment	2,600,152	2,600,152
TOTAL FIXED ASSETS	18,863,755	18,579,234
Less, accumulated depreciation	(14,298,531)	(13,894,222)
NET BOOK VALUE	4,565,224	4,685,012
TOTAL ASSETS	\$ 5,562,202	\$ 5,558,209

The accompanying notes to the financial statements are an integral part of this statement.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115

Balance Sheets
June 30, 2023 and 2022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable - operations	\$ 795,739	\$ 754,524
Accrued interest payable - first mortgage - HDC	102,847	62,147
Accrued utilities	66,032	65,610
Mortgage payable - current	799,009	607,271
Prepaid Revenue	30,878	23,547
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,794,505	1,513,099
	<hr/>	<hr/>

DEPOSIT LIABILITIES:

Application deposits payable	210,611	109,384
Equity deposits payable	273,402	273,402
	<hr/>	<hr/>
TOTAL DEPOSIT LIABILITIES	484,013	382,786
	<hr/>	<hr/>

LONG-TERM LIABILITIES:

Mortgage Payable - first mortgage	1,034,736	1,360,867
Mortgage Payable - second mortgage	2,696,460	2,696,460
Mortgage Payable - third mortgage	2,483,538	2,283,361
HUD excess income payable	2,527,811	2,527,811
	<hr/>	<hr/>
TOTAL LONG TERM LIABILITIES	8,742,545	8,868,499
	<hr/>	<hr/>
TOTAL LIABILITIES	11,021,063	10,764,384
	<hr/>	<hr/>

STOCKHOLDERS' DEFICIENCY:

Common stock (\$100 par value, 5,945 shares issued & outstanding)	594,500	594,500
Additional paid in capital	1,007,498	1,007,498
Accumulated deficit	(7,060,859)	(6,808,173)
	<hr/>	<hr/>
TOTAL STOCKHOLDERS' DEFICIENCY	(5,458,861)	(5,206,175)
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 5,562,202	\$ 5,558,209
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The accompanying notes to the financial statements are an integral part of this statement.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Statement of Operations and Accumulated Deficit
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE:		
Maintenance and other Charges	\$ 2,755,940	2,552,867
Interest reduction assistance	292,210	292,210
Financial Revenue	12,087	0
Other Revenue	36,083	73,348
Cancellation of debt	<u>-</u>	<u>77,835</u>
 TOTAL REVENUE	 <u>3,096,320</u>	 <u>2,996,260</u>
EXPENSES:		
Utilities	814,298	837,153
Operating and maintenance	739,923	759,234
Taxes and insurance	799,291	716,082
Administrative	525,011	328,511
Financial	<u>114,174</u>	<u>151,485</u>
 TOTAL EXPENSES	 <u>2,992,697</u>	 <u>2,792,465</u>
Revenue in excess of expenses before depreciation	103,623	203,795
Depreciation	<u>(404,309)</u>	<u>(415,654)</u>
Excess of expenses over revenue	(300,686)	(211,859)
Accumulated deficit - beginning of year	<u>(6,808,174)</u>	<u>(6,596,315)</u>
Accumulated deficit - end of year	<u><u>\$ (7,108,860)</u></u>	<u><u>\$ (6,808,174)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Rental receipts	\$ 2,503,749	\$ 2,375,656
Interest receipts	12,087	5,012
Other receipts - interest reduction payments revenue in excess of interest expense paid	292,210	
Other operating receipts	36,083	360,546
Total receipts	<u>2,844,129</u>	<u>2,741,214</u>
Expenses:		
Administrative	(153,556)	(64,163)
Management fee	(90,000)	(89,296)
Utilities	(811,796)	(842,882)
Salaries and wages	(399,198)	(351,286)
Operating and maintenance	(419,537)	(269,015)
Real estate taxes	(114,366)	(133,954)
Property insurance	(418,506)	(346,030)
Miscellaneous taxes and insurance	(190,083)	(223,822)
Interest	(73,473)	(110,008)
Total disbursements	<u>(2,670,515)</u>	<u>(2,430,456)</u>
Net cash provided by operating activities	<u>173,674</u>	<u>310,758</u>
Cash flows from investing activities:		
Mortgage escrow account	-	100,006
Reserve for replacements	-	(71,696)
Net Purchase of fixed assets	(284,520)	(27,321)
Net cash (used in) investing activities	<u>(284,520)</u>	<u>989</u>
Cash flows from financing activities:		
Mortgage (or bond) principal payments - HDC	(218,737)	(278,628)
Draw down on mortgage proceeds	284,520	-
NYSERDA Grant	48,000	-
Repayment of application deposits payable	-	(12,205)
Other financing activities - change in equity deposits payable	50,765	-
Repayment of utilities loan payable	-	(8,584)
Net cash (used in) financing activities	<u>164,548</u>	<u>(299,417)</u>
Net increase in cash and cash equivalents, and restricted cash	53,702	12,330
Cash and cash equivalents, and restricted cash:		
Beginning of year	678,925	41,311
End of year	<u>\$ 732,627</u>	<u>\$ 53,641</u>

