



Elderly Housing Development & Operations Corporation

The Premier Provider of Quality Affordable Housing for Senior Citizens Across the United States

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August 16, 2017

Honorable Mayor Philip Levine

City of Miami Beach

1700 Convention Center Drive

Miami Beach, FL 33139

Commissioner Ricky Arriola

City of Miami Beach – Group 5

1700 Convention Center Drive

Miami Beach, FL 33139

Re: Air Rights Extension Request/ Council Towers Senior Apartments / 533 &
1040 Collins Avenue, Miami Beach, FL 33139

Dear Mayor Levine and Commissioner Arriola:

The City of Miami Beach and EHD OC, via our predecessor Senior Citizens Housing Development Corporation, entered into a 50-year air rights agreement on July 9, 1976 for the two Council Towers apartment buildings on Collins Avenue. Pursuant to Section 25 EHD OC has the right to extend the term of the Air Rights Agreement for the term of any extension or refinance of the existing HUD 202 financing.

EHD OC wishes to refinance two Council Tower properties in order to preserve and improve the living conditions, health, and safety of our elderly residents.

EHD OC: Housing With A Heart

1580 Sawgrass Corporate Parkway · Suite 100 · Fort Lauderdale, FL 33323-2869 · Tel: 954.835.9200 · Fax: 954.835.0888 · TTY: 800.545.1833, ext. 248



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EHDOC, as a not-for-profit owner and operator of affordable housing for the elderly since 1978, intends to utilize the proceeds of the refinance for capital improvements to the property.

EHDOC believes an opportunity exists for a favorable interest rate on permanent debt financing [4% range, new 40-year HUD insured FHA mortgage]. Presently, the existing debt is 6.875% and matures in 2020.

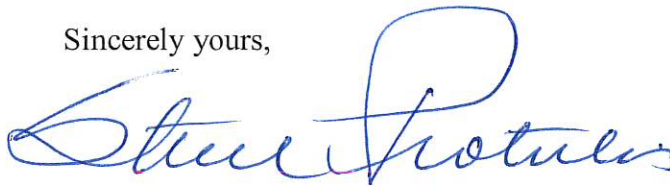
EHDOC hereby requests the following support from the City of Miami Beach:

1. Approve extension/renewal of the Lease Agreement for a 50-year term.

The extension of the air rights/land lease will benefit both the City of Miami Beach and elderly residents of the community for a long time to come.

We appreciate your continued support to our Mission and hope we can count on your support in securing the Air Rights Agreement extension. We also look forward to helping you and the City of Miami Beach in any way we can.

Sincerely yours,



Steve Protulis

President and CEO

Attachments;

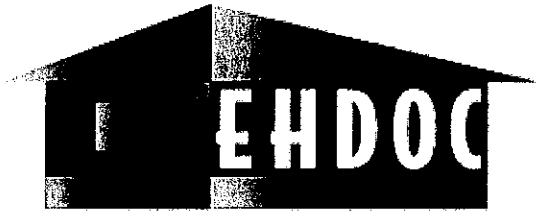


Council Towers North & South /533 & 1040 Collins Avenue, Miami Beach, FL 33139



Professionally Operated By: Elderly Housing Development & Operations Corporation





Council Towers N/S Refinance Prospect

(August 16, 2017)

Overview

Council Towers consist of two, 12-story towers with a combined 252-units located on 533 & 1040 Collins Avenue (Council Towers S & N). The property was built in 1976 and has always offered quality, clean and safe affordable housing for low-income senior citizens. The property is owned by Miami Beach Senior Citizens Housing Development Corporation, Inc. with a 50 year Air Rights Agreement (Land Lease) dated July 9, 1976 to EHDOC/Dade County Council for Seniors, Inc. The Land Lease expires on July 9, 2026.

As part of our ongoing mission and commitment to existing and future senior residents, and due to the need for a capital renovation of the buildings after years of exposure to saltpeter and normal wear and tear, it is time to perform capital improvements to the property for the health and safety of its residents and for its long-term preservation.

This planned renovation would include but not be limited to; site work, exterior façade work, new windows, interior common areas and office renovations, apartment renovations, and building systems (e.g. elevators, roof, electric, plumbing, water pumps, generators, fire alarm systems, etc.). Funding of the project would involve a first mortgage using HUD 223(f) affordable housing loan program. It is in the best interest of the project to take advantage of existing low interest rates. As mentioned above, this project will benefit the 252 senior households now living in the property. The property averages less than 10% annual turnover and currently has approximately 234 prospects on the wait list.

Existing Bldg. Size: 1040 Collins: 12 story building (125 units) Approx. 115,036 S.F.
533 Collins: 12 story building (125 units) Approx. 115,231 S.F.

HUD REAC Score: 93 (October 2015)

Zoning: GU

Geographic Location:

- 2 Blocks West of Ocean Drive
- 2.0 Miles East of MacArthur Causeway
- 11.2 Miles East of MIA (Airport)
- 5.6 Miles East of I-95



Scope of Work

Site Work: Parking lot seal coating and re-stripping, replace exterior signage and upgrade garage lighting.

Exterior Façade Work: Replace all windows and balcony slider doors, replace Community Room and Foyer Lobby windows with storefront, and clean, repaint and provide waterproofing as necessary.

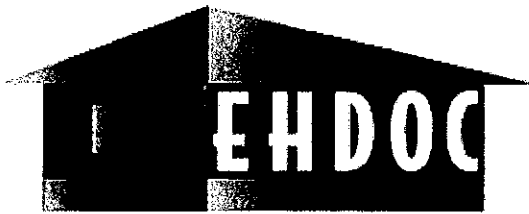
Roof Replacement: Replace roof with energy star rated wind warranty material.

Interior Renovations: Install lever door hardware to public bathrooms, trash rooms, common stairs and apartment entry doors, flooring for first floor and elevator lobbies "wood look" plank tile, replace corridor VCT on floors 2-12, replace ceiling tiles, replace lighting, and new window treatment throughout.

Second Floor Common Areas and Offices: Administration, Service Coordinator, and Property Management offices, refurbish mailbox area, improve Community Room and Accessible Kitchen, replace ceiling and lighting, remove gutter trim and add pairs of doors from corridor, and upgrade public bathrooms to ADA accessibility.

Apartment Renovations: Refurbish entry door and new door knocker, viewer and lever hardware, replace interior doors as needed, make 5% or 6 residential units in each Tower UFAS handicap accessible, renovations to accommodate hearing impaired in 3 units in each Tower, and new lever hardware for all interior doors. Replace kitchen cabinetry with door/drawer pulls, new Formica countertops, full size energy-star rate electric range with smart-burners and ventilation hood, single bowl sink, faucet and refrigerator. New light fixtures, new VCT flooring throughout with tile in bathroom and kitchen, and paint walls, trim, doors and ceiling. The bathroom will include the replacement of the toilet with 17" high low flow, replace sink with vanity, countertop with integral bowl sink and low flow faucet, replace mirror medicine cabinet, replace tubs with walk-in showers and roll-in showers in all ADA units, and replace shower control trim ring with single lever.

Building Systems: Evaluate chiller and corresponding black iron pipes, chiller replacement, coil replacement, trash chute and trash compactor, elevator systems upgrade, inspect and video sanitary drains, replace domestic water pump and all main and branch valves, diesel fire pump, generator, electrical, new exhaust fans in kitchens (hood) and baths (fan light), and complete emergency pull-cord station and fire alarm panel replacement.



