

HAPPY HOMES VENTURE, LP

Project No. 123-45678
MORTGAGOR'S CERTIFICATE OF
ACTUAL COST

May xx, 20xx

ABC Company PLLC Certified
Public Accountants

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
Mortgagor's Certificate of Actual Cost
May xx, 20xx

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Independent Accountant's Report

To the Members
CLIENT NAME
AnyTown, State

Report On Financial Statements and Form HUD-92330

We have audited the Mortgagor's Certificate of Actual Costs-regulatory basis (Form HUD- 92330), through COST CERT CUT-OFF DATE, pertaining to the development of CLIENT NAME, Project No. 111-23456.(The Project). We have also audited the statement of assets, liabilities and project equity-regulatory basis as of COST CERT CUT-OFF DATE and the statement of project revenues and expenses for the period from COMMENCEMENT DATE (date of commencement of lease-up) through COST CERT CUT-OFF DATE and the related notes to the financial statements. The Form HUD-92330 and the related financial statements are collectively referred to herein as "financial statements".

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting practices prescribed or permitted by the U.S. Department of Housing and Urban Development (HUD). Management is also responsible for the design, implementation and maintenance of internal control over to the preparation and fair presentation of the financial statements to ensure that they are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 Mortgagor's Certificate of Actual Cost-regulatory basis (Form HUD- 92330) through COST CERT CUT-OFF DATE; the statement of assets, liabilities, and project equity-regulatory basis, as of COST CERT CUT-OFF DATE, and the project revenues and expenses for the period from COMMENCEMENT DATE to COST CERT CUT-OFF DATE, on the basis of accounting described in Note X.

Basis of Accounting

As described in **Note X** the financial statements were prepared in conformity with the financial reporting practices prescribed or permitted by HUD. Our opinion is not modified with respect to this matter.

Restriction of Use

Our report is intended solely for the information and use of the board of trustees and management of **CLIENT NAME** and HUD and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **REPORT DATE** on our consideration of **CLIENT NAME'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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **CLIENT NAME's** internal control over financial reporting and compliance.

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 12 to 16 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.

AnyTown, State
REPORT DATE

HAPPY HOMES VENTURE, L P.
PROJECT NO. 123-45678
STATEMENT OF ASSETS, LIABILITIES AND PROJECT EQUITY-REGULATORY BASIS

	<u>May xx, 20xx</u>
ASSETS	
Land, Building, Furniture, and Equipment	
Land	\$ 503,118
Building	<u>8,842,074</u>
	9,345,192
Escrow Deposit - Working Capital - Letter of Credit	173,600
- 100 - Letter of Credit	324,436
Prepaid Insurance	
Prepaid MIP	27,467
Prepaid other	30,071
Cash	72,616
Escrow Cash - Tenants Deposits	26,180
Accounts Receivable	
Tenants	1,782
Utility Deposit	<u>6,000</u>
	<u>\$ 10,007,344</u>
 LIABILITIES AND PROJECT EQUITY (DEFICIT)	
LIABILITIES	
Construction/Mortgage Note Payable	\$ 7,902,528
Amounts Due Contractor – Retainage	733,198
Amounts Due Superior for Working Capital Advances	178,392
Amounts Due Partner for 100 and WC Escrow Deposits	498,036
Accounts Payable	19,300
Tenants Security Deposits	26,180
Accrued Taxes Payable	32,175
Other Accrued Expenses	5,000
Accrued Interest Payable	32,684
Prepaid Rent	<u>2,064</u>
	9,429,557
 PROJECT EQUITY (DEFICIT)	 577,787
	 <u>\$ 10,007,344</u>

See notes to financial statements-regulatory basis

HAPPY HOMES VENTURE, L. P.

PROJECT NO. 123-45678

STATEMENT OF PROJECT REVENUES AND EXPENSES-REGULATORY BASIS

For The Period from January 14, 20xx through May xx, 20xx

Revenues

Rents	\$	143,725
Other fees and income		<u>22,300</u>
		166,025

Expenses

General and Administrative Expense		9,942
Advertising and Marketing		8,083
Management Fees		3,929
Payroll Expense and Benefits		35,924
Utilities		20,871
Maintenance & repairs		989
Capital Items expensed - Schedule IV		87,365
Other		<u>2,362</u>
		169,465

EXCESS OF (EXPENSES) OVER REVENUES

\$ (3,439)

I HEREBY CERTIFY that the foregoing figures and statements contained herein submitted by me as agent of the mortgagor for the purpose on obtaining mortgage insurance under the National Housing Act are true and give a correct showing of Happy Homes Venture, LP's, results of project operations from January xx, 20xx through May xx, 20xx

Signed this xxth day of June, 20xx

HAPPY HOMES VENTURE, L. P.

