

Non-Profit Financial Statements – 2020-1
(Reports updated 01/2020)

ABC APARTMENTS
HUD PROJECT NUMBER 012-34567

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 20XX

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
[ENTITY NAME]
[ENTITY CITY], [STATE]

Report on the Financial Statements

We have audited the accompanying financial statements of [ENTITY NAME], HUD Project No. [01-2345678], which comprise the statement of financial position as of [Year End], and the related statements of activities, [functional expenses], and cash flows for the year 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 [Organization]'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 [Organization]'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 [ENTITY NAME] as of [Year End] and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on pages __ to __ is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards shown on page __, 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. The above described supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above described supplemental 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 (Date of report on the financial statements) on our consideration of [ENTITY 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 the 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 [ENTITY NAME]'s internal control over financial reporting and compliance.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 20XX

ASSETS

Current Assets

Cash - Operations	\$ 25,900
Tenant/Member Accounts Receivable (Coops)	2,916
Net Tenant Accounts Receivable	2,916
Accounts Receivable - HUD	7,168
Miscellaneous Prepaid Expenses	2,063
Total Current Assets	<hr/> 38,047

Restricted Deposits

Tenant Deposits Held in Trust	18,915
Escrow Deposits	24,811
Replacement Reserve	119,240
Total Deposits	<hr/> 162,966

Property & Equipment

Land	300,242
Buildings	1,828,301
Furnishings	411,884
Total Fixed Assets	2,540,427
Accumulated Depreciation	823,987
Net Fixed Assets	<hr/> 1,716,440

Total Assets	<hr/> <hr/> \$ 1,917,453
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The Accompanying Notes are an Integral Part of These Financial Statements.

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF FINANCIAL POSITION – CONTINUED
DECEMBER 31, 20XX

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable - Operations	\$ 3,886
Accounts Payable - Entity	15,000
Accrued Interest Payable - First Mortgage (or Bonds)	6,008
Accrued Property Taxes	14,655
Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	43,018
Total Current Liabilities	<u>82,567</u>
Tenant/Patient Deposits Held In Trust (Contra)	18,103

Long-Term Liabilities

Notes Payable (Long-Term)	414,580
Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,694,620
Total Long Term Liabilities	<u>2,109,200</u>
Total Liabilities	<u>2,209,870</u>

Net Assets

Net Assets without Donor Restrictions	(292,417)
Net Assets with Donor Restrictions	
Total Net Assets	<u>(292,417)</u>
Total Liabilities and Net Assets	<u><u>\$ 1,917,453</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 20XX
DECEMBER 31, 20XX

Income

Rental Income	\$ 640,951
Interest Income	113
Other	5,048
Total Income	<u>646,112</u>

Expenses

Administrative	104,448
Utilities	70,556
Operating and Maintenance	170,034
Taxes and insurance	32,533
Financial	84,687
Total Expenses	<u>462,258</u>

Income From Operations Before Depreciation & Amortization	183,854
Depreciation & Amortization	83,214
Change in Total Net Assets without Donor Restrictions	100,640
Net Assets Without Donor Restrictions – Beginning of year	(393,057)
Net Assets Without Donor Restrictions – 12/31/20XX	<u>\$ (292,417)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 20XX
DECEMBER 31, 20XX**

Cash Flows from Operating Activities	
Rental Receipts	\$ 635,504
Interest Receipts	113
Other Operating Receipts	5,048
Total Receipts	640,665
Administrative	(28,386)
Management Fee	(47,980)
Utilities	(70,556)
Salaries and Wages	(131,262)
Operating and Maintenance	(71,049)
Real Estate Taxes	(14,658)
Property Insurance	(17,878)
Tenant Security Deposits	(485)
Interest on Mortgages	(72,990)
Mortgage Insurance Premium (MIP)	(8,252)
Entity/Construction Disbursements	(15,047)
Total Disbursements	(478,543)
Net Cash Provided by (Used in) Operating Activities	162,122
Cash Flows from Investing Activities	
Net Purchase of Fixed Assets	(97,932)
Cash Flows from Financing Activities	
Principal Payments - First Mortgage (or Bonds)	(41,355)
Other Financing Activities	(51,829)
Net Cash Used in Financing Activities	(93,184)
Net Increase (Decrease) in Cash, Restricted Deposits and Equivalents	(28,994)
Beginning of Period Cash, Restricted Deposits and Equivalents	181,960
End of Period Cash, Restricted Deposits and Equivalents	\$ 152,966

The Accompanying Notes are an Integral Part of These Financial Statements.