Proposed Financing Source & Uses (Refinance HUD 223(f))

SOURCES			
	Permanent Financing Sources		\$ Per Unit
HUD 223(f) Mortgage	10,962,030	98.57%	43,500
Capital Contribution Tax Credit	0	0.00%	0
Replacement Reserves Purchased with Prop.	74,100	0.67%	294
Deferred Developer Fee	84,972	0.76%	337
TOTAL	11,121,102	100.00%	44,131
USES			
Land Acquisition & Demolition	0	0.00%	0
Payoff of Existing Debt	1,023,066	9.20%	4,060
Hard Construction	6,115,915	54.99%	24,270
Hard Cost Contingency (10%)	611,592	5.50%	2,427
Developer Fee	1,131,918	10.18%	4,492
Reserves (Est. 4 Months)	1,015,428	9.13%	4,029
Resident Relocation	250,000	2.25%	992
FF&E (Furniture, Fixtures & Equipment)	75,000	0.67%	298
Architectural & Engineering Fees	150,000	1.35%	595
Survey (\$7,500 Each Bldg.)	15,000	0.13%	60
Construction Insurance	50,000	0.45%	198
Construction Interest	200,000	1.80%	794
HUD Inspection Fee (1% Repairs)	67,275	0.60%	267
HUD Mortgage Insurance Premium (0.25%)	27,405	0.25%	109
HUD Exam Fee (0.30%)	32,886	0.30%	131
Financing Fee (1%)	109,620	0.99%	435
Bond Financing Fee (5.06%)	0	0.00%	0
Lender Inspection Fee	8,500	0.08%	34
Appraisal	15,000	0.13%	60
Market Study	0	0.00%	0
Environmental (ESA, Radon)	12,000	0.11%	48
PCNA	13,950	0.13%	55
Independent A&E Cost Review	18,000	0.16%	71
Cost Certification	12,000	0.11%	48
Title & Recording	0	0.00%	0
FHA Lender Legal	17,500	0.16%	69
Mortgagor Legal	50,000	0.45%	198
Organizational Expense	99,047	0.89%	393
TOTAL DEVELOPMENT COSTS	11,121,102	100.00%	44,131
SUPLUS/(GAP)	(0)	0.00%	



Debt Service Coverage Ratio - 15 Year Projection

YEAR	1	2	3	4	5	6	7	8	9	10
Income	\$3,237,548	\$3,302,298	\$3,368,344	\$3,435,711	\$3,504,426	\$3,574,514	\$3,646,004	\$3,718,924	\$3,793,303	\$3,869,169
Expense	(\$2,451,945)	(\$2,523,885)	(\$2,597,950)	(\$2,674,205)	(\$2,752,713)	(\$2,833,542)	(\$2,916,761)	(\$3,002,441)	(\$3,090,655)	(\$3,181,478)
NOI	\$785,602	\$778,413	\$770,394	\$761,507	\$751,713	\$740,972	\$729,243	\$716,483	\$702,648	\$687,691
DS	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474	\$683,474
DSCR	1.15	1.14	1.13	1.11	1.10	1.08	1.07	1.05	1.03	1.01
Cash Flow	\$102,128	\$94,940	\$86,920	\$78,033	\$68,239	\$57,498	\$45,769	\$33,010	\$19,174	\$4,217

Management/ Experience

The property will continue to be managed and operated by EHDOC management and whose years of experience qualifies them as the best suited for the task. An EHDOC Senior Analyst in collaboration with a licensed general contractor, architect, engineers, and members of EHDOC's management team will be assigned to oversee the refinance and rehab of the property.

KIOs will be measured as follows:

- Number of tenants served/accommodations = +250
- Number of residential units renovated/rehabilitated = 250
- REAC scores for the property after project completion = 95% score or better
- Turnover rates = sustained at or below 1% vacancy
- Energy Efficiency and Utility Cost reduction for the towers = tracked reduction of energy footprint costs by 15%

Objective

Project renovations will benefit all current residents that occupy the 250 residential units at the property, including handicap and visual/hearing impaired. The renovations will also provide current employees and service providers with a safer and more efficient work environment. The office renovations will offer an inviting, comfortable and aesthetically suited place of work, and the upgraded building systems will significantly reduce inconveniences to residents and workload of existing staff.

Additionally, the development work will create construction related jobs in excess of 230 tradesmen and 8 Administrative & Architectural and Engineering staff.

Residents will not be relocated through the renovation phase. EHDOC has a long history of successful and efficient rehabilitation of high-rise residential communities with the residents remaining "in place". EHDOC's primary objective is to complete the renovation on-time and within budget with minimal disruption to the residents lives and daily management of the property. Residents will be required to leave their unit (selected group of residents each week) by 8:00AM each weekday (no weekends) and may return to their unit by 6:00PM each night. Specifically, blocks of 3 units to start for the first 2 weeks; 6 units per week for the next 4-6 weeks; 9 units per week for the next 6-8 weeks; and 12 units per week for the duration of the rehab. Resident personal property will be packed in secured, storage tubs and crates for only the rooms of their apartment under



renovation. Repairs will commence in the kitchen (residents will lose their kitchen use for one night - meal service will be arranged in the community room for their convenience) and bathroom fixtures, which takes two days to complete. The flooring replacement, lighting and door replacements will take 1-2 days to complete, and window replacements and drywall repair and painting will take 1-2 days. Last, the bedroom will take one full day. Multiple trades work on individual 30 minute blocks of time in an integrated and strategic fashion to ensure that plumbing, electrical, mechanical, structural/windows, painting, and flooring are coordinated.

The Council Towers renovation with resident's in-place will be the 14th project EHDOC has undertaken since 2009. EHDOC understands and is fully prepared with qualified professional staff to assist senior residents who may become disoriented, confused, or impatient during the rehabilitation process.

Projected Timeline

September 2017	City of Miami Beach Approval of Air Rights Extension
October 2017	Notify Residents of Planned Renovation (Resident Meetings)
	Air Rights Agreement Executed and Recorded
November 2017	Apply for Refinance/Rehab Funds
April 2018	Closing
May 2018	Rehab Commences
June 2019	Substantial Rehab Completion



Council Towers North & South
533 & 1040 Collins Avenue, Miami Beach, FL 33139

Base Scope of Work

As of 08.16.17

Site Work

- Parking lot seal coat, re-stripe, numbering, and replace concrete bollards and car stops as necessary
- Install new or repair existing parking lot entry gates and operators
- Repair and paint aluminum perimeter fencing
- Replace exterior signage
- Upgrade parking garage lighting to meet min/max code and energy saving requirements
- Upgrade exterior landscape to included new palm trees, shrubs and ceramic potted plants

Exterior Work

- Replace roof
- Replace all exterior doors and windows with hurricane impact-rated windows
- Replace community room and lobby store-front windows with curtain wall structure

- Re-coat and weatherproof 2nd floor patios
- Prep and paint under/ above first floor pipes
- Clean, paint and provide waterproofing as necessary
- Patch and repair stucco as needed
- Install new entrance awnings

Plumbing, Electrical, Trash Chute and HVAC Systems

- Upgrade main electrical panels (1 per bldg.).
- New electrical panel and labeling in each residential unit
- Install GFI outlets in kitchen and bathroom
- Install new trash chute & compactor
- Replace chiller coils and bearings (roof)
- Replace A/C fan coils in each unit
- Install smart burners in each residential unit
- Install shut-off valves all plumbing fixtures
- Back-flow preventer test/ replace if needed

Fire Safety Systems

- Install double wall fuel tanks
- Install diesel fire pumps for sprinkler system
- New generators (2)
- Upgrade main electrical panels

Generators

- Install two (2) new generators

Elevators

Replace and repair control panels, cables, all electrical, mechanical equip., cab refurbish

Interior Common Area Renovation Work

- Flooring: 1 floor and elevator lobbies "wood vinyl plank"
- Flooring: 2-12 floor replace corridor VCT
- Remove popcorn ceiling 12th floor (both bldgs.)
- Ceiling: replace ceiling tile, reuse grid where possible.