Harold House, Vice- President

Warning: HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties (18 U.S.C. 1001 , 1010,1012; 31 U.S.C. 3729, 3802).

See notes to financial statements-regulatory basis

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
MAY xx, 20xx

Note - Organization and Basis of Presentation

Organization: Happy Homes Venture, LP (the "Partnership") is a limited partnership organized under the laws of the State of Texas, for the purpose of developing and operating a one hundred twenty (120) unit apartment complex (the "Project") in Happy Homes, Texas. The Partnership will operate under the provisions of Section 221 (d) (4) of the National Housing Act, with mortgage insurance provided by the Federal Housing Administration (FHA) of the United States Department of Housing and Urban Development (HUD).

The responsibility for the management of the affairs of the Partnership, and the ongoing management of the Project is vested with the general partner, ASEP GP, LLC., a Texas limited liability company.

Basis of Presentation: The financial statements have been prepared in conformity with the accounting and reporting standards prescribed by HUD in the Audit Guide for Auditing Development Costs of HUD-Insured Multifamily Projects. These standards differ in some respects from generally accepted accounting principles, and the financial statements reflect the following additional HUD accounting and reporting principles:

- a. Costs are to be exclusive of kickbacks, rebates, or trade discounts;
- b. The Statement of Project Revenues and Expense reflects the rental activity of the Project from January 14, 20xx to May xx, 20xx. The statement does not include depreciation and amortization expenses and certain other expenses which are not incidental to the rental operations.
- c. Partnership obligations are classified as project equity. Accordingly, project equity is not intended to reflect the equity of the Partnership and the financial statements are not intended to represent those of the Partnership.

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS-Continued
MAY xx, 20xx

Note - Organization and Basis of Presentation – Continued

Tenant security deposits are segregated in a separate Bank account and on the face of the balance sheet as a "liability".

Note -Apartment Complex Construction.

The Partnership obtained FHA Loan No. 123-45678 in the amount of Eight Million, Six Hundred Eighty Thousand Dollars (\$8,680,000) with interest at 6.50% for construction of One Hundred Twenty (120) apartment units in Happy Homes, Texas. During construction, Key Bank Real Estate Capital provided insured advances to the Partnership, and upon completion will service a 40 year mortgage. The Partnership contracted Superior Builders, Ltd. a Texas Limited Partnership, to construct the apartments under terms of a contract for Seven Million, Three Hundred Ninety Two Thousand, Eight Hundred Fifty Nine Dollars (\$7.392.859.). Construction was considered complete on March 25,20xx.

Note - Construction Loan and Long-Term Mortgage

The Partnership obtained FHA Loan No. 123-45678 in the amount of Eight Million, Six Hundred Eighty Thousand Dollars (\$8,680,000). As of May xx, 20xx, Seven Million, Nine Hundred Two Thousand, Five Hundred Twenty Eight Dollars (\$7,902,528) had been advanced on the project. The balance of Seven Hundred Seventy Seven Thousand, Four Hundred Seventy Two Dollars (\$777,472), if approved and advanced by HUD, will be used to pay remaining liabilities on the project at final endorsement. Approximate maturities of the Long-Term Mortgage Note will be as follows:

2010	\$	11,000
2011		48,000
2012		51,000
2013		54,000
2014		58,000
2015 and thereafter		8,458,000
		\$ 8,680,000

Final maturities will vary depending on the final endorsement date and amount.

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS-Continued
MAY xx, 20xx.

Note - Land, Building, and Furniture and Equipment

Land is stated at Seven Hundred Eighteen Thousand Seven Hundred Forty Dollars (\$ 718,740) which approximates its fair market as determined per FHA loan approval. Buildings are stated at capitalized cost up to sixty days after the date of substantial completion (March 23, 20xx), and include capitalized interest of Three Hundred Fifty Seven Thousand Six Hundred Forty Nine Dollars (\$357,649) Depreciation will commence subsequent to May xx, 20xx.