The accompanying notes to the financial statements are an integral part of this statement.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115

Statement of Cash Flows
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of cash and cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 212,654	\$ 53,641
Restricted deposits	368,286	625,284
Tenants' security deposits held in trust	<u>151,687</u>	<u>-</u>
Cash and cash equivalents, and restricted cash - end of year	<u><u>\$ 732,627</u></u>	<u><u>\$ 678,925</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Crown Gardens Housing Corporation

HUD PROJECT NO. 012-11115

Notes to Financial Statements

1- ORGANIZATION OF THE CORPORATION

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.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its books on the accrual basis of accounting whereby revenue and the related costs are recognized in the period in which the revenue is earned, or the cost incurred.

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.

Fixed Assets

Major additions and improvements are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently for accounting and income tax purposes.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statement of cash flows, the Corporation considers all highly liquid financial instruments with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash primarily consists of security deposits held on behalf of the Corporation's commercial tenants, as well as other restricted deposits and funded reserves, required under the loan agreements.

Crown Gardens Housing Corporation

HUD PROJECT NO. 012-11115

Notes to Financial Statements

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tenants Accounts Receivable

Tenant accounts receivable consist of receivables from tenants for carrying charges. Tenant accounts receivable does not bear interest, although late charges sometimes will be billed to tenants with receivables that are past due.

The Corporation makes judgments as to the collectability of tenant accounts receivable based on historical trends and future expectations. Management estimates an allowance for doubtful accounts which represents the collectability of tenant accounts receivable. This allowance adjusts gross tenant accounts receivable downward to its estimated net realizable value. To determine the allowance for doubtful accounts, management reviews specific tenant risks and the Corporation's tenant accounts receivable aging. Management considers accounts past due on a tenant-by-tenant basis.

Management has determined an allowance of \$562,759 for its tenant arrears at June 30, 2023.

Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of cash and cash equivalents maintained with several financial institutions located in New York, New York. Deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. The Corporation at times exceeds amounts covered by insurance provided by the FDIC.

The Corporation has funded escrow/reserve deposits with HDC which are held in a combination of checking and money market accounts, wherein the balances are also subject to similar FDIC limits, as described above.

Impairment

Management reviews real estate assets for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions.

Through June 30, 2023, management believes no indicators of impairment exist.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Notes to Financial Statements

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax.

The Company believes that all of its income is patronage sourced. Accordingly, no provisions for taxes, if any, that could result from the application of Subchapter T to the corporation's income has been reflected in the accompanying financial statements. In accordance with accounting rules for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions takes or expected to be taken in its income tax returns, the cooperative's tax filings are subject to audit by various taxing authorities.

The cooperative's federal income tax returns for the last three years remain open to examination. In evaluating its tax provisions and accruals, the cooperative believes that its estimates are appropriate based on current facts and circumstances. Since the Company does not anticipate significant taxable income in future periods, the deferred tax asset accounts have been fully reserved in the accompanying financial statements. In evaluating the Company's ability to recover its deferred income tax assets the Company considers all available positive and negative evidence, including operating results, ongoing tax planning and forecasts of future taxable income. The valuation allowance will reduce the provision for income taxes if and when recognized. The Company files its income tax returns in the U.S. Federal Jurisdiction. The Company has available net operating loss carryforwards in the aggregate amount of \$977,063 that may be offset against future taxable income, of which losses through 2017 will expire at various periods through 2037. Due to legislation passed by the Tax Cuts and Jobs Act of 2017, losses generated in years beginning after December 31, 2017 may now be carried forward indefinitely but are limited to offsetting 80% of taxable income. Since the Company is in the New York State Division of Housing and Community Renewal Program, the Company is exempt from New York State and New York City Tax. The Corporation is not subject to New York State or City taxes.