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 20XX

NOTE 1 – ORGANIZATION:

Nature of Operations: ABC Apartments, LLC (the organization), is wholly owned by the ABC Housing Fund, Inc., and operates housing developments for low and very low income individuals. The project consists of two locations: ABC Village Square Apts, which consists of 48 family units in Kaysville, Utah. The second location is 36 family units located in Layton, Utah.

Pursuant to Section 8 of Title II of the United States Housing Act of 1937, as amended, rents are subsidized by governmental payments through a housing assistance contract between the United States Department of Housing and Urban Development (HUD) and the organization. Terms of this contract are summarized below. Payments received under this contract are a significant portion of the organization's rental revenue. Housing assistance payments received totaled \$446,708 for the year ended December 31, 20XX.

Contract number: XX99A000014
Expiration date: April 30, 20XX
Contract number: XX99A000015
Expiration date: April 30, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents: The organization considers depository accounts and investments with a maturity at the date of acquisition and expected usage of three months or less to be cash and cash equivalents.

Accounts Receivable: Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of December 31, 20XX and 2014. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

Impairment of Long-Lived Assets: The organization reviews longlived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Property and Equipment: Property and equipment are being depreciated using straightline and accelerated methods over the following estimated useful lives:

Years Land improvements	15
Buildings and improvements	27.5- 40
Furnishings and equipment	10

NOTES TO FINANCIAL STATEMENTS - CONTINUED

ABC APARTMENTS
HUD PROJECT NUMBER 01234567
DECEMBER 31, 20XX

Property and equipment are stated at cost. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Deferred Costs: Deferred costs consist of financing costs of \$104,858 which have been capitalized and amortized over the related debt term at December 31, 20XX. Accumulated amortization of these costs is \$17,185 at December 31, 20XX. These amounts are included as reductions of the Project's mortgage balance.

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 amounts 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.

Classification of Net Assets: Net assets of the Project are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Project. Certain restrictions may be needed to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

The Project does not interpret the guidance in the standard to include amounts restricted by HUD as donor-restricted. The project believes that these amounts do not meet the spirit of the standard for such a classification or is their any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Project at December 31, 2018 were considered to be net assets without donor restrictions.

Income Taxes: The organization is a disregarded entity whose sole member is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

**ABC APARTMENTS
 HUD PROJECT NUMBER 01234567
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 20XX**

Financial Statement Presentation - The Project is required to report 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. In addition, the Organization is required to present a statement of cash flows.

Subsequent Events: The organization has evaluated subsequent events through January 31, 20XX, the date that the financial statements were available to be issued for events requiring recording or disclosure in the organization's financial statements.

Recent Accounting Pronouncements - In November 2016, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) No. 2016-18, which changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents (Cash) in the statement of cash flows. The standard requires that change in all Cash when reconciling the beginning and ending cash balances shown on the statement of cash flows. The standard does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities.

In June 2018, FASB issued ASU 2018-08, to improve the scope and accounting guidance for contributions received and contributions made. The standard should be used to assist entities in 1) evaluating whether transactions should be accounted for as contributions or as other exchange guidance subject to other guidance. This standard establishes that Section 8 payments, although not a result of a reciprocal transaction, but is instead to they are to be considered as exchange transactions

NOTE 3 – CASH, RESTRICTED DEPOSITS AND EQUIVALENTS

The balance in cash, cash equivalents, restricted deposits and restricted deposit equivalents consists of the following:

Operating cash	\$25,900
Restricted deposits - security deposits	18,915
Restricted deposits - mortgage escrows	24,811
Restricted deposits – Reserve for replacements	119,240