Note - Identity of Interest and Related Party Transactions

Under rules prescribed by HUD, an identity of interest is construed to exist under various conditions; one being when any officer, director, stockholder, or partner of the contractor is also and officer, director, stockholder, or partner of the owner. An identity of interest does exist between Happy Homes Ventures, LP and Superior Builders, Ltd. (The General Contractor), because they have the same Partners. Superior Builders, Ltd. a related party, was reimbursed \$3,721 for organization expenses on behalf of the project. Such costs are included under the title "Organization". There is approximately Seven Hundred Thirty Three Thousand, One Hundred Ninety Eight Thousand Dollars (\$ 733,198) retainage payable to Superior Builders, Ltd. Estimated amounts of approximately \$ 814,000 (including the retainage above) are included in Form- HUD-92330. Final amounts will be determined at final endorsement and may differ from those estimated herein.

Note - Estimated Liabilities to be Paid within 45 Days.

Note - Initial Operating Deficit and Working Capital Escrows

The Partners have furnished Letters of Credit for the Initial Operating Deficit and Working Capital Escrows with Key Bank Real Estate Capital as required by HUD in total amount of Four Hundred Ninety Eight Thousand, Twenty Three Six Dollars (\$498,036). To date nothing has been drawn on the Letters of Credit. The total amount has been recorded as amounts deposited with the lender and a liability to the Partners and if unused the Letters of Credit will be returned to the Partners, exclusive of "the surplus cash calculation" upon approval of HUD and the Lender. Note - Current Vulnerability Due to Certain Concentrations The Partnership's sole asset is the Happy Homes Ventures, LP's operations are concentrated in the multifamily real estate market in Happy Homes, Texas. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, 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.

Mortgagor's Certificate of Actual Cost

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB No. 2502-0112
(Exp. 07/31/2011)

Public reporting burden for this collection of information is average 8 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits, HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB Control Number. Section 227 of the National Housing Act (Section 126 of the Housing Act of 1954, Public Law 560, 12 U.S.C. 1715r), authorizes the collection of this information. The information is required for a general contractor when an identity of interest exists between the general contract and the mortgagor or when the mortgagor is a non-profit entity and a cost plus contract has been used. The information is required from the contractor to convey its actual construction cost in a standardized format for cost certification.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurances of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

To: Federal Housing Commissioner

Project Number

123-45678

Project Name

Residence at Happy Homes

Location

Anywhere, USA

No mortgage shall be insured unless a Certificate of Actual Cost is executed upon completion of all physical improvements on the mortgaged property and prior to final endorsement (Section 227, P.L. 479, 49 Stat., 12 U.S.C.)

This Certificate is made pursuant to the provisions of that Agreement and Certification of

Happy Homes Venture, LP

(Mortgagor) dated(mm/ld/yyyy)_____ and in order to induce you to finally endorse the mortgage for insurance. The actual cost to the owner of labor and materials and necessary services for construction of the physical improvements in connection with the subject project, after deduction of all kickbacks, rebates, adjustments, discounts, promotional or advertising recoupment made or to be made to the mortgagor, sponsor or any corporation, trust, partnership, joint venture or other legal entity in which they or any of them hold any interests set forth below, the cost of construction is (is not) supported by Form HUD-92330-A, Contractor Certificate of Actual Cost. (Form HUD-92330-A must be submitted when there is an identity of interest between mortgagor and general contractor and when a Cost Plus Contract is required in nonprofit projects.)

Note: This Certificate must be supported by a certification as to actual cost by an independent Certified Public Accountant or by an independent public accountant if required by HUD regulations or handbooks.

The undersigned hereby certifies that, except as noted below, there has not been and is not now any identity of interest between mortgagor and general contractor and/or any subcontractor, material supplier, or equipment lessor. It is further certified that, except as noted, there are not and have not been any such relationships between sponsor(s) of this project and general contractor and/or subcontractor, material supplier and equipment lessor.