Accounting principles generally accepted in the United States of America require evaluation of the tax positions taken or expected to be taken in the course of preparing the Corporation's tax returns to determine whether the tax positions are more likely than not sustainable upon examination by the applicable taxing authorities, based on the technical merits of the tax positions, and then recognizing the tax benefit that is more likely than not realizable. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current reporting period. Management believes any such position would be immaterial to the overall financial statements.

In evaluating the Corporation's tax provisions and accruals, the Corporation believes that its estimates are appropriate based on current facts and circumstances.

Subsequent Events

The Corporation has evaluated subsequent events after June 30, 2023 through August 14, 2024, the date that the financial statements were available to be issued.

Crown Gardens Housing Corporation**HUD PROJECT NO. 012-11115**

Notes to Financial Statements

3- FIXED ASSETS AND DEPRECIATION

Depreciation is computed to amortize the cost of the assets over their useful lives, as follows:

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

Fixed assets consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 441,344	\$ 441,344
Building	15,822,259	15,537,738
Maintenance Equipment	2,587,837	2,587,837
Furniture & Fixtures	<u>12,315</u>	<u>12,315</u>
Total Property and Equipment	\$ 18,863,755	\$ 18,579,234
Less: Accumulated Depreciation	<u>14,298,531</u>	<u>13,894,222</u>
Net Property and Equipment	<u><u>\$ 4,565,224</u></u>	<u><u>\$ 4,685,012</u></u>

The costs of maintenance and repairs of the property and equipment are charged to expense as incurred.

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, 2023 was \$367,894.

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:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023 Ending balance</u>
Property insurance	\$ 57,278	\$ 26,430	\$ 83,316	\$ 392
Real estate tax	-	-	-	-
Water and sewer	<u>129,890</u>	<u>-</u>	<u>129,891</u>	<u>(1)</u>
	<u><u>\$ 187,168</u></u>	<u><u>\$ 26,430</u></u>	<u><u>\$ 213,207</u></u>	<u><u>\$ 391</u></u>

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Notes to Financial Statements

6- MORTGAGE NOTES 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, 2023 and June 30, 2022 amounted to \$292,210. The outstanding balance at June 30, 2023 and June 30, 2022 amounted to \$1,590,514 and \$1,809,250, 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, 2023 and June 30, 2022 amounted to \$2,696,460.

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, 2023 and June 30, 2022 amounted to \$2,726,769.

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

2024	\$	799,009
2025		170,979
2026		177,138
2027		183,655
2028		190,475
Thereafter		<u>5,492,487</u>
Total		7,105,206
Less: current portion		<u>(799,009)</u>
Long term portion	\$	<u>6,306,197</u>

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Notes to Financial Statements

7- HUD EXCESS INCOME PAYABLE

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

	<u>2023</u>	<u>2022</u>
Amount to be settled after July 2022	\$ 2,527,811	\$ 2,527,811
Payments made in fiscal year	<u>-</u>	<u>-</u>
Total due as of June 30,	<u><u>\$ 2,527,811</u></u>	<u><u>\$ 2,527,811</u></u>
	<u>2023</u>	<u>2022</u>
Excess income collected	\$ 371,848	\$ 380,186
Amount allowed by HUD (this amount is negotiated by the Corporation with HUD on an annual basis)	<u>(490,000)</u>	<u>(490,000)</u>
	<u><u>\$ (118,152)</u></u>	<u><u>\$ (109,814)</u></u>

8- REAL ESTATE TAXES

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

9- 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, 2023 and 2022, the outstanding balance amounted to \$42,128.

Crown Gardens Housing Corporation

HUD PROJECT NO. 012-11115

Notes to Financial Statements

10- TENANT STOCKHOLDERS' MAINTENANCE FEE INCREASE

As per the Commissioner of Department of Housing Preservation and Development, the following carrying charge increase is as follows:

- (a) An increase in carrying charge, including utilities, of 20% per room per month, effective April 1, 2023;
- (b) An increase in carrying charge, including utilities, of 16% per room per month, effective April 1, 2024;
- (c) An increase in carrying charge, including utilities, of 14% per room per month, effective April 1, 2025.