Total Cash, restricted cash and equivalents	<u>\$188,866</u>

NOTE 4 – TENANT SECURITY DEPOSITS

The tenant security deposits are maintained in an interest-bearing savings account separate from the operating account of the project. Withdrawals are restricted to reimbursements of tenants' security deposits

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

NOTE 5 – LIQUIDITY

At December 31, 20XX, the Project has \$28,816 cash and equivalents available to meet needs for general expenditures consisting of cash of \$25,900 and \$2,916 of accounts receivable. None of the financial assets are subject to donor or other contractual restrictions. Accordingly all such funds are available to meet the cash needs of the project in the next 12 months. In addition, the Project may maintain funds in a reserve for replacement or residual receipts. These funds are used for the benefit of the tenants and/or Project and are required by HUD. The funds may be withdrawn only with the approval of HUD. Such funds are not considered by the Project to have donor-restrictions.

The Project manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Project are expected to be met on a monthly basis from the rents of project units. In general, the Project maintains sufficient financial assets on hand to meet 30 days worth of normal operating expenses.

NOTE 6 – FUNCTIONAL EXPENSES

The Project provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity of the are reported as expenses of those functional activities. Allocations of expenses were made on a direct allocation basis.

FASSUB Line Items	Program Services		Supporting Activities	Total Expenses
	Rental Operations	Service Coordinator	Management and General	
Payroll and benefits	\$131,262			\$131,262
Administrative	22,161		6,225	28,386
Management fee			47,980	47,980
Utilities	70,556			70,556
Repairs and maintenance	66,854			66,854
Taxes and insurance	32,533			32,533
Interest	76,350			76,350
Other	8337			8,337
Depreciation and amortization	83,214			83,214
Entity expenses			15,000	15,000
Totals	491,267		\$69,205	\$560,472

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 20XX

NOTE 6 – PROPERTY AND EQUIPMENT:

The change in the major categories of property and equipment for the year ended December 31, 20XX is summarized as follows:

<u>Assets</u>	<u>Cost</u>			<u>Balance</u> <u>12/31/20XX</u>
	<u>Balance</u> <u>1/1/20XX</u>	<u>Additions</u>	<u>Reductions</u>	
1410 Land	131,472	\$ -	\$ -	\$131,472
1410 Land Improvements	168,770	-	-	168,770
1420 Buildings and Improvements	1,746,320	91,981	-	1,828,301
1460 Furnishing and Equipment	<u>395,933</u>	<u>15,951</u>	<u> </u>	<u>411,884</u>
Totals	<u>\$2,442,495</u>	<u>\$97,932</u>	<u>\$ </u>	<u>\$2,540,427</u>

<u>Depreciation</u>	<u>Accumulated Depreciation</u>			<u>Balance</u> <u>12/31/20XX</u>
	<u>Balance</u> <u>1/1/20XX</u>	<u>Additions</u>	<u>Reductions</u>	
1410 Land Improvements	\$65,544	\$ 11,251	\$ -	\$76,795
1410 Buildings and Improvements	416,542	53,294	-	469,836
1420 Furnishings and Equipment	<u>258,687</u>	<u>18,669</u>	<u> </u>	<u>277,356</u>
Totals	<u>\$740,773</u>	<u>\$83,214</u>	<u>\$ </u>	<u>\$823,987</u>
Net Property and Equipment	<u>\$1,701,722</u>			<u>\$1,716,440</u>

NOTE 7 – LONG-TERM DEBT

Mortgage debt consists of the following at December 31: 20XX:

Mortgage note payable to Mortgage Company with monthly payments of \$9,529, including interest at 3.95%, due 2041, secured by the organization's rental property. The mortgage is insured by HUD under Section 223(f) of the National Housing Act. Mortgage insurance expense is incurred at a rate of 1% of the outstanding mortgage balance for the first year and a rate of .5% thereafter.

\$1,825,311

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 20XX**

NOTE 7– LONG-TERM DEBT (continued)

Noninterest bearing note payable to NAME Bank in conjunction with the Federal Home Loan Bank Affordable Housing Program. The loan will be forgiven on December 31, 2021 as long at the project complies with terms of the Affordable Housing Program Subsidy Agreement during the 15 year compliance period. The loan does not place a lien on the project`s assets.