- New unit signage
- Upgrade lighting with energy-efficient light bulbs

First Floor Commons and Offices

Offices:

- Admin w/ window
- Service coordinator
- Manager
- Refurbish mail room (install front load per code)

Community Room Improvements:

- Recreate accessible kitchen
- Replace ceiling and lighting
- Remove gutter trim
- Add pairs of doors to/from corridor
- Upgrade one public toilet room for ADAAG compliance (1st floor)

Apartment Renovations

- Refurbish entry door and new door knocker, viewer, lever hardware.
- Replace interior doors (raised six-panel)
- 10% of total units to be ADA handicap accessible (125 units per bldg. - 13 units per bldg.).
- 2% of units to accommodate audio/ visual impaired (125 units per bldg. - 3 units per bldg.).
- Upgrade emergency pull-cord system (bathroom and bedroom) as needed.
- Install two (2) ceiling fans in each unit (bedroom and living room)
- Install new window blinds throughout
- Paint interior walls, trim and doors
- Repair door hardware as needed
- Install ceramic tile in bathroom
- Install wood vinyl plank remainder

Kitchens

- Replace cabinetry with door/ drawer pulls and under cabinet LED lighting.
- New countertops.
- Enlarge to maximize storage.

- New energy-star rated appliances (full size electric range, smart burners, built-in microwave vent-hood, single bowl sink, new faucet fixture, and frost-free refrigerator (ice maker TBD)).
- New light fixtures for all apartment units that have not received cycled replacements in the last three years.
- New VCT flooring.
- Paint walls and ceiling.

Bathrooms (All Residential Units and ADA Designated Units)

- Replace toilets with 17" high, low flow
- Install GFI outlets as needed
- New bathroom vanity, vanity mirror and medicine Cabinet
- New plumbing fixtures
- Remove tub/ install walk-in surround shower
- Install grab bars at shower and toilet

Total Improvements	\$6,115,915
GC Overhead/ Profit	<u>\$611,592</u>
TOTAL REHAB EST.	\$6,727,507
Per Unit \$	\$26,696.46



A National Leader Providing High Quality, Affordable Housing for Senior Citizens

Mission

Elderly Housing Development & Operations Corporation (EHDOC) develops and manages safe, secure, and affordable housing for senior citizens across the United States. EHDOC advocates for the highest quality of life for the seniors of today and tomorrow.

Overview

EHDOC builds and manages affordable housing for seniors. EHDOC currently manages 54 multi-family communities and has several projects under construction/development, comprising more than 5,000 apartments, which house roughly 6,000 residents in 14 states, Washington, D.C. and Puerto Rico.

EHDOC is a not-for-profit 501(c)(3) organization, which was formed in 1978 by the National Council of Senior Citizens, the advocacy organization responsible for strong support of Medicare and the Older Americans Act. EHDOC is a national leader and advocate at all levels of government in promoting independent living and life enrichment for seniors.

EHDOC has a fully trained staff to manage and develop Low-Income Tax Credit (LIHTC) properties. Staff is licensed and certified in Housing, Tax Credits and Property Management.

EHDOC properties have averaged scores greater than 90 from HUD's Real Estate Assessment Center (REAC). Passing score is 60 and industry average is in the mid-70s.

EHDOC's properties have less than 4% turnover rate due to our belief of "Aging in Place" and our commitment to provide supportive services from our service coordinators. Less than 2% of our residents move to an assisted living facility or nursing home.

Services

- Property Development (as Sponsor, Developer, Co-Developer, Managing General Partner)
- Acquisition and Financing; Re-Financing using Low-Income Tax Credits
- Community Management (as Non-profit Managing General Partner, Non-profit Management Agent)
- Social and Health Services Coordination (Service Coordinator within Management Agent)
- Establishing the system to support "Aging in Place" through partnering with in-house care medical services

Tax Credit Development

(Acquisition-Rehabilitation Refinancing and New Development)

EHDOC is a multi-faceted company accomplished in completing all aspects of affordable housing development including feasibility studies, land/building acquisitions, site planning and design, entitlements, sourcing of equity and debt, construction management, leasing, debt conversion, and asset management.

EHDOC has refinanced and refreshed a substantial portion of its portfolio, while adding new developments using a range of financing tools in which Low Income Housing Tax Credits (LIHTC) have played a major role. Currently there are several developments in the pipeline with LIHTC financing.

Present pipeline of project financing, utilizing LIHTC 9% and 4% (with Tax Exempt Bonds), approaches \$100M in total development cost. Projects are located in California, Illinois, Connecticut, Ohio and Florida.

Tax Credit Investment Benefits

Significant benefits from tax credit investment in new property development and in acquisition-rehabilitation accrue to municipalities, property owners and developers, property management agents, and most importantly, current and prospective project residents. EHDOC is deeply experienced in low income housing tax credit funding and aligned with strong investment partners to bring these benefits to fruition:

- Existing Project Refinancing – greater \$ proceeds for rehabilitation of older buildings and reduced debt obligation via substantial equity investment
- New Construction of Affordable Housing – large, available investment pool of capital and favorable tax credit benefits to investors to help fund new projects
- Local construction purchasing and jobs creation
- Viable replacement project investment source as replacement to lost HUD 202 funding
- Reliable funding source to spur new housing development, filling a huge need for many communities (affordable independent and assisted living for the elderly and workforce including firemen, police, teachers, medical technicians, and many other community service employees)

Planned Developments with Cities

EHDOC actively partners as community project co-developer in new planned developments with cities and communities that share EHDOC's mission for good quality, safe and affordable housing for the elderly; and which face a shortage of current housing for their lower income residents. EHDOC has experience working with many cities including City of Chicago, City of Miami, City of Miami Beach, City of Canton, OH and City of Waterbury, CT.

HUD Experience

Of the properties in the EHDOC portfolio and construction pipeline, 47 came under the Section 202 program with Section 8 rental assistance. The remaining 7 are Hugh Carcella Apartments (Section 236) Reading, PA; Stanley Axlrod Towers (Section 202/without Section 8) Miami, FL; Jack Kenny Memorial (Section 236) Rochester, NY; Robert Sharp Towers II (Section 221(d)(4)) Miami Gardens, FL; North Park Village Apartments (developed through the CDBG Program in the City of Chicago) Chicago, IL; J. Michael Fitzgerald Apartments (Section 202/8 with 4% LIHTC and City Chicago Donation Tax Credit) Chicago, IL; and Minerva Manor (Housing Authority Loan and 4% LIHTC with tax-exempt bonds) Fontana, CA.

Industry Affiliations

EHDOC is affiliated with the U.S. Department of Housing and Urban Development (HUD), the Alliance for Retired Americans (ARA), Leading Age, National Council on Aging (NCOA), Southeastern Affordable Housing Management Association (SAHMA), National Leased Housing Association (NLHA), and the National Affordable Housing Management Association (NAHMA).

Financial and Legal Partnerships

EHDOC partners with, among many, the following financial institutions for debt financing, equity investment, insurance, and representation.

Debt Financing: Wells Fargo; TD Bank; US Bank; Lancaster Pollard Mortgage Co.; California Statewide Communities Development Authority; AGM Financial Services; Draper and Kramer; and Housing Investment Trust of the AFL-CIO

Equity Investment: Stratford Capital Group, US Bank; City Real Estate Investors; TD Bank; and Wells Fargo

Insurance Services: Wells Fargo

Legal Representation: Bernstein-Shur (EHDOC Corporate General Counsel); Nixon Peabody; Krooth Altman; and numerous firms with strong affiliations with low-income housing development in their respective communities.



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**MIAMI BEACH SENIOR CITIZENS HOUSING
DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Miami Beach Senior Citizens Housing Development Corporation, Inc.
Miami Beach, Florida 33139

Report on the Financial Statements

We have audited the accompanying financial statements of Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, HUD Project No. 066-EH005, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Miami Beach Senior Citizens Housing Development Corporation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Broward

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Other Matters

Other 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 26 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* 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. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of Miami Beach Senior Citizens Housing Development Corporation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Miami Beach Senior Citizens Housing Development Corporation, Inc.'s internal control over financial reporting and compliance.