11- MANAGEMENT CONTRACT

The Company has an agreement with Metro Management Development, Inc. for the management of the Cooperative at the rate of \$7,500 per month. The agreement provides for the management to administer under the direction of the Board of Directors (a) collecting all assessments and other charges, (b) entering in to building contracts, (c) purchasing of supplies, (d) keeping the books and records of the Company, (e) procuring insurance, etc.

12- PENSION PLAN

The Company contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan differ from those of a single-employer plan in the following respects: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if the Company chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability.

For the year ended June 30, 2023, the Company's participation in the multiemployer plan is outlined below:

Legal Name: Building Service 32BJ Pension Fund ("Plan")

Employer Identification Number: 13-1879376

Plan Number: 001

Collective Bargaining Agreement Expiration Date: April 20, 2022

Pension Protection Act Zone Status:

Year Ended June 30, 2022 - Red

Year Ended June 30, 2023 - Yellow

Year Ended June 30, 2024 - Yellow

Funding Improvement Plan/Rehabilitation Plan Status: Implemented

Surcharges Paid to Plan: None

Minimum Required Pension Contributions (per week/per employee):

Year Ended April 20, 2022 \$ 122.75

Year Ended April 20, 2023 \$ 126.75

Year Ended April 20, 2024 \$ 130.75

Year Ended April 20, 2025 \$ 134.75

Year Ended April 20, 2026 \$ 138.75

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Notes to Financial Statements

12- PENSION PLAN - (Continued)

The information provided above is from the Plan's most current annual report for the year ended June 30, 2023. The Pension Protection Act Zone Status is the most recent zone status available, was provided to the Company by the Plan, and is certified by the Plan's actuary. Pension plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65%-85% funded and plans in the "green zone" are at least 85% funded. The Company's contributions to the Plan are less than 5% of all employers' contributions to the Plan, and there have been no significant changes that would affect the comparability of the contributions for the years ending June 30, 2023 and 2022. In addition, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement. In addition, under the Collective Bargaining Agreement ("Agreement"), certain retired employees are eligible for health benefits as defined in the Agreement.

13- 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, 2023, the Corporation's current liabilities exceed current assets and restricted deposits and funded reserves by \$1,033,723 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 had submitted an application to HPD for maintenance charge increase over the next three years. This requested increase per year is approximately \$400,000 (See note 10 for detail). In February of 2023, this application was approved. The Corporation believes that the approved increases will provide the opportunity for the Corporation to continue as a going concern.

14- CURRENT VULNERABILITY

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

SUPPLEMENTARY INFORMATION

Crown Gardens Housing Corporation**HUD PROJECT NO. 012-11115**

Balance Sheet as Required by HUD

June 30, 2023

ASSETS**CURRENT ASSETS:**

1120	Cash and Cash Equivalents	212,654	
1130	Tenants' Accounts Receivable	723,241	
1131	Allowance for doubtful accounts	(562,759)	
1200	Prepaid Insurance	78,619	
1200	Prepaid real estate taxes	<u>25,250</u>	
1100T	TOTAL CURRENT ASSETS		\$ 477,005

DEPOSITS HELD IN TRUST - FUNDED:

1191	Tenants' security deposits held in trust	<u>151,687</u>	
	TOTAL DEPOSITS HELD IN TRUST - FUNDED		151,687
1310	Escrow Deposits	392	
1320	Replacement reserve	<u>367,894</u>	
1300T	TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES		368,286

FIXED ASSETS:

1410	Land	441,344	
1420	Buildings and improvements	15,822,259	
1440	Building equipment	<u>2,600,152</u>	
1400T	TOTAL FIXED ASSETS	18,863,755	
1495	Less, accumulated depreciation	<u>(14,298,531)</u>	
1400N	NET BOOK VALUE		<u>4,565,224</u>
1000T	TOTAL ASSETS		<u><u>\$ 5,562,202</u></u>

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation**HUD PROJECT NO. 012-11115**

Balance Sheet as Required by HUD

June 30, 2023

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES:**

2110	Accounts payable - operations	795,738	
2131	Accrued interest payable - first mortgage - HDC	102,847	
	Accrued utilities	66,032	
2170	Mortgage payable - current	799,009	
2210	Prepaid Revenue	30,878	
2122T	TOTAL CURRENT LIABILITIES		\$ 1,794,504

DEPOSIT LIABILITIES:

2191	Application deposits payable	210,611	
2230	Equity deposits payable	273,402	
	TOTAL DEPOSIT LIABILITIES		484,013

LONG-TERM LIABILITIES:

2320	Mortgage Payable - first mortgage	1,034,736	
2322	Mortgage Payable - second mortgage	2,696,460	
	Mortgage Payable - third mortgage	2,483,538	
	HUD excess income payable	2,527,811	
2300T	TOTAL LONG TERM LIABILITIES		8,742,545
2000T	TOTAL LIABILITIES		11,021,062

NET ASSETS:

	Common stock (\$100 par value, 5,945 shares issued & outstanding)	594,500	
	Additional paid in capital	1,007,498	
4100	Accumulated deficit	(7,060,859)	
4000T	TOTAL NET ASSETS		(5,458,861)
2040T	TOTAL LIABILITIES AND NET ASSETS		\$ 5,562,201

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Statement of Operations as Required by HUD
For the Year Ended June 30, 2023

RENTAL REVENUE:

5120	Rent revenue - gross potential	\$	2,159,791	
5170	Garage and parking spaces		104,640	
5190	Miscellaneous rent revenue		150,128	
5194	Retained excess income		<u>371,848</u>	
5100T	TOTAL RENTAL REVENUE	\$		2,786,407

VACANCIES:

5220	Apartments		<u>(30,467)</u>	
5200T	TOTAL VACANCIES			<u>(30,467)</u>
5152N	NET RENTAL REVENUE			2,755,940

FINANCIAL REVENUE:

5410	Financial revenue - project operations		1,141	
5440	Revenue from investments - replacement reserve		<u>10,946</u>	
5400T	TOTAL FINANCIAL REVENUE			12,087

OTHER REVENUE:

5910	Laundry and vending revenue		25,500	
5920	Tenenat charges		10,583	
5945	Interest reduction payments revenue		292,210	
5990	Cancellation of debt		<u>-</u>	
5900T	TOTAL OTHER REVENUE			<u>328,293</u>
5000T	TOTAL REVENUE			<u>3,096,320</u>

ADMINISTRATIVE EXPENSES:

6311	Office expenses		28,724	
6320	Management fees		90,000	
6340	Legal expense - Project		115,842	
6350	Audit expense		46,317	
6370	Bad debts		224,205	
6390	Miscellaneous administrative expenses		<u>19,923</u>	
6263T	TOTAL ADMINISTRATIVE EXPENSES			525,011

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Statement of Operations as Required by HUD
For the Year Ended June 30, 2023

UTILITIES EXPENSE:

6450	Electricity	340,844	
6451	Water	212,484	
6452	Gas	<u>260,970</u>	
6400T	TOTAL UTILITY EXPENSE		814,298

OPERATING AND MAINTENANCE EXPENSES:

6510	Payroll	391,595	
6515	Supplies	44,901	
6520	Contracts	165,411	
6530	Security payroll/contract	134,368	
6590	Miscellaneous operating and maintenance expenses (Schedule 5)	<u>3,648</u>	
6500T	TOTAL OPERATING AND MAINTENANCE EXPENSES		739,923

TAXES AND INSURANCE:

6710	Real estate taxes	121,545	
6711	Payroll taxes (Project's share)	37,957	
6720	Property and liability insurance (hazard)	478,866	
6722	Workmen's compensation	8,797	
6723	Health insurance and other employee benefits	<u>152,126</u>	
6700T	TOTAL OPERATING AND MAINTENANCE EXPENSES		799,291

FINANCIAL EXPENSES:

6820	Interest on mortgage payable	<u>114,174</u>	
6800T	TOTAL FINANCIAL EXPENSES		<u>114,174</u>
6000T	TOTAL COST OF OPERATIONS BEFORE DEPRECIATION		<u>2,992,697</u>

OPERATING RESULTS:

5060T	PROFIT BEFORE DEPRECIATION		103,623
6600	Depreciation expenses		<u>404,309</u>
5060N	OPERATING (LOSS)		<u>\$ (300,686)</u>

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Statement of Cash Flows as Required by HUD
For the Year Ended June 30, 2023

Cash flows from operating activities:

S1200-010	Rental receipts	\$ 2,503,749	
S1200-020	Interest receipts	12,087	
	Other receipts - interest reduction payments revenue in excess of interest		
S1200-030	expense paid	292,210	
S1200-030	Other operating receipts	<u>36,083</u>	
S1200-040	Total receipts		\$ 2,844,129
Expenses:	Expenses:		
S1200-050	Administrative	(153,496)	
S1200-070	Management fee	(90,000)	
S1200-090	Utilities	(811,796)	
S1200-100	Salaries and wages	(399,198)	
S1200-110	Operating and maintenance	(419,537)	
S1200-120	Real estate taxes	(114,366)	
S1200-140	Property insurance	(519,428)	
S1200-150	Miscellaneous taxes and insurance	(190,083)	
S1200-180	Interest on Mortgage	<u>(73,473)</u>	
S1200-230	Total disbursements		(2,771,377)
S1200-240	Net cash provided by operating activities		<u>72,752</u>

Cash flows from investing activities:

S1200-245	Change in Escrow Deposits	186,776	
S1200-250	Reserve Deposits	70,222	
S1200-330	Net Purchase of fixed assets	<u>(284,520)</u>	
S1200-350	Net cash (used in) investing activities		(27,522)

Cash flows from financing activities:

S1200-360	Mortgage (or bond) principal payments - HDC	(218,737)	
S1200-365	Draw down on mortgage proceeds	284,520	
S1200-450	NYSERDA Grant	<u>48,000</u>	
S1200-460	Net cash (used in) financing activities		113,783
S1200-470	Net increase in cash and cash equivalents, and restricted cash		159,013

Cash and cash equivalents, and restricted cash:

S1200-480	Beginning of year		53,641
S1200T	End of year		<u>\$ 212,654</u>

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation

HUD PROJECT NO. 012-11115

Reserve Accounts Data

For the Year Ended June 30, 2023

Held by New York City Housing Development Corporation

1320P	Balance as of July 1, 2022	\$	438,116
1320DT	Monthly deposits		-
1320INT	Interest income		10,946
1320WT	Withdrawals approved by HUD		<u>(81,168)</u>
1320	Balance as of June 30, 2023	\$	<u><u>367,894</u></u>

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
 Computation of Surplus Cash, Distributions and Residual Receipts
 For the Year Ended June 30, 2023

Part A - Computation of Surplus Cash

S1300-010	Cash	\$ 53,641
S1300-040	Total Cash	<u>53,641</u>
S1300-050	Accrued mortgage interest payable	102,847
S1300-075	Accounts payable (due within 30 days)	795,738
2210	Prepaid revenue	30,878
S1300-110	Miscellaneous current liabilities	<u>484,013</u>
S1300-140	Less current obligations	<u>1,413,476</u>
S1300-150	Surplus cash/(deficit)	<u><u>\$ (1,359,835)</u></u>

Part A - Computation of required deposit to residual receipts

S1300-210	Residual receipts required deposit	<u><u>\$ -</u></u>
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The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
HUD PROJECT NO. 012-11115
Supplemental Information
For the Year Ended June 30, 2023

Changes in Fixed Assets

	ASSETS			ACCUMULATED DEPRECIATION			NET BOOK VALUE
	BALANCE - JUNE 30, 2022	ADDITIONS	BALANCE - JUNE 30, 2023	BALANCE - JUNE 30, 2022	CURRENT PROVISIONS	BALANCE - JUNE 30, 2023	BALANCE - JUNE 30, 2023
Land	\$ 441,344	\$ -	441,344	\$ -	\$ -	\$ -	\$ 441,344
Buildings and improvements	15,537,738	284,521	15,822,259	11,535,534	366,934	11,902,468	3,919,791
Furniture and fixtures	12,315	-	12,315	12,315	-	12,315	-
Building equipment	2,587,837	-	2,587,837	2,346,373	37,375	2,383,748	204,089
	<u>\$ 18,579,234</u>	<u>\$ 284,521</u>	<u>\$ 18,863,755</u>	<u>\$ 13,894,222</u>	<u>\$ 404,309</u>	<u>\$ 14,298,531</u>	<u>\$ 4,565,224</u>

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Crown Gardens Housing Corporation

We have audited, 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, the financial statements of Crown Gardens Housing Corporation (a cooperative housing corporation), HUD PROJECT NO. 012-11115 (the "Corporation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Corporation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

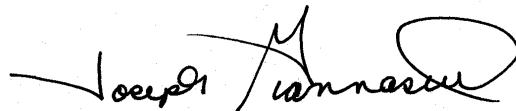
Corporation's Response to Finding

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Giannasco", with a stylized flourish at the end.