	414,580
Totals	2,239,891
Less: Deferred debt	
Issuance Costs	<u>(87,673)</u>
	2,152,218
Less: Current portion	<u>(43,018)</u>
LongTerm Portion	\$ 2,109,200

Principal requirements on long-term debt for years ending after December 31, 20XX are as follows:

2020	\$ 44,748
2021	46,578
2022	48,421
2023	50,368
2024	52,235
2025 and thereafter	<u>1,866,850</u>
Total	<u>\$ 2,109,200</u>

In connection with the mortgage, the organization entered into agreements with HUD which contain, among other things, restrictions on transferring any of the organization`s property,

NOTE 8– EXPIRATION OF HAP CONTRACT

The organization's contracts with the HUD, as described in Note 1, will expire within the next year. The organization's management expects that HUD will renew the contracts but as of the audit report date fully executed contracts have not been received by the organization. Failure by HUD to execute the contract could adversely affect the operations of the organization.

ABC APARTMENTS
HUD PROJECT NUMBER 01234567
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 20XX

NOTE 9 – CASH FLOW RESTRICTION:

Pursuant to the regulatory agreement, the amount of cash flow which may be transferred to its sponsoring entity is limited to surplus cash semi-annually

NOTE 9 – MANAGEMENT FEES:

Property management fees incurred pursuant to a management agreement based on 7.50% of gross receipts totaled \$47,980 for the year ended December 31, 20XX. The agreement is renewed annually and can be terminated by either party with a thirty-day notice.

Asset management fees are payable annually to the ABC Apartment Housing Fund, Inc, the organization's sponsoring entity, out of available surplus cash. The fees under this agreement totaled \$15,000 for the year ended December 31, 20XX.

NOTE 10 RELATED PARTY TRANSACTIONS:

NAME Group, Inc. manages the organization's rental property. Property management fees were incurred as discussed in Note 9. Certain officers of the NAME Group, Inc. participate in the management of the organization and the organization's sponsoring entity.

Asset management fees are payable annually to ABC Housing Fund, Inc., the sponsoring entity of the project, as discussed in Note 9. Accrued asset management fees to this affiliate were \$15,000 were at December 31, 20XX.

**SUPPLEMENTARY DATA
REQUIRED BY HUD**

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**BALANCE SHEET DATA
DECEMBER 31, 20XX**

ASSETS

Current Assets

1120	Cash - Operations	\$ 25,900
1130	Tenant/Member Accounts Receivable (Coops)	2,916
1130N	Net Tenant Accounts Receivable	2,916
1135	Accounts Receivable - HUD	7,168
1200	Miscellaneous Prepaid Expenses	2,063
1100T	Total Current Assets	<u>38,047</u>

1191	Tenant/Patient Deposits Held in Trust	18,915
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Restricted Deposits

1310	Escrow Deposits	24,811
1320	Replacement Reserve	119,240
1300T	Total Deposits	<u>144,051</u>

Property and Equipment

1410	Land	300,242
1420	Buildings	1,828,301
1460	Furnishings	411,884
1400T	Total Fixed Assets	<u>2,540,427</u>
1495	Accumulated Depreciation	823,987
1400N	Net Fixed Assets	<u>1,716,440</u>

1000T	Total Assets	<u><u>\$ 1,917,453</u></u>
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**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**BALANCE SHEET DATA - CONTINUED
DECEMBER 31, 20XX**

LIABILITIES AND NET ASSETS

Current Liabilities

2110	Accounts Payable - Operations	\$ 3,886
2113	Accounts Payable - Entity	15,000
2131	Accrued Interest Payable - First Mortgage (or Bonds)	6,008
2150	Accrued Property Taxes	14,655
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	43,018
2122T	Total Current Liabilities	<u>82,567</u>
2191	Tenant/Patient Deposits Held In Trust (Contra)	18,103

Long-Term Liabilities

2310	Notes Payable (Long-Term)	414,580
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,694,620
2300T	Total Long Term Liabilities	<u>2,109,200</u>
2000T	Total Liabilities	2,209,870