All references to "Identity of Interest" herein made are made in the context of the definition printed below, which has been read by the undersigned. Identity of Interest between the mortgagor and/or sponsor as parties of the first part and general contractors, subcontractors, material suppliers, or equipment lessors as parties of the second part will be construed as existing under any of the following conditions:

When there is any financial interest of the party of the first part in the party of the second part; when one or more officers, directors or stockholders of the party of the first part is also an officer, director, or stockholder of the party of the second part; when any officer, director, or stockholder of the party of the first part has any financial interest whatsoever in the party of the second part; when the party of the second part advances any funds to the party of the first part; when the party of the second part provides and pays on behalf of the party of the first part the cost of any architectural or engineering services other than those of a surveyor, general superintendent, or engineer employed by a general contractor in connection with his or its obligations under the construction contract; when the party of the second part takes stock or any interest in the party of the first part as part of the consideration to be paid them; when there exists or comes into being any side deals, agreements, contracts or undertaking entered into or contemplated, thereby altering, amending, or cancelling any of the required closing documents except as approved by the commissioner; when any relationship (e.g. family) existing which would give the mortgagor or general contractor control or influence over the price of the contract or the price paid to the subcontractor, material supplier or lessor of equipment.

The following identities of interest exist: If none, so state.
See Notes to Financial Statements

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Mortgagor Name

Happy Homes Venture, LP

Signature

Title

Vice President

Date (mm/dd/yyyy)

Item	Column A Paid in Cash	Column B To be paid in cash within 45 days after final endorsement	Column C Total
* Attach itemized schedules and copies of bills and receipts where applicable			
* 1a. Amount due under terms of Lump-Sum Construction Contract (as adjusted)			
* 1b. Amount due under terms of Cost-Plus Construction Contract (as adjusted and exclusive of Builder's Profit)	6,659,661	733,198	7,392,859
* 1c. Allowable Builder's Profit (Use only if 1b is used)			
2a. Architect's Fee - Design	296,335		296,335
2b. Architect's Fee - Supervision	23,593	1,907	25,500
* 2c. Architect's Fee - Additional Services			
* 3. Interest During Construction	324,965	32,684	357,649
* 4. Taxes During Construction	6,214	32,175	38,389
* 5. Property Insurance	6,606		6,606
* 6. Mortgage Insurance Premium (MIP)	48,049		48,049
7. FHA Examination Fee	26,040		26,040
8. FHA Inspection Fee	43,400		43,400
* 9. Title and Recording Fees	41,969		41,969
* 10. Allowance To Make Project Operational (AMPO)			
* 11a. Initial Financing Fee	173,600		173,600
* 11b. Permanent Placement fee	130,200		130,200
* 11c. Discounts			
* 11d. Other Approved Financing Expenses			
* 12a. Legal	18,741	5,000	23,741
* 12b. Organization	31,536		31,536
* 12c. Mortgagor's Cost Certification Audit Fee		8,961	8,961
* 13. Other (exclusive of items required by the Construction Contract)			
Fees	80,442		80,442
Subtotal	7,911,351	813,925	8,725,276
14. Profit and Risk (if applicable)		872,528	872,528
15a. Consultant's Fee			
* 15b. Major Moveable Equipment			
* 15c. Offsite and Demolition	116,798		116,798
* 15d. Other			
Subtotal	8,028,149	1,686,453	9,714,602
* 16a. Reduction (if any) resulting from Operating Statement Attached			
* 16b. Reduction (if any) resulting from Grants / Loans			
Total	8,028,149	1,686,453	9,714,602

SCHEDULES

HAPPY HOMES VENTURE, L. P.
 PROJECT NO. 123-45678
 MORTGAGOR'S CERTIFICATE OF ACTUAL COST
 SCHEDULE I

<u>LINE</u>	<u>PAYEE</u>	<u>COLUMN "C"</u> <u>Total</u>
1(b)	Cost Plus Construction Contract Reconciliation	
	Costs per HUD form 2328	\$ 7,392,859
	Change Orders approved by HUD	-
	Cost over/under/price adjustments to Form 2328 - net	600,232
	 Per Line 1(b) HUD form 92330-A	 <u><u>\$ 7,993,091</u></u>

