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], [statement of net assets], 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		38,047
Tenant/Patient Deposits Held in Trust		18,915
Restricted Deposits		
Escrow Deposits		24,811
Replacement Reserve		119,240
Total Deposits		144,051
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		1,716,440
Total Assets	$	1,917,453

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		82,567
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		2,109,200
Total Liabilities		2,209,870
Net Assets		
Unrestricted Net Assets		(292,417)
Total Net Assets		(292,417)
Total Liabilities and Net Assets	$	1,917,453

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		646,112
Expenses		
Administrative		104,448
Utilities		70,556
Operating and Maintenance		170,034
Taxes and insurance		32,533
Financial		84,687
Total Expenses		462,258
Income From Operations Before Depreciation & Amortization		183,854
Depreciation & Amortization		83,214
Change in Total Net Assets from Operations	$	100,640

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

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 20XX
DECEMBER 31, 20XX

Previous Year Unrestricted Net Assets	$	(326,228)
Change in Unrestricted Net Assets from Operations		85,640
Other Changes in Unrestricted Net Assets		(51,829)
Unrestricted Net Assets		(292,417)
Previous Year Total Net Assets		(326,228)
Change in Total Net Assets from Operations		85,640
Other Changes in Total Net Assets		(51,829)
Total Net Assets	$	(292,417)

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 Deposits to the Mortgage Escrow account		4,524
Net Deposits to the Reserve for Replacement account		(26,678)
Net Purchase of Fixed Assets		(97,932)
Net Cash Used in Investing Activities		(120,086)
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		(51,148)
Beginning of Period Cash		0
End of Period Cash	$	25,900

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

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 20XX
DECEMBER 31, 20XX

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Total Net Assets from Operations	$	85,640
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expenses		83,214
Noncash interest expense due to amortization of issuance costs		3,496
Decrease (increase) in Tenant/Member Accounts Receivable		(2,006)
Decrease (increase) in Accounts Receivable - Other		(3,441)
Decrease (increase) in Prepaid Expenses		85
Decrease (increase) in Cash Restricted for Tenant Security Deposits		(1,059)
Increase (decrease) in Accounts Payable		(4,195)
Increase (decrease) in Accrued Liabilities		(50)
Increase (decrease) in Tenant Security Deposits held in trust		574
Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities		(136)
Net Cash Provided by Operating Activities	$	162,122

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, 2015.

Contract number: XX99A000014
Expiration date: April 30, 2016
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, 2015 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.

Advertising: Advertising costs are charged to operations when incurred.

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

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, 2015. Accumulated amortization of these costs is $17,185 at December 31, 2015. This amounts are included as a reduction to 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.

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

Functional Allocation of Expenses - Expenditures incurred in connection with Project operations have been summarized on a functional basis in the Statements of Activities.

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, 2016, the date that the financial statements were available to be issued for events requiring recording or disclosure in the organization`s financial statements.

NOTE 2 – RESTRICITONS ON NET ASSETS

There are no donor restrictions on the net assets. Accordingly, all net assets are accounted for as unrestricted net assets under generally accepted accounting principles in the United States of America.

NOTE 3 – 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

NOTE 4 – RESTRICTED FUNDS

Monthly escrow deposits for the mortgage escrow are required to be paid to the mortgagee to accumulate reserves for mortgage insurance, property insurance, and real estate taxes.

Monthly deposits to the reserve for replacements are required to be paid to the mortgagee. Disbursements are restricted to replacement of structural elements or equipment and may be made only upon approval by HUD.