Net Assets

3131	Net Assets Without Donor Restrictions	(292,417)
3130	Total Net Assets	(292,417)
2033T	Total Liabilities and Net Assets	<u><u>\$ 1,917,453</u></u>

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**STATEMENT OF ACTIVITIES DATA
FOR THE YEAR ENDED DECEMBER 31, 20XX**

REVENUE

5120	Rent Revenue - Gross Potential	\$ 213,676
5121	Tenant Assistance Payments	446,708
5193	Special Claims Revenue	7,615
5100T	Total Rent Revenue	667,999

Vacancies

5220	Apartments	27,048
5200T	Total Vacancies	27,048
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	640,951

Financial Revenue

5410	Financial Revenue - Project Operations	35
5440	Revenue from Investments - Replacement Reserve	78
5400T	Total Financial Revenue	113

Other Revenue

5910	Laundry and Vending Revenue	4,434
5920	Tenant Charges	609
5990	Miscellaneous Revenue	5
5900T	Total Other Revenue	5,048

5000T	Total Revenue	646,112
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EXPENSES

Administrative Expenses

6203	Conventions and Meetings	1,184
6210	Advertising and Marketing	587
6250	Other Renting Expenses	3,075
6311	Office Expenses	10,925
6320	Management Fee	47,980
6330	Manager or Superintendent Salaries	28,082
6340	Legal Expense - Project	238
6350	Audit Expense	6,225
6390	Miscellaneous Administrative Expenses	6,152
6263T	Total Administrative Expenses	104,448

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF ACTIVITIES – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 20XX

Utilities Expenses

6450	Electricity	44,694
6451	Water	25,862
6400T	Total Utilities Expense	<hr/> 70,556

Operating & Maintenance Expenses

6510	Payroll	103,180
6515	Supplies	18,787
6520	Contracts	24,076
6525	Garbage and Trash Removal	8,548
6546	Heating/Cooling Repairs and Maintenance	1,155
6548	Snow Removal	8,148
6590	Miscellaneous Operating and Maintenance Expenses	6,140
6500T	Total Operating and Maintenance Expenses	<hr/> 170,034

Taxes & Insurance

6710	Real Estate Taxes	14,655
6720	Property & Liability Insurance (Hazard)	17,660
6721	Fidelity Bond Insurance	218
6700T	Total Taxes and Insurance	<hr/> 32,533

Financial Expenses

6820	Interest on Mortgage (or Bonds) Payable	76,350
6850	Mortgage Insurance Premium/ Service Charge	8,337
6800T	Total Financial Expenses	<hr/> 84,687

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**STATEMENT OF ACTIVITIES – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 20XX**

Operating Results

6000T	Total Cost of Operations before Depreciation	462,258
5060T	Profit (Loss) before Depreciation	183,854
6600	Accumulated Depreciation Expenses	83,214
5060N	Operating Profit or (Loss)	100,640

Corporate or Mortgagor Revenue/Expenses

7190	Other Expenses	15,000
7100T	Net Entity Expenses	<u>15,000</u>

Change in Net Assets From Operations

3247	Change in Unrestricted Net Assets from Operations	85,640
3250	Change in Total Net Assets from Operations	<u>\$ 85,640</u>

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages.	\$ 41,355
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	26,600

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**NET ASSETS DATA
FOR THE YEAR ENDED DECEMBER 31, 20XX**

S1100-060	Previous Year Unrestricted Net Assets	\$ (393,057)
3247	Change in Unrestricted Net Assets from Operations	85,640
S1100-065	Other Changes in Unrestricted Net Assets	15,000
3131	Unrestricted Net Assets	<u>(292,417)</u>
S1100-050	Previous Year Total Net Assets	(393,057)
3250	Change in Total Net Assets from Operations	85,640
S1100-055	Other Changes in Total Net Assets	15,000
3130	Total Net Assets	<u><u>\$ (292,417)</u></u>

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**CASH FLOWS DATA
FOR THE YEAR ENDED DECEMBER 31, 20XX**

Cash Flows from Operating Activities

S1200-010	Rental Receipts	\$ 635,504
S1200-020	Interest Receipts	113
S1200-030	Other Operating Receipts	5,048
S1200-040	Total Receipts	<u>640,665</u>