HAPPY HOMES VENTURE, L. P.
PROJECT NO. 123-45678
MORTGAGOR'S CERTIFICATE OF ACTUAL COST
SCHEDULE II

LINE	PAYEE	COLUMN "A" Paid in Cash	COLUMN "B" To Be Paid	COLUMN "C" Total
1(b)	Cost Plus Construction Contract			
	Parkcrest Builders, L.P. Construction Contract -Schedule 1 Bond Premium and other costs(see Schedule III)	6,659,661	733,198	7,392,859
2(a)	Architect's Fee - Design			
	Ted Trout Architect & Associates, Ltd.	110,351	-	110,351
	Chin & Associates - landscape & irrigation design	17,764	-	17,764
	Macina, Bose, Copeland and Associates, Inc. Engineers & Surveyors	68,977	-	68,977
	Arias & Associates Inc.- storm water polution prevention plan and geotechnical study	15,750	-	15,750
	Sterling Engineering & Design Group	28,700	-	28,700
	HGE Consulting Engineers	32,500	-	32,500
	Maranatha RSI Designs, Inc.	22,293	-	22,293
		-	-	-
		-	-	-
		<u>296,335</u>	<u>-</u>	<u>296,335</u>
2(b)	Architect's Fee - Supervision			
	Ted Trout Architect & Associates, Ltd.	22,328	1,907	24,235
	Maranatha RSI Designs, Inc.	1,265	-	1,265
		-	-	-
		<u>23,593</u>	<u>1,907</u>	<u>25,500</u>
3	Interest During Construction			
	Key Bank Real Estate Capital	324,965	32,684	357,649
4	Taxes During Construction			
	Maverick County, et. al.	6,214	32,175	38,389
5	Insurance			
	Fidelity National Title Company	6,606	-	6,606
6	Mortgage Insurance Premium			
	Key Bank Real Estate Capital	48,049	-	48,049
7	FHA Examination Fee			
	FHA - Exam Fee	26,040	-	26,040
8	FHA Inspection Fee			
	FHA- Inspection Fee	43,400	-	43,400
9	Title & Recording Fees			
	Fidelity National Title Company	41,969	-	41,969
11(a)	Initial Financing Fee			
	D. Ansley Company, Inc.	173,600	-	173,600

HAPPY HOMES VENTURE, L. P.
 PROJECT NO. 123-45678
 MORTGAGOR'S CERTIFICATE OF ACTUAL COST
 SCHEDULE II

LINE	PAYEE	COLUMN "A" Paid in Cash	COLUMN "B" To Be Paid	COLUMN "C" Total
11(b)	Permanent Placement Fee			
	Key Bank Real Estate Capital	130,200	-	130,200
12(a)	Legal Fees			
	Cordray & Tomlin	18,741	5,000	23,741
12(b)	Organization			
	Dominion Due Diligence Group-phase1 & 4121 enviro	3,200	-	3,200
	Capitol Market Research	7,500	-	7,500
	Parkcrest Builders - organization fee	3,721	-	3,721
	Multi Housing Appraisal Associates - NOI analysis/appraisal	8,000	-	8,000
	Quadratex Group - cost analysis report	9,115	-	9,115
		<u>31,536</u>	<u>-</u>	<u>31,536</u>
12c	Mortgagor's Cost Certification Fee			
	Sandidge & Company, PLLC - audit fee plus expenses		8,961	8,961
13(a)	Other - Fees			
	City of Eagle Pass - Park Land Dedication Fee	45,000	-	45,000
	Maranatha RSI Designs, Inc.	35,442	-	35,442
		<u>80,442</u>	<u>-</u>	<u>80,442</u>
13(b)	Impact and Other Fees			
13(c)	Construction Bond Cost			
	SUBTOTAL	<u>7,911,351</u>	<u>813,925</u>	<u>8,725,276</u>
14	Profit and Risk		872,528	872,528
15(c)	Offsite and Demolition			
	offsite Sewer	63,617	-	63,617
	offsite Water	53,181	-	53,181
		<u>116,798</u>	<u>-</u>	<u>116,798</u>
15(d)	Other			
	SUBTOTAL	<u>8,028,149</u>	<u>1,686,453</u>	<u>9,714,602</u>
	TOTAL	<u>\$ 8,028,149</u>	<u>\$ 1,686,453</u>	<u>9,714,602</u>

no bold →

HAPPY HOMES VENTURE, L. P.
 PROJECT NO. 123-45678
 MORTGAGOR'S CERTIFICATE OF ACTUAL COST
 SCHEDULE III

CONSTRUCTION CONTRACT RECONCILIATION

Original budget per contractor's contract(form HUD-92328)		\$	7,392,859
Change Orders Approved by HUD			-
Adjusted contract price		\$	<u>7,392,859</u>
Contractor's costs per contractor's cost certification(Form HUD-92330-A)		\$	7,993,091
Adjusted total certified construction contract Costs		\$	<u>7,993,091</u>
Total Costs more (less) than budgeted costs		\$	<u>600,232</u>
Total amounts payable to contractor(lessor of cost or budget)		\$	7,392,859
Amounts paid to contractor - form HUD-92451	\$	6,659,661	
Total paid to contractor - form HUD-92451			<u>6,659,661</u>
Amounts payable to contractor		\$	<u>733,198</u>