Bellows Associates P.A.

Bellows Associates, P.A.
Plantation, Florida
September 19, 2016



MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash - operations	\$ 313,956	\$ 90,784
Tenant accounts receivable	28	151
Accounts receivable - HUD	10,540	8,615
Accounts receivable - Other	1,398	-
Prepaid expenses	83,084	105,288
	<u>409,006</u>	<u>204,838</u>
PROPERTY AND EQUIPMENT		
Land improvements	39,976	39,976
Buildings	11,043,026	10,730,626
Building equipment - portable	705,413	700,874
Furnishings	1,301,835	1,266,413
Office furniture and equipment	173,309	173,309
Maintenance equipment	36,051	36,051
	<u>13,299,610</u>	<u>12,947,249</u>
Accumulated depreciation	<u>(11,386,149)</u>	<u>(10,909,738)</u>
	1,913,461	2,037,511
Land	251,780	251,780
	<u>2,165,241</u>	<u>2,289,291</u>
DEPOSITS		
Escrow deposits	43,739	443,976
Replacement reserve	780,143	555,624
Tenant deposits held in trust	67,635	64,200
Total Deposits	<u>891,517</u>	<u>1,063,800</u>
OTHER ASSETS		
Deferred financing costs	1,817	2,312
Miscellaneous other assets	150,049	151,876
Total Other Assets	<u>151,866</u>	<u>154,188</u>
TOTAL ASSETS	<u>\$ 3,617,630</u>	<u>\$ 3,712,117</u>

See accompanying notes to the financial statements

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Mortgage payable	\$ 1,883,578	\$ 2,343,488
Accounts payable - operations	255,456	86,389
Accounts payable - other	7,971	11,049
Accrued wages payable	40,362	52,346
Accrued payroll taxes payable	609	-
Accrued management fee payable	11,925	13,357
Accrued interest payable - mortgage	10,791	26,656
Miscellaneous current liabilities	29,399	113,203
Tenant deposits held in trust	62,430	61,489
Prepaid revenue	2,191	2,535
TOTAL LIABILITIES	<u>2,304,712</u>	<u>2,710,512</u>
NET ASSETS		
Unrestricted net assets	1,312,918	1,001,605
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
TOTAL NET ASSETS	<u>1,312,918</u>	<u>1,001,605</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,617,630</u>	<u>\$ 3,712,117</u>

See accompanying notes to the financial statements

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Rent	\$ 3,322,643	\$ 3,252,270
Financial	12,172	8,268
Other	2,772	14,944
TOTAL REVENUES	<u>3,337,587</u>	<u>3,275,482</u>
EXPENSES		
Administrative	499,045	399,721
Utilities	472,726	508,199
Operating and maintenance	837,440	906,835
Taxes and insurance	419,443	413,423
Depreciation	476,411	440,649
Amortization	495	495
Financial	143,077	171,446
Multifamily housing service coordinators	177,637	163,407
TOTAL EXPENSES	<u>3,026,274</u>	<u>3,004,175</u>
CHANGE IN NET ASSETS	311,313	271,307
NET ASSETS AT BEGINNING OF YEAR	1,001,605	730,298
NET ASSETS AT END OF YEAR	<u>\$ 1,312,918</u>	<u>\$ 1,001,605</u>

See accompanying notes to the financial statements

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	\$ 3,316,021	\$ 3,258,187
Interest received	1,457	1,665
Other cash received	2,772	14,944
Total receipts	<u>3,320,250</u>	<u>3,274,796</u>
Administrative	(141,809)	(145,751)
Management fee	(144,994)	(141,360)
Utilities	(479,715)	(471,448)
Salaries and wages	(546,557)	(440,661)
Operating and maintenance	(662,785)	(700,976)
Property insurance	(106,121)	(139,774)
Miscellaneous taxes and insurance	(314,664)	(288,454)
Tenant deposits held in trust	(2,494)	(1,197)
Interest on mortgage	(158,942)	(160,298)
Total disbursements	<u>(2,558,081)</u>	<u>(2,489,919)</u>
Net cash provided by operating activities	<u>762,169</u>	<u>784,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to mortgage escrow and interest retained in account	(79,159)	(331,155)
Withdrawals from the escrow account	479,396	163,032
Deposits to reserve for replacement and interest retained in account	(213,804)	(211,314)
Withdrawals from reserve for replacement	-	145,849
Purchase of fixed assets	(156,309)	(139,971)
Other investing activities - construction in progress	(109,211)	(64,367)
Net cash (used in) investing activities	<u>(79,087)</u>	<u>(437,926)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(459,910)	(363,347)
Net cash (used in) financing activities	<u>(459,910)</u>	<u>(363,347)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	223,172	(16,396)
BEGINNING OF YEAR CASH	<u>90,784</u>	<u>107,180</u>
END OF YEAR CASH	<u>\$ 313,956</u>	<u>\$ 90,784</u>
SUPPLEMENTAL DISCLOSURES:		
Noncash investing activities		
Purchase of fixed assets	\$ 196,052	\$ 10,789
Construction in Progress	(111,038)	87,509
Accounts payable	(85,014)	(98,298)
	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 158,942</u>	<u>\$ 160,298</u>

See accompanying notes to the financial statements

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 311,313	\$ 271,307
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expenses	476,411	440,649
Amortization expense	495	495
Net realized and unrealized gain on investments	(10,715)	(6,603)
Increase or decrease in:		
Tenant accounts receivable	123	2,161
Accounts receivable - other	(3,323)	358
Prepaid expenses	22,204	22,623
Cash restricted for tenant security deposits	(3,435)	(3,034)
Accounts payable	(6,534)	18,771
Accrued liabilities	(9,102)	23,359
Accrued interest payable	(15,865)	11,148
Tenant deposits held in trust	941	1,837
Prepaid revenue	(344)	1,806
Net cash provided by operating activities	<u>\$ 762,169</u>	<u>\$ 784,877</u>

See accompanying notes to the financial statements

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, (the Project) was organized as a non-profit corporation in the State of Florida, to acquire an interest in real property located in Miami Beach, Florida. The corporation has constructed and operates an apartment complex of 252 units, under Section 202 of the National Housing Act of 1959 and Section 8 of the National Housing Act of 1937. Such projects are regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rent charges and operating methods. The Regulatory Agreement prohibits any distribution of surplus cash available at the end of each year.

The Project's major program is its Section 202 Supportive Housing for the Elderly – Direct Loan. The Project's Section 8 Housing Assistance Payment (HAP) Program provides for a significant portion of the Project's rental income through rental assistance from HUD. The Project's Section 8 program is nonmajor.

The following significant accounting policies have been followed in the preparation of the financial statements:

Fixed Assets

Fixed assets and organization costs are stated at cost. The Project currently capitalizes fixed assets over \$1,000 and all lesser items are expensed. Depreciation of fixed assets is provided using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Land improvements	5
Building and equipment-fixed	5-40
Furniture and equipment	5-20

Depreciation expense for the years ended June 30, 2016 and 2015 was \$476,411 and \$440,649, respectively.

Amortization

Deferred financing costs are being amortized over the life of the mortgage (40 years) on a straight-line basis.

Financial Statement Presentation

The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. The Project reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, none of the Project's net assets are subject to donor-imposed restrictions and are therefore accounted for as unrestricted net assets.

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

The Project is currently exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Project's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. Currently no year is under examination.

Cash and Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Project has no cash equivalents at June 30, 2016 and 2015.

Use of Estimates

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

Date of Management's Review

Management has evaluated subsequent events through the time of issuance of these financial statements on September 19, 2016.