S1200-050	Administrative	(28,386)
S1200-070	Management Fee	(47,980)
S1200-090	Utilities	(70,556)
S1200-100	Salaries and Wages	(131,262)
S1200-110	Operating and Maintenance	(71,049)
S1200-120	Real Estate Taxes	(14,658)
S1200-140	Property Insurance	(17,878)
S1200-160	Tenant Security Deposits	(485)
S1200-180	Interest on Mortgages	(72,990)
S1200-210	Mortgage Insurance Premium (MIP)	(8,252)
S1200-225	Entity/Construction Disbursements	(15,047)
S1200-230	Total Disbursements	<u>(478,543)</u>

S1200-240	Net Cash Provided by (Used in) Operating	162,122
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Cash Flows from Investing Activities

S1200-245	Net Deposits to the Mortgage Escrow account	4,524
S1200-250	Net Deposits to the Reserve for Replacement account	(26,678)
S1200-330	Net Purchase of Fixed Assets	(97,932)
S1200-350	Net Cash Used in Investing Activities	<u>(120,086)</u>

Cash Flows from Financing Activities

S1200-360	Principal Payments - First Mortgage (or Bonds)	(41,355)
S1200-450	Other Financing Activities	(51,829)
S1200-460	Net Cash Used in Financing Activities	<u>(93,184)</u>

S1200-470	Net Increase (Decrease) in Cash	(51,148)
S1200-480	Beginning of Period Cash	77,048
S1200T	End of Period Cash	<u>25,900</u>

**Reconciliation of Change in Net Assets to Net Cash Provided
by Operating Activities**

3250	Change in Total Net Assets from Operations	<u>\$ 85,640</u>
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**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**SCHEDULE OF RESERVE FOR REPLACEMENTS
YEAR ENDED DECEMBER 31, 20XX**

1320P	Balance at Beginning of Year	\$ 92,562
1320DT	Total Monthly Deposits	26,600
1320INT	Interest on Replacement Reserve Accounts	78
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 119,240</u>
1320R	Deposits Suspended or Waived Indicator	<u>NO</u>

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**COMPUTATION OF SURPLUS CASH
YEAR ENDED DECEMBER 31, 20XX**

S1300-010	Cash	\$ 44,815
1135	Tenant subsidy due for period covered by financial statement	7,168
S1300-040	Total Cash	<u>51,983</u>
 Current Obligations		
S1300-050	Accrued Mortgage (or Bond) Interest Payable	6,008
S1300-075	Accounts Payable - 3 days	3,886
2191	Tenant Security Deposits Liability	18,103
S1300-110	Other Current Obligations	15,000
S1300-140	Total Current Obligations	<u>42,997</u>
S1300-150	Surplus Cash (Deficiency)	<u>\$ 8,986</u>
S1300-210	Deposit Due Residual Receipts	<u>0</u>

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**SCHEDULE OF FIXED ASSETS
DECEMBER 31, 20XX**

	Beginning Balance	Additions	Deletions	Ending Balance
1410 Land	\$ 300,242			300,242
1420 Buildings	1,746,320	81,981		1,828,301
1440 Building Equipment (Portable)				
1450 Furniture for Project/Tenant Use				
1460 Furnishings	395,933	15,951		411,884
1465 Office Furniture and Equipment				
1470 Maintenance Equipment				
1480 Motor Vehicles				
1490 Miscellaneous Fixed Assets				
Total	\$ 2,442,495	97,932		2,540,427
Depreciation	\$ 740,773	83,214		823,987
Net Book Value				\$ 1,716,440

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**MISCELLANEOUS DETAILS
DECEMBER 31, 20XX**