NOTE 5 – PROPERTY AND EQUIPMENT:

The change in the major categories of property and equipment for the year ended December 31, 2015 is summarized as follows:

	Cost			
Assets	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015
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	395,933	15,951		411,884
Totals	$2,442,495	$97,932	$	$2,540,427

	Accumulated Depreciation			
Depreciatio				
Assets	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015
1410 Land Improvements	$65,544	$ 11,251	$ -	$76,795
1410 Buildings and Improvements	416,542	53,294	-	469,836
1420 Furnishings and Equipment	258,687	18,669	-	277,356
Totals	$740,773	$83,214	$	$823,987
Net Property and Equipment	$1,701,722			$1,716,440

NOTE 6 – LONG-TERM DEBT

Mortgage debt consists of the following at December 31: 2015:

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
Noninterest bearing note payable to NAME Bank in con-	
junction 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	(87,673)
	2,152,218
Less: Current portion	(43,018)
LongTerm Portion	$ 2,109,200

Principal requirements on long-term debt for years ending after December 31, 2015 are as follows:

2017	$ 44,748
2018	46,578
2019	48,421
2020	50,368
2021	52,235
2022 and thereafter	1,866,850
Total	$ 2,109,200

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 7– 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.

NOTE 8 – 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, 2015. 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, 2015.

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, 2015.

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		38,047
1191	Tenant/Patient Deposits Held in Trust		18,915
Restricted Deposits			
1310	Escrow Deposits		24,811
1320	Replacement Reserve		119,240
1300T	Total Deposits		144,051
Property and Equipment			
1410	Land		300,242
1420	Buildings		1,828,301
1460	Furnishings		411,884
1400T	Total Fixed Assets		2,540,427
1495	Accumulated Depreciation		823,987
1400N	Net Fixed Assets		1,716,440
1000T	**Total Assets**	$	1,917,453

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		82,567
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
2332	Accrued Interest Notes Payable (Surplus Cash) Longer Term		2,109,200
2300T	Total Long Term Liabilities		2,109,200
2000T	Total Liabilities		2,209,870
Net Assets			
3131	Unrestricted Net Assets		(292,417)
3130	Total Net Assets		(292,417)
2033T	Total Liabilities and Net Assets	$	1,917,453

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
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	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	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	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	84,687

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

STATEMENT OF ACTIVITES – 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		15,000
Change in Net Assets From Operations			
3247	Change in Unrestricted Net Assets from Operations		85,640
3250	Change in Total Net Assets from Operations	$	85,640
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	$	(326,228)
3247	Change in Unrestricted Net Assets from Operations		85,640
S1100-065	Other Changes in Unrestricted Net Assets		(51,829)
3131	Unrestricted Net Assets		(292,417)
S1100-050	Previous Year Total Net Assets		(326,228)
3250	Change in Total Net Assets from Operations		85,640
S1100-055	Other Changes in Total Net Assets		(51,829)
3130	Total Net Assets	$	(292,417)

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	640,665
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	(478,543)
S1200-240	Net Cash Provided by (Used in) Operating	162,122
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	(120,086)
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	(93,184)
S1200-470	Net Increase (Decrease) in Cash	(51,148)
S1200-480	Beginning of Period Cash	0
S1200T	End of Period Cash	25,900

ABC APARTMENTS
HUD PROJECT NUMBER 01234567

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

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities			
3250	Change in Total Net Assets from Operations	$	85,640
			3,496
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities			
6600	Depreciation Expenses		83,214
S1200-486	Noncash interest expense due to amortization of issuance costs		3,496
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable		(2,006)
S1200-500	Decrease (increase) in Accounts Receivable - Other		(3,441)
S1200-520	Decrease (increase) in Prepaid Expenses		85
S1200-530	Decrease (increase) in Cash Restricted for Tenant Security Deposits		(1,059)
S1200-540	Increase (decrease) in Accounts Payable		(4,195)
S1200-560	Increase (decrease) in Accrued Liabilities		(50)
S1200-580	Increase (decrease) in Tenant Security Deposits held in trust		574
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities		(136)
S1200-610	**Net Cash Provided by Operating Activities**	$	162,122

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	$	119,240
1320R	Deposits Suspended or Waived Indicator		NO

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		51,983
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		42,997
S1300-150	Surplus Cash (Deficiency)	$	8,986
S1300-210	Deposit Due Residual Receipts		0

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

#5990	Other Revenue			
1.	Miscellaneous			5
		Total	$	5
#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)
S1200 -600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities			
1.	Other Adjustments			(136)
		Total	$	(136)
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		7,615
Total Section 8 Cluster			454,323
Total		$	2,320,989

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, 2015. 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, 2015 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: _____