NOTE 2 – RELATED PARTIES

The Project is sponsored by Elderly Housing Development and Operations Corporation (EHDOC). The bylaws of the Project require that the Board of Directors be composed of eight members. The President and Executive Director of EHDOC shall, by virtue of their offices, be members of the Board of Directors and the remaining directors shall be selected by EHDOC.

EHDOC manages the complex and provides accounting services, for which EHDOC receives fees. The total amount charged by EHDOC for management fees for the years ended June 30, 2016 and 2015 was \$143,562 and \$142,790, respectively, which is approximately 4.42% of gross receipts. The total amount charged by EHDOC for accounting services for the years ended June 30, 2016 and 2015 was \$19,656 for both years. The total amount charged by EHDOC for quality assurance services for the years ended June 30, 2016 and 2015 was \$8,190 and \$7,898, respectively. For the years ended June 30, 2016 and 2015 the Project incurred other costs to EHDOC in the amount of \$374,616 and \$410,674, respectively, which may include reimbursements for insurance, pension, and other project expenses. The total due to EHDOC as of June 30, 2016 and 2015 was \$30,471 and \$13,995, respectively.

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 – HUD RESTRICTED DEPOSITS

Reserve for Replacement

Under the regulatory agreement, the Project is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. Replacement reserve deposits, which approximate \$780,143 and \$555,624 at June 30, 2016 and 2015, respectively, are held in separate accounts and generally are not available for operating purposes. As of June 30, 2016 the required monthly deposits to the replacement reserve accounts were fully met. As of June 30, 2015, the required deposits to the replacement reserve were not fully met and a finding was issued.

NOTE 4 – MORTGAGE PAYABLE

The mortgage payable to and insured by HUD was approved for \$7,773,700. The mortgage is payable in 480 monthly installments of principal and interest, beginning January 1983. The annual interest rate is 6.875%. The mortgage note is secured by the apartment complex.

Maturities of the mortgage note for the Project, in each of the next five years are as follows:

<u>June 30,</u>	
2017	\$ 455,942
2018	488,294
2019	522,943
2020	416,399
2021	-
	<u>\$ 1,883,578</u>

For the years ending June 30, 2016 and 2015 interest expense on the mortgage was \$143,077 and \$171,446, respectively.

NOTE 5 – RENT INCREASES

Under the regulatory agreement, the Project may not increase rents charged to tenants without HUD approval.

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

Expenditures incurred in connection with project operations and expenditures made for corporate purposes have been summarized by natural expense classification basis in the statements of activities.

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

For the years ended June 30, 2016 and 2015, the Project expended \$3,026,274 and \$3,004,175, respectively. They have estimated that on a functional classification basis these expenses would be allocated as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 2,527,229	\$ 2,604,454
General and administrative	499,045	399,721
Fundraising	-	-
Total	<u>\$ 3,026,274</u>	<u>\$ 3,004,175</u>

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of deferred financing costs associated with the HUD Section 202 Direct Loan program. As of June 30, 2016 and 2015, deferred financing costs were \$19,806 for both years. The total deferred financing costs are being amortized over the life of the mortgage (40 years) on a straight-line basis. Accumulated amortization as of June 30, 2016 and 2015 was \$17,989 and \$17,494, respectively.

Amortization expense in each of the next five years is estimated as follows:

June 30:

2017	\$ 495
2018	495
2019	495
2020	332
2021	-

Amortization expense for the years ended June 30, 2016 and 2015 was \$495 for both years.

NOTE 8 – FAIR VALUE MEASUREMENTS

Accounting standards provide a framework for measuring fair value based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety on the lowest level of input that is significant to the fair value measurement.

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Project has the ability to access.
Level 2	<p>Inputs to the valuation methodology include</p> <ul style="list-style-type: none"> • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in active markets; • Inputs other than quoted prices that are observable for the asset or liability; and • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Changes in valuation techniques may result in transfers in or out of an investment's assigned level within the hierarchy.

Asset Valuation Techniques

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

The following tables set forth by level within the fair value hierarchy a summary of the Project's investments measured at fair value on a recurring basis at June 30, 2016 and 2015:

Fair Value Measurements as of June 30, 2016

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash management accounts	\$ 50,594	\$ -	\$ -	\$ 50,594
U.S. government securities	292,596	-	-	292,596
Total	<u>\$ 343,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,190</u>

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements as of June 30, 2015

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash management accounts	\$ 43,908	\$ -	\$ -	\$ 43,908
U.S. government securities	288,567	-	-	288,567
Total	<u>\$ 332,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,475</u>

The Project's policy is to recognize all transfers between levels at the beginning of the reporting period. For the years ended June 30, 2016 and 2015, there were no significant transfers in or out of Level 1, 2 or 3.

NOTE 9 – INVESTMENTS

For the years ended June 30, 2016 and 2015, the Project's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$10,715 and \$6,603, respectively, as presented in the statements of activities as follows:

	<u>2016</u>	<u>2015</u>
Net change in appreciation in fair value of investments whose fair value was determined based upon market prices:		
U.S. government securities	<u>\$ 10,715</u>	<u>\$ 6,603</u>
Net change in appreciation in fair value of investments	<u>\$ 10,715</u>	<u>\$ 6,603</u>

NOTE 10 – EMPLOYEE BENEFIT – PENSION PLAN

The employees of the Project are covered under a defined benefit pension plan. The collectively bargained plan is sponsored by the Service Employees International Union. Pension expense for the years ended June 30, 2016 and 2015 was \$97,338 and \$79,984 respectively. The Project also provides a 401k plan for its employees through Franklin Templeton Investments. The Project matches employee contributions up to a limit of 3% of employee compensation for the year. 401k contribution expense for the years ended June 30, 2016 and 2015 was \$5,338 and \$5,001, respectively.

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 11 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's sole asset is a 252-unit apartment building. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project 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.

The Project maintains its cash balances at two financial institutions, one of which balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Account balances at the other financial institution are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At June 30, 2016 and 2015, cash balances exceeded the federally insured limit by \$684,963 and \$596,645, respectively, at the FDIC insured financial institution. At June 30, 2016 and 2015, cash balances exceeded the SIPC insured limit by \$91,178 and \$80,463, respectively. The Project has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

NOTE 12 – RECLASSIFICATIONS

Certain items in the June 30, 2015 report have been reclassified to conform to current year classification. Such reclassifications had no effect on previously reported net income.

SUPPLEMENTARY INFORMATION

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
INDEX TO SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2016

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MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF FINANCIAL POSITION DATA
JUNE 30, 2016

ASSETS

CURRENT ASSETS		
1120	Cash - operations	\$ 313,956
1130	Tenant accounts receivable	28
1135	Accounts receivable - HUD	10,540
1140	Accounts receivable - commercial rent	1,398
1200	Prepaid expenses	83,084
1100T	Total Current Assets	<u>409,006</u>
1191	TENANT DEPOSITS HELD IN TRUST	<u>67,635</u>
DEPOSITS		
1310	Escrow deposits	43,739
1320	Replacement reserve	780,143
1300T	Total Deposits	<u>823,882</u>
PROPERTY AND EQUIPMENT		
1410	Land	291,756
1420	Buildings	11,043,026
1440	Building equipment - portable	705,413
1460	Furnishings	1,301,835
1465	Office furniture and equipment	173,309
1470	Maintenance equipment	36,051
1400T	Total Fixed Assets	<u>13,551,390</u>
1495	Accumulated Depreciation	<u>11,386,149</u>
1400N	Net Fixed Assets	<u>2,165,241</u>
OTHER ASSETS		
1520	Deferred financing costs	1,817
1590	Miscellaneous other assets	
	1590-010 Construction in progress	150,049
1500T	Total Other Assets	<u>151,866</u>
1000T	TOTAL ASSETS	<u>\$ 3,617,630</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF FINANCIAL POSITION DATA (CONTINUED)
JUNE 30, 2016