JOSEPH GIANNASCO CPA, LLC
Certified Public Accountant

Jericho, New York
August 14, 2024

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Crown Gardens Housing Corporation

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, 2023. 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, 2023.

Basis for Qualified Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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 2023-001. Compliance with such requirements is necessary, in our opinion, for Crown Gardens Housing Corporation to comply with the requirements applicable to the programs.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

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 the Corporation's federal programs.

Auditor's Responsibility 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 the 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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 the Corporation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Corporation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The 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.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

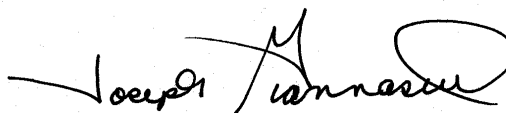
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Giannasco", with a stylized flourish at the end.

JOSEPH GIANNASCO CPA, LLC
Certified Public Accountant

Jericho, New York
August 14, 2024

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

**Crown Gardens Housing Corporation
(A Cooperative Housing Corporation)
HUD PROJECT NO. 012-11115**

**Schedule of Prior Year Audit Findings
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.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

**Crown Gardens Housing Corporation
(A Cooperative Housing Corporation)
HUD PROJECT NO. 012-11115**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SUMMARY OF AUDIT RESULTS:

Finding No.: 2023-001 – 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: Although the Corporation has passed a substantial increase in carrying charges, more attention should be given to the budget in future years. 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. In February 2023 this application was approved as follows:

- (a) An increase in carrying charge, including utilities, of 20% per room per month, effective April 1, 2023;
- (b) An increase in carrying charge, including utilities, of 16% per room per month, effective April 1, 2024;
- (c) An increase in carrying charge, including utilities, of 14% per room per month, effective April 1, 2025.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

Crown Gardens Housing Corporation
(A Cooperative Housing Corporation)
HUD PROJECT NO. 012-11115

Corrective Action Plan
For the Year Ended June 30, 2023

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

Finding 2023-001 - 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).

- a) 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.
- b) Actions Taken on the Finding: In July 2022, the Corporation submitted an application for maintenance charge increases to the HPD , As per the Commissioner of Department of Housing Preservation and Development the following carrying charge increase is as follows:

An increase in carrying charge, including utilities, of 20% per room per month, effective April 1, 2023;

An increase in carrying charge, including utilities, of 16% per room per month, effective April 1, 2024;

An increase in carrying charge, including utilities, of 14% per room per month, effective April 1, 2025.

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

Refer to current year status.

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

CERTIFICATE OF MANAGEMENT AGENT

August 14, 2024

I hereby certify that I have examined the accompanying financial statements and supplemental information of Crown Gardens Housing Corporation (a cooperative housing corporation) and, to the best of my knowledge and belief, the same is complete and accurate as of June 30, 2023.

Metro Management Development, Inc.

By: _____

Managing Director

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.

**Crown Gardens Housing Corporation
(A Cooperative Housing Corporation)
HUD PROJECT NO. 012-11115**

**SUPPORTING DATA REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2023**

CERTIFICATE OF BOARD OF DIRECTORS

August 14, 2024

HUD Field Office Director and
New York City Housing Development Corporation
New York, New York

Ladies and Gentlemen:

I am an officer of Crown Gardens Housing Corporation (a cooperative housing corporation) and I am familiar with the financial operation of the Corporation. In this connection, I state the following:

- (a) The Books of Account are being maintained in accordance with the Uniform System of Accounts for Cooperative Housing Corporations as required by the U.S. Department of Housing and Urban Development.
- (b) The Board of Directors has been receiving and reviewing the required monthly reports for the year ended June 30, 2023.
- (c) I hereby certify that I have examined the foregoing financial statements and supplemental data of Crown Gardens Housing Corporation and, to the best of my knowledge and belief, the same is a true statement of the financial condition of said Corporation as at June 30, 2023.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Crown Gardens Housing Corporation (a cooperative housing corporation) and, to the best of my knowledge and belief, the same is complete and accurate as of June 30, 2023.

Crown Gardens Housing Corporation

Federal ID# 13-2688287

By: _____
Aileen Cleveland President

The accompanying notes to the financial statements and independent auditor's report should be read in conjunction with this supplementary schedule.