HAPPY HOMES VENTURE, L. P.
 PROJECT NO. 123-45678
 MORTGAGOR'S CERTIFICATE OF ACTUAL COST
 SCHEDULE IV

	<u>Amount</u>
Furniture and Equipment	
Clubhouse & model Apt furniture and fixtures	\$ 52,449 **
Computers and Software	4,916 **
Furniture and Equipment	30,000 **
Less: amount expensed **	(87,365)
	<u><u>\$ (0)</u></u>

** equipment expenses per HUD regulations

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 Partners of
[ENTITY NAME]
[ENTITY CITY], [STATE]

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the Mortgagor’s Certificate of Actual Costs (Form HUD-92330) and the balance sheet – regulatory basis of PROJECT NAME, Project NO. 99-999999 as of DATE, and the related statements of Project Revenues and Expenses – regulatory basis and the related footnotes for the period from DATE 1 to DATE 2 (herein referred to as the “cut-off date”), and have issued our report thereon dated (Date of report on the Financial Statements and Form HUD-92330).

Internal Control Over Identifying Actual Costs Associated with Projects

In planning and performing our audit of the Form HUD-92330 and the related financial statements, we considered Mortgagor’s Name internal control over identifying actual costs with projects (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the form HUD-92330 and the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mortgagor’s Name internal control. Accordingly, we do not express an opinion on the effectiveness of Mortgagor’s Name 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Mortgagor’s Name Form HUD-92330 or the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Mortgagor's Name** Form HUD-92330 and the 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 **Mortgagor's Name** internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Mortgagor's Name** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FIRM NAME

FIRM CITY, STATE

(Date of report on the Form HUD-92330)

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
Schedule of Findings and Questioned Costs
For the period from January 14,20xx to May xx, 20xx

QUESTIONED COSTS

There were no questioned costs during the period from January 14,20xx to May xx, 20xx.

FINDINGS 1.

Statement of Condition - HUD IS not named on the Partnership General Liability Insurance Policy.

Criteria- HUD is required to be named as an additional insured on the Partnership insurance policy.

Effect - HUD is not named on the Partnership General Liability Insurance Policy.

Cause - The Insurance Company neglected to name HUD as an additional insured.

Recommendation - The Partnership needs to instruct the Insurance Company to add HUD as additional insured on the General Liability Policy.

FINDINGS 2.

Statement of Condition - Out of twenty five work orders requested for review, three were missing.

Criteria- Work Orders should be filed in an accessible and safe location after completion.

Effect - Three work orders were missing.

Cause - Work orders were not filed in an accessible, safe location after completion.

Recommendation - The Partnership needs to instruct the management company to file completed work orders in an accessible, safe location.

HAPPY HOMES VENTURE, LP.
PROJECT NO. 123-45678
Schedule of Findings and Questioned Costs - Continued
For the period from January 14,20xx to May xx , 20xx

AUDITEE'S COMMENTS ON AUDIT RESOLUTION MATTERS RELATING TO HUD
PROGRAMS

The Partnership agrees with the above stated findings.

CORRECTIVE ACTION PLAN

Happy Homes Venture, LP
Project No. 123-45678
For the period from January 14,20xx to May xx , 20xx

Finding 1. Partners will instruct the Insurance company to name HUD as an additional insured.

Finding 2. Partners will instruct the management company to file work orders in an accessible, safe location.

HAPPY HOMES VENTURE, LP
PROJECT NO. 113-35540
Certification of General Partner
For the period from January 14, 20xx to May xx, 20xx

CERTIFICATION OF GENERAL PARTNER

I hereby certify that the foregoing figures and statements contained herein submitted by me as agent of the mortgagor for the purpose of obtaining mortgage insurance under the National Housing Act, are true and give a correct showing of Happy Homes Venture, LP financial position as of May xx, 20xx.

Signed this the xx day of June, 20xx
HAPPY HOMES VENTURE, LP

by Harold Steinman, Vice-President
Happy Homes Venture, LP –
Employer Identification Number 98-7654321
Telephone Number: (888) 555-1212