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
2110	Accounts payable - operations	\$ 255,456
2116	Accounts payable - section 8	7,971
2120	Accrued wages payable	40,362
2121	Accrued payroll taxes payable	609
2123	Accrued management fee payable	11,925
2131	Accrued interest payable - first mortgage	10,791
2170	Mortgage payable - first mortgage	455,942
2190	Miscellaneous current liabilities	
	2190-010 Accrued audit fees	9,985
	2190-010 Accrued accounting fees	1,700
	2190-010 Accrued health and pension	17,714
2210	Prepaid revenue	2,191
2122T	Total Current Liabilities	<u>814,646</u>
2191	TENANT DEPOSITS HELD IN TRUST	<u>62,430</u>
LONG TERM LIABILITIES		
2320	Mortgage payable - first mortgage	<u>1,427,636</u>
2300T	Total Long Term Liabilities	<u>1,427,636</u>
2000T	Total Liabilities	<u>2,304,712</u>
NET ASSETS		
3131	Unrestricted net assets	1,312,918
3132	Temporarily restricted net assets	-
3133	Permanently restricted net assets	-
3130	Total Net Assets	<u>1,312,918</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,617,630</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF ACTIVITIES DATA
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES		
5120	Rent revenue - gross potential	\$ 808,412
5121	Tenant assistance payments	2,470,422
5140	Rent revenue - stores and commercial	46,124
5100T	Total Rent Revenue	<u>3,322,958</u>
5220	Vacancies - apartments	2,315
5200T	Total Vacancies	<u>2,315</u>
5152N	Net Rental Revenue	<u>3,322,643</u>
5440	Revenue from investments - replacement reserve	11,513
5490	Revenue from investments - miscellaneous	
5490-010	Escrow deposits	659
5400T	Total Financial Revenue	<u>12,172</u>
5910	Laundry and vending revenue	356
5920	Tenant charges	1,646
5990	Miscellaneous revenue	
5990-010	Refunds and settlements	770
5900T	Total Other Revenue	<u>2,772</u>
5000T	Total Revenue	<u>3,337,587</u>
EXPENSES		
6203	Conventions and meetings	1,148
6204	Management consultants	3,000
6210	Advertising and marketing	1,060
6310	Office salaries	181,888
6311	Office expenses	85,147
6320	Management fee	143,562
6330	Manager or superintendent salaries	46,493
6340	Legal expense - project	809
6350	Audit expense	9,985
6351	Bookkeeping fees/accounting services	21,356
6390	Miscellaneous administrative expenses	4,597
6263T	Total Administrative Expenses	<u>499,045</u>
6450	Electricity	260,981
6451	Water	49,711
6452	Gas	25,381
6453	Sewer	136,653
6400T	Total Utilities Expense	<u>472,726</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF ACTIVITIES DATA (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

6510	Payroll	\$ 223,327
6515	Supplies	181,167
6520	Contracts	44,952
6525	Garbage and trash removal	34,092
6530	Security Payroll Contract	226,361
6546	Heating/cooling repairs and maintenance	65,953
6590	Miscellaneous operating and maintenance	61,588
6500T	Total Operating and Maintenance Expenses	<u>837,440</u>
6711	Payroll taxes	41,893
6720	Property & liability insurance	131,967
6722	Workmen's compensation	13,227
6723	Health insurance and other employee benefits	227,464
6790	Miscellaneous taxes, licenses, permits, and insurance	4,892
6700T	Total Taxes and Insurance	<u>419,443</u>
6820	Interest on first mortgage payable	143,077
6800T	Total Financial Expenses	<u>143,077</u>
6900	Multifamily housing service coordinators	<u>177,637</u>
6000T	Total Cost of Operations Before Depreciation	<u>2,549,368</u>
5060T	Profit before Depreciation	788,219
6600	Depreciation expenses	476,411
6610	Amortization expense	495
5060N	Operating Profit	<u>311,313</u>
3247	Change in Unrestricted Net Assets from Operations	311,313
3248	Change in Temporarily Restricted Net Assets from Operations	-
3249	Change in Permanently Restricted Net Assets from Operations	-
3250	Change in Total Net Assets from Operations	<u>\$ 311,313</u>
S1000-010	Total first mortgage principal payments required during the audit period.	\$ 459,910
S1000-020	The total of all monthly reserve for replacement deposits required during the audit period even if deposits have been temporarily waived or suspended.	\$ 212,394
S1000-030	Replacement Reserves or Residual Receipts and releases which are included as expense items on this Profit and Loss statement.	\$ -
S1000-040	Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss statement.	\$ -

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF EQUITY DATA
FOR THE YEAR ENDED JUNE 30, 2016

S1100-060	Previous Year Unrestricted Net Assets	\$ 1,001,605
3247	Change in Unrestricted Net Assets from Operations	311,313
S1100-065	Other Changes in Unrestricted Net Assets	<u>-</u>
3131	Unrestricted Net Assets	<u>1,312,918</u>
S1100-070	Previous Year Temporarily Restricted Net Assets	-
3248	Change in Temporarily Restricted Net Assets from Operations	-
S1100-075	Other Changes in Temporarily Restricted Net Assets	<u>-</u>
3132	Temporarily Restricted Net Assets	<u>-</u>
S1100-080	Previous Year Permanently Restricted Net Assets	-
3249	Change in Permanently Restricted Net Assets from Operations	-
S1100-085	Other Changes in Permanently Restricted Net Assets	<u>-</u>
3133	Permanently Restricted Net Assets	<u>-</u>
S1100-050	Previous Year Total Net Assets	1,001,605
3250	Change in Total Net Assets from Operations	311,313
S1100-055	Other Changes in Total Net Assets	<u>-</u>
3130	Total Net Assets	<u><u>\$ 1,312,918</u></u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF CASH FLOWS DATA
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
S1200-010 Rental receipts	\$ 3,316,021
S1200-020 Interest receipts	1,457
S1200-030 Other operating receipts	2,772
S1200-040 Total receipts	<u>3,320,250</u>
S1200-050 Administrative	(141,809)
S1200-070 Management fee	(144,994)
S1200-090 Utilities	(479,715)
S1200-100 Salaries and wages	(546,557)
S1200-110 Operating and maintenance	(662,785)
S1200-140 Property insurance	(106,121)
S1200-150 Miscellaneous taxes and insurance	(314,664)
S1200-160 Tenant security deposits	(2,494)
S1200-180 Interest on first mortgage	(158,942)
S1200-230 Total disbursements	<u>(2,558,081)</u>
S1200-240 Net cash provided by operating activities	<u>762,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-245 Net deposits to the mortgage escrow account	400,237
S1200-250 Net deposits to the reserve for replacement account	(213,804)
S1200-330 Net purchase of fixed assets	(156,309)
S1200-340 Other investing activities - construction in progress	(109,211)
S1200-350 Net cash (used in) investing activities	<u>(79,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-360 Principal payments - first mortgage	<u>(459,910)</u>
S1200-460 Net cash (used in) financing activities	<u>(459,910)</u>
S1200-470 NET INCREASE IN CASH AND CASH EQUIVALENTS	223,172
S1200-480 BEGINNING OF PERIOD CASH	<u>90,784</u>
S1200T END OF PERIOD CASH	<u>\$ 313,956</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
STATEMENT OF CASH FLOWS DATA (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
3250	Change in total net assets from operations	\$ 311,313
	Adjustments to reconcile net profit to net cash provided by operating activities	
6600	Depreciation expenses	476,411
6610	Amortization expense	495
	Increase or decrease in:	
S1200-490	Tenant accounts receivable	123
S1200-500	Accounts receivable - other	(3,323)
S1200-520	Prepaid expenses	22,204
S1200-530	Cash restricted for tenant security deposits	(3,435)
S1200-540	Accounts payable	(6,534)
S1200-560	Accrued liabilities	(9,102)
S1200-570	Accrued interest payable	(15,865)
S1200-580	Tenant security deposits held in trust	941
S1200-590	Prepaid revenue	(344)
S1200-600	Other adjustments - unrealized gain on investments	(10,715)
S1200-610	Net cash provided by operating activities	<u>\$ 762,169</u>