S1100 -055	Other Changes in Total Net Assets		
1.	Asset Management Fee		15,000
		Total	\$ 15,000
#6390	Misc. Administrative Expenses		
1.	Resident Activities		3,933
2.	Security Deposit Interest		183
3.	Miscellaneous		2,036
		Total	\$ 6,152
#6590	Misc. Operating & Maint.		
1.	Travel and lodging		6,140
		Total	\$ 6,140
S1200 -450	Other Financing Activities		
1.	Distributions		(51,829)
		Total	\$ (51,829)
S1300 -110	Other Obligations		
1.	Asset Management Fee		15,000
		Total	\$ 15,000
#1420	Add. to Buildings		
1.	Roof		76,140
2.	Fire Alarms		1,901
3.	Unit Doors		2,880
4.	Cabinets/Counter Tops		1,060
		Total	\$ 81,981
#1460	Add. to Furnishings		
1.	Carpet/Vinyl - Units		15,951
		Total	\$ 15,951

**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
[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 financial statements of [ENTITY NAME], which comprise the financial position as of [Year End], and the related statement of activities, [functional expenses] and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated (Date of report on the financial statements).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered [ENTITY NAME]'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 [ENTITY NAME]'s internal control. Accordingly, we do not express an opinion on the effectiveness of [ENTITY NAME]'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of [ENTITY NAME]'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [ENTITY NAME]'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 [ENTITY NAME]'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering [ENTITY NAME]'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)

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

To the Board of Directors
[ENTITY NAME]
[ENTITY CITY], [STATE]

Report on Compliance for Each Major Federal Program

We have audited [ENTITY NAME]'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 [ENTITY NAME]'s major federal programs for the year ended [Year End]. [ENTITY NAME]'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 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 [ENTITY NAME]'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 [ENTITY NAME]'s compliance with those requirements and performing such other procedures as we consider 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 [ENTITY NAME]'s compliance.

Opinion on Each Major Federal Program

In our opinion, [ENTITY NAME] 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 [Year End].

[Other Matters (Include only if other non-material findings are present)]

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items (List finding reference numbers, for example 20XX-X and 20XX-X). Our opinion on each major federal program is not modified with respect to these matters.

[ENTITY NAME]'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. [ENTITY NAME]'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 [ENTITY NAME] 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 [ENTITY NAME]'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 [ENTITY NAME]'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.

[FIRM NAME]

[FIRM CITY], [STATE]

(Date of report on the financial statements)

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 20XX**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development Section 202 Direct Loan	14.157	\$ 1,866,666
Section 8 Cluster		
Housing Assistance Payments	14.195	446,708
Special Claims – vacancy billings	14.195	<u>7,615</u>
Total Section 8 Cluster		<u>454,323</u>
 Total		 \$ <u>2,320,989</u>

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity of the organization under programs of the federal government as of and for the year ended December 31, 20XX. 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 the organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the organization.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where applicable. The organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – FEDERALLY FUNDED AND INSURED MORTGAGES

The mortgage balance at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the outstanding federally insured mortgage at December 31, 20XX is \$1,825,311.

**ABC APARTMENTS
HUD PROJECT NUMBER 01-234567**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 20XX**

I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of ABC Apartments
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of ABC Apartments were disclosed during the audit.
4. No material weaknesses in internal control over major programs were identified during the audit.
5. The auditors' report on compliance for the major federal award programs for ABC Apartments expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 2 CFR 200.561(a).
7. The program tested as a major program was:
 - U.S. Department of Housing and Urban Development—Section 202 Direct Loan, CFDA 14.157
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. ABC Apartments was determined to be a low risk auditee.

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS:

NONE

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS

NONE

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**MORTGAGOR'S CERTIFICATION
DECEMBER 31, 20XX**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Entity Name, HUD Project No. 123-98765 and, to the best of our knowledge and belief; the same are accurate and complete.

Signed: _____

Title: _____

Date: _____

Signed: _____

Title: _____

Date: _____

Auditee Information:

[Audit Report Date]
ABC Apartments
123 Maple Drive
Anywhere, USA
888-555-1212

**ABC APARTMENTS
HUD PROJECT NUMBER 01234567**

**MANAGEMENT AGENT'S CERTIFICATION
DECEMBER 31, 20XX**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Entity Name, HUD Project No. 123-98765 and, to the best of our knowledge and belief; the same are accurate and complete.

Management Company: _____

Signed: _____

Title: _____

Date: _____

Tax Identification Number: _____

Property Manager: _____