See Auditor's Report

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
COMPUTATION OF SURPLUS CASH
FOR THE YEAR ENDED JUNE 30, 2016**

Surplus Cash, Distributions, and Residual Receipts (Annual)

S1300-010	Cash	\$ 381,591
1135	Accounts receivable - HUD	10,540
S1300-040	Total Cash	<u>392,131</u>
Current Obligations		
S1300-050	Accrued mortgage interest payable	10,791
S1300-075	Accounts payable - 30 days	255,456
S1300-100	Accrued expenses	82,295
2210	Prepaid revenue	2,191
2191	Tenant deposits held in trust	62,430
S1300-110	Other current obligations - accounts payable - section 8	7,971
S1300-140	Total Current Obligations	<u>421,134</u>
S1300-150	Cash (Deficiency)	<u>\$ (29,003)</u>
S1300-210	Deposit Due Residual Receipts	<u>\$ -</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

1410P	Beginning Balance Land		\$	291,756
1410AT	Additions			-
1410DT	Deductions			-
1410	Ending Balance Land			<u>291,756</u>
1420P	Beginning Balance Buildings			10,730,626
1420AT	Additions			312,400
1420A-010/030	A/C unit	\$	2,850	
1420A-010/030	Automatic doors (2)		13,752	
1420A-010/030	Boilers (2), boiler pump, boiler heat exchanger		19,450	
1420A-010/030	Cabinets		12,000	
1420A-010/030	Elevator generator and motor		9,789	
1420A-010/030	Elevator cable and sheave		8,713	
1420A-010/030	Fire alarm system and wires		152,524	
1420A-010/030	Fire impact doors (11)		20,031	
1420A-010/030	Fire pump controllers (2) and fire alarm controller		36,281	
1420A-010/030	Fire pump piping		17,910	
1420A-010/030	Flow switch and pump		1,050	
1420A-010/030	Laundry room ducts (2)		5,000	
1420A-010/030	Sliding door		9,250	
1420A-010/030	Roof exhaust fan		1,580	
1420A-010/030	Water flow and generator switch		2,220	
1420DT	Deductions			-
1420	Ending Balance Buildings			<u>11,043,026</u>
1440P	Beginning Balance Building Equipment - Portable			700,874
1440AT	Additions			4,539
1440A-010/030	Refrigerator		3,049	
1440A-010/030	Surveillance system		1,490	
1440DT	Deductions			-
1440	Ending Balance Building Equipment - Portable			<u>705,413</u>
1460P	Beginning Balance Furnishings			1,266,413
1460AT	Additions			35,422
1460A-010/030	Bathtub		1,200	
1460A-010/030	Flooring (18)		34,222	
1460DT	Deductions			-
1460	Ending Balance Furnishings			<u>1,301,835</u>
1465P	Beginning Balance Office Furniture and Equipment			173,309
1465AT	Additions			-
1465DT	Deductions			-
1465	Ending Balance Office Furniture and Equipment			<u>173,309</u>
1470P	Beginning Balance Maintenance Equipment			36,051
1470AT	Additions			-
1470DT	Deductions			-
1470	Ending Balance Maintenance Equipment			<u>36,051</u>
1400PT	Total Beginning Balance for Fixed Assets			13,199,029
1400AT	Total Asset Additions			352,361
1400DT	Total Asset Deductions			-
1400T	Total Fixed Assets			<u>13,551,390</u>
1495P	Beginning Balance for Accumulated Depreciation			10,909,738
6600	Total Provisions			476,411
1400ADT	Total Accumulated Depreciation from Disposed Assets			-
1495	Ending Balance for Accumulated Depreciation			<u>11,386,149</u>
1400N	Total Net Book Value		\$	<u>2,165,241</u>

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF RESERVE FOR REPLACEMENT
FOR THE YEAR ENDED JUNE 30, 2016

Reserve for Replacement:

1320P	Balance at beginning of year	\$ 555,624
1320DT	Total monthly deposits	212,394
1320ODT	Other deposits	
	1320OD-010 to correct prior year underfunding	612
1320INT	Interest on replacement reserve accounts	798
1320UGL	Unrealized gain	<u>10,715</u>
1320	Balance at end of the year, confirmed by mortgagee	<u>\$ 780,143</u>
1320R	Deposits suspended or waived indicator	N

See Auditor's Report

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Expenditures
U. S. Department of Housing and Urban Development:		
Section 202 Supportive Housing for the Elderly – Direct Loan	14.157	\$ 2,343,488
Section 8 Housing Assistance Payments Program	14.195	<u>2,470,422</u>
Total		<u>\$ 4,813,910</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, HUD Project No. 066-EH005, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Miami Beach Senior Citizens Housing Development Corporation, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Miami Beach Senior Citizens Housing Development Corporation, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Miami Beach Senior Citizens Housing Development Corporation, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Auditor's Report

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE C – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT DIRECT LOAN PROGRAM

Miami Beach Senior Citizens Housing Development Corporation, Inc. has received a U.S. Department of Housing and Urban Development direct loan under section 202 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the schedule. Miami Beach Senior Citizens Housing Development Corporation, Inc. received no additional loans during the year. The balance of the loan outstanding at June 30, 2016 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2016</u>
14.157	Section 202 Supportive Housing for the Elderly – Direct Loan	\$1,883,578

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

FINDING No. 2015-001: Section 8 Housing Assistance Payments Program, CFDA 14.195

Current Status:

Cleared.

**Statement of Condition
for Previous Finding:**

The Project's required monthly Replacement Reserve was increased in October 2014. The Project failed to implement the increase in the monthly deposit during the audit period.

**Previous Response
For Finding:**

Management and the bank have been informed of the increase in the amount to be funded monthly.

Narrative:

Corrective action has been taken and the required monthly deposits are being properly funded.

FINDING No. 2015-002: Section 202 Supportive Housing for the Elderly, CFDA 14.157

Current Status:

Cleared.

**Statement of Condition
for Previous Finding:**

The Project failed to make a timely payment on June 2015's mortgage, as required by the Regulatory Agreement.

**Previous Response
For Finding:**

Two payments were made on 7/8/2015 in order to be current with the monthly mortgage. To ensure timely monthly payments, property accountants will be made aware that payments recorded, should be verified monthly with the bank statements.

Narrative:

Corrective action has been taken and the required monthly mortgage payments are being made on a timely basis.

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING No. 2015-003: Section 202 Supportive Housing for the Elderly, CFDA 14.157

Current Status:	Cleared.
Statement of Condition for Previous Finding:	The Project has overfunded the insurance escrow account.
Previous Response For Finding:	Management has made the bank aware of the excessive amount being escrowed and have reduced the monthly insurance escrow to a more accurate amount.
Narrative:	Corrective action has been taken and the Project has ensured that the insurance escrow account is not excessively overfunded by reducing the monthly funding.

FINDING No. 2015-004: Section 8 Housing Assistance Payments Program, CFDA 14.195

Current Status:	Cleared.
Statement of Condition for Previous Finding:	The Project did not refund a security deposit plus accrued interest to a tenant within the state and HUD requirement of 30 days.
Previous Response For Finding:	The security deposit and accrued interest have been refunded to the moved out tenant. In addition, training has been set up for managers and staff to ensure that going forward all moved out tenants are refunded their security deposits plus accrued interest and/or provided with an itemized list of any unpaid rent, damages, and an estimated cost for repair within the period required by the state law and HUD.
Narrative:	The Project refunded the tenant the amount owed for the security deposit and accrued interest. However, in the current year, the Project has a repeat security deposit finding on four tenants.



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
Miami Beach Senior Citizens Housing Development Corporation, Inc.
Miami Beach, Florida 33139

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 Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Miami Beach Senior Citizens Housing Development Corporation, Inc.'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 Miami Beach Senior Citizens Housing Development Corporation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Miami Beach Senior Citizens Housing Development Corporation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

954.838.7000
Broward

305.553.1310
Miami-Dade

954.838.7888 Fax

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Miami Beach Senior Citizens Housing Development Corporation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Bellows Associates P.A.

Bellows Associates, P.A.
Plantation, Florida
September 19, 2016





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
Miami Beach Senior Citizens Housing Development Corporation, Inc.
Miami Beach, Florida 33139

Report on Compliance for Each Major Federal Program

We have audited Miami Beach Senior Citizens Housing Development Corporation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Miami Beach Senior Citizens Housing Development Corporation, Inc.'s major federal programs for the year ended June 30, 2016. Miami Beach Senior Citizens Housing Development Corporation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Miami Beach Senior Citizens Housing Development Corporation, Inc.'s major federal programs based on our audit of the types of 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 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Miami Beach Senior Citizens Housing Development Corporation, Inc.'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 federal program. However, our audit does not provide a legal determination of Miami Beach Senior Citizens Housing Development Corporation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Miami Beach Senior Citizens Housing Development Corporation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

954.838.7000
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Miami-Dade

954.838.7888 Fax

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

Miami Beach Senior Citizens Housing Development Corporation, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Miami Beach Senior Citizens Housing Development Corporation, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Miami Beach Senior Citizens Housing Development Corporation, Inc. 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 Miami Beach Senior Citizens Housing Development Corporation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Miami Beach Senior Citizens Housing Development Corporation, Inc.'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 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bellows Associates P.A.

Bellows Associates, P.A.
Plantation, Florida
September 19, 2016



MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Project were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Project were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Project expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The Project's program tested as major was:

Name of Federal Program or Cluster

CFDA Number

U.S. Department of Housing & Urban Development Section 202
Supportive Housing for the Elderly – Direct Loan

14.157

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Project was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters are reportable.

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

FINDING No. 2016-001:	Section 202 Direct Loan, CFDA 14.157
Finding Resolution Status:	Resolved.
Information on Universe Population Size:	Nineteen tenants.
Sample Size Information:	Nineteen tenants that moved out during the year were reviewed to determine if security deposits plus accrued interest was refunded in accordance with the Florida state requirement of 15 days.
Identification of Repeat Finding and Finding Reference Number:	Yes, 2015-004.
Criteria:	As required by HUD regulations, the owner must either: (1) refund the full security deposit plus accrued interest to a tenant that does not owe any amounts under the lease within 15 days; or (2) provide the tenant with an itemized list of any unpaid rent, damages to the unit, and an estimated cost for repair, along with a statement of the tenant's rights under state and local laws within 30 days.
Statement of Condition:	The Project did not refund security deposits plus accrued interest to four tenants within the state required 15 days from tenant move out.
Cause:	The Project did not follow the state law and HUD regulations for refunding security deposits resulting in untimely refunds of security deposits to four tenants.
Effect or Potential Effect:	The Project is not in compliance with HUD regulations and state laws requiring tenant security deposits to be refunded within 15 days of a tenant move out if no assessments are made against that tenant.
Auditor Non-Compliance Code:	M – Security Deposits

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED)

FINDING No. 2016-001:	Section 202 Direct Loan, CFDA 14.157
Reporting Views of Responsible Officials:	The Project agrees with the finding and the auditor's recommendations will be adopted.
Recommendation:	The Project should comply with state law and HUD regulations for refunding security deposits and ensure all refunds are made to the move-out tenants within the required period.
Response Indicator:	Agree.
Completion Date:	06/20/2016
Response:	All tenant security refunds have since been issued. The property manager was unaware of the 15-day policy. Management has set up training for managers and staff to ensure that all moved out tenants are refunded their security deposit plus accrued interest and/or provided with an itemized list of any unpaid rent, damages, and an estimated cost for repair within the period required by the state law and HUD.

**MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

Oversight Agency for Audit,

Miami Beach Senior Citizens Housing Development Corporation, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm: Bellows Associates, P.A., 7890 Peters Rd., Suite G-102, Plantation, Florida 33324

Audit period: July 1, 2015 through June 30, 2016

The finding from the June 30, 2016 schedule of findings and questioned costs is discussed below.

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

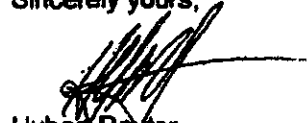
FINDING NO. 2016-001: Section 202 Direct Loan, CFDA 14.157

Recommendation: The Project should comply with state law and HUD regulations for refunding security deposits and ensure all refunds are made to the move-out tenants within the required period.

Action Taken: All tenant security refunds have since been issued. The property manager was unaware of the 15-day policy. Management has set up training for managers and staff to ensure that all moved out tenants are refunded their security deposit plus accrued interest and/or provided with an itemized list of any unpaid rent, damages, and an estimated cost for repair within the period required by the state law and HUD.

If the audit Oversight Agency has questions regarding these plans, please call Hubert Reuter at 954-835-9200.

Sincerely yours,



Hubert Reuter
Vice President of Finance & Accounting

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
CERTIFICATION OF OFFICERS
FOR THE YEAR ENDED JUNE 30, 2016

We hereby certify that we have examined the accompanying financial statements and supplemental data of Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, and, to the best of our knowledge and belief, the same is complete and accurate.

Erica Schuchman
Signature

Treasurer
Title

954-835-9200
Telephone Number

Maria C. Grdane
Signature

Secretary
Title

954-835-9200
Telephone Number

59-1894621
Federal Employer Identification Number

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
CERTIFICATION OF MANAGEMENT AGENT
FOR THE YEAR ENDED JUNE 30, 2016

We hereby certify that we have examined the accompanying financial statements and supplemental data of Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, and, to the best of our knowledge and belief, the same is complete and accurate.

EHDOL
Management Agent's Name
[Signature]
Signature - Agent's Representative
VP, Finance Accounting
Title

65-0665009
Federal Employer Identification Number



INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURE

To the Board of Directors of
Miami Beach Senior Citizens Housing Development Corporation, Inc.
Miami Beach, Florida 33139

We have performed the procedure described in the second paragraph of this report, which was agreed to by Miami Beach Senior Citizens Housing Development Corporation, Inc., operating as Council Towers, and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Miami Beach Senior Citizens Housing Development Corporation, Inc. is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Miami Beach Senior Citizens Housing Development Corporation, Inc. as of and for the year ended June 30, 2016, and have issued our reports thereon dated September 19, 2016. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 19, 2016, was expressed in relation to the basic financial statements of Miami Beach Senior Citizens Housing Development Corporation, Inc. taken as a whole.

A copy of the reporting package required by the Uniform Guidance, which includes the auditor's reports, is available in its entirety from Miami Beach Senior Citizens Housing Development Corporation, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Miami Beach Senior Citizens Housing Development Corporation, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Bellows Associates P.A.

Bellows Associates, P.A.
Plantation, Florida
September 19, 2016

954.838.7000
Broward

305.553.1310
Miami-Dade

954.838.7888 Fax

MIAMI BEACH SENIOR CITIZENS HOUSING DEVELOPMENT CORPORATION, INC.
OPERATING AS COUNCIL TOWERS
PROJECT NO. 066-EH005
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE
FOR THE YEAR ENDED JUNE 30, 2016

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Information with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplementary Information	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees