

**BROOK VIEW GARDENS, INC.  
PROJECT NO. 042-HD087**

**FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
WITH AUDITOR'S REPORTS,  
SUPPLEMENTARY INFORMATION,  
HUD SUPPLEMENTARY INFORMATION,  
AND MORTGAGOR'S  
AND MANAGEMENT AGENT'S CERTIFICATIONS**

## CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT .....  | 3 - 4       |
| STATEMENTS OF FINANCIAL POSITION .....  | 5           |
| STATEMENTS OF ACTIVITIES .....  | 6           |
| STATEMENTS OF CASH FLOWS .....  | 7           |
| NOTES TO FINANCIAL STATEMENTS .....   | 8 - 11      |
| SUPPLEMENTARY INFORMATION:  |             |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....  | 12          |
| NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....  | 13          |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> ..... | 14 - 15     |
| REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 .....        | 16 - 17     |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....   | 18          |
| SCHEDULE OF STATUS OF PRIOR YEAR (2014) AUDIT FINDINGS .....  | 19          |
| HUD SUPPLEMENTARY INFORMATION:  |             |
| BALANCE SHEET .....   | 20          |
| STATEMENT OF PROFIT AND LOSS .....  | 21 - 22     |
| COMPUTATION OF SURPLUS CASH .....   | 23          |
| SCHEDULE OF CHANGES IN FIXED ASSETS .....   | 24          |
| OTHER SUPPLEMENTARY INFORMATION .....   | 25          |
| MORTGAGOR'S CERTIFICATION .....   | 26          |
| MANAGEMENT AGENT'S CERTIFICATION .....  | 27          |
| GENERAL INFORMATION .....   | 28          |

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Brook View Gardens, Inc.  
Toledo, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Project No. 042-HD087, Brook View Gardens, Inc. (Brook View) an Ohio nonprofit corporation, which consist of the statements of financial position as of June 30, 2015 and 2014, the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brook View, as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 20 to 25 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015 on our consideration of Brook View's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brook View's internal control over financial reporting and compliance.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
September 23, 2015

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

|  | <b>ASSETS</b>                    | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------------|----------------------------|----------------------------|
| <b>Current assets</b>                          |                                  |                            |                            |
| Cash   |                                  | \$ 895                     | \$ 2,538                   |
| Tenant accounts receivable                     |                                  | 15                         | 825                        |
| Housing assistance receivable                  |                                  | 8,407                      | 6,091                      |
|  | Total current assets             | <u>9,317</u>               | <u>9,454</u>               |
| <b>Deposits held in trust</b>                  |                                  |                            |                            |
| Tenant security deposits                       |                                  | 4,141                      | 3,990                      |
| <b>Restricted deposits and funded reserves</b> |                                  |                            |                            |
| Reserve for replacements                       |                                  | 57,413                     | 50,862                     |
| <b>Property and equipment</b>                  |                                  |                            |                            |
| Land   |                                  | 79,720                     | 79,720                     |
| Building and building improvements             |                                  | 1,771,430                  | 1,771,430                  |
|  | Total property and equipment     | <u>1,851,150</u>           | <u>1,851,150</u>           |
| Less accumulated depreciation                  |                                  | 684,462                    | 618,442                    |
|  | Net property and equipment       | <u>1,166,688</u>           | <u>1,232,708</u>           |
|  | Total assets                     | <u><u>\$ 1,237,559</u></u> | <u><u>\$ 1,297,014</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>              |                                  |                            |                            |
| <b>Current liabilities</b>                     |                                  |                            |                            |
| Accounts payable                               |                                  | \$ 16,703                  | \$ 8,394                   |
| Prepaid rents                                  |                                  | 8,922                      | 3,686                      |
| Payable to affiliate                           |                                  | 2,609                      | 12,007                     |
|  | Total current liabilities        | <u>28,234</u>              | <u>24,087</u>              |
| <b>Deposit liabilities</b>                     |                                  |                            |                            |
| Tenant security deposits                       |                                  | 4,141                      | 3,990                      |
|  | Total liabilities                | <u>32,375</u>              | <u>28,077</u>              |
| <b>Unrestricted net assets</b>                 |                                  |                            |                            |
| Unrestricted                                   |                                  | (600,316)                  | (536,563)                  |
| Temporarily restricted                         |                                  | 1,805,500                  | 1,805,500                  |
|  | Total net assets                 | <u>1,205,184</u>           | <u>1,268,937</u>           |
|  | Total liabilities and net assets | <u><u>\$ 1,237,559</u></u> | <u><u>\$ 1,297,014</u></u> |

The accompanying notes are an integral part of these financial statements.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2015 and 2014**

|  | <b>2015</b>         |                                   |                     |
|--|---------------------|-----------------------------------|---------------------|
|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
| <b>Support and revenues</b>  |                     |                                   |                     |
| Tenant assistance  | \$ 101,853          | \$ 0                              | \$ 101,853          |
| Rental income, less vacancy loss of \$2,069 in 2015<br>and \$7,410 in 2014 | 51,592              |                                   | 51,592              |
| Miscellaneous income   | 751                 |                                   | 751                 |
| Interest income  | 11                  |                                   | 11                  |
| Total support and revenues   | 154,207             | 0                                 | 154,207             |
| <b>Expenses</b>  |                     |                                   |                     |
| Management fees  | 9,255               |                                   | 9,255               |
| Office expenses  | 4,309               |                                   | 4,309               |
| Professional fees  | 6,150               |                                   | 6,150               |
| Utilities  | 34,930              |                                   | 34,930              |
| Operating and maintenance  | 76,492              |                                   | 76,492              |
| Taxes and insurance  | 11,349              |                                   | 11,349              |
| Other administrative expenses  | 9,455               |                                   | 9,455               |
| Depreciation   | 66,020              |                                   | 66,020              |
| Total expenses   | 217,960             | 0                                 | 217,960             |
| Change in net assets   | (63,753)            | 0                                 | (63,753)            |
| Net assets at beginning of year  | (536,563)           | 1,805,500                         | 1,268,937           |
| Net assets at end of year  | <u>\$ (600,316)</u> | <u>\$ 1,805,500</u>               | <u>\$ 1,205,184</u> |

| <b>2014</b>         |                                   |                     |
|---------------------|-----------------------------------|---------------------|
| <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
| \$ 64,311           | \$ 0                              | \$ 64,311           |
| 57,400              |                                   | 57,400              |
| 2,685               |                                   | 2,685               |
| 10                  |                                   | 10                  |
| <u>124,406</u>      | <u>0</u>                          | <u>124,406</u>      |
| 8,863               |                                   | 8,863               |
| 4,636               |                                   | 4,636               |
| 6,150               |                                   | 6,150               |
| 35,308              |                                   | 35,308              |
| 48,646              |                                   | 48,646              |
| 14,219              |                                   | 14,219              |
| 16,254              |                                   | 16,254              |
| 66,831              |                                   | 66,831              |
| <u>200,907</u>      | <u>0</u>                          | <u>200,907</u>      |
| (76,501)            | 0                                 | (76,501)            |
| <u>(460,062)</u>    | <u>1,805,500</u>                  | <u>1,345,438</u>    |
| <u>\$ (536,563)</u> | <u>\$ 1,805,500</u>               | <u>\$ 1,268,937</u> |

The accompanying notes are an integral part of these financial statements.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| <b>Cash flows from operating activities</b>   |             |             |
| Rental receipts   | \$ 157,175  | \$ 119,173  |
| Interest receipts   | 11          | 10          |
| Other operating receipts  | 751         | 2,685       |
| Total cash flows from operating activities  | 157,937     | 121,868     |
| Administrative  | (19,914)    | (27,040)    |
| Management fees   | (12,314)    | (10,283)    |
| Utilities   | (34,930)    | (35,308)    |
| Operating and maintenance   | (74,522)    | (50,060)    |
| Taxes and insurance   | (11,349)    | (14,219)    |
| Net cash provided by (used in) operating activities   | 4,908       | (15,042)    |
| <b>Cash flows from investing activities</b>   |             |             |
| Change in reserve for replacements  | (6,551)     | 17,265      |
| Net cash provided by (used in) investing activities   | (6,551)     | 17,265      |
| Net increase (decrease) in cash   | (1,643)     | 2,223       |
| <b>Cash</b>   |             |             |
| Cash at beginning of year   | 2,538       | 315         |
| Cash at end of year   | \$ 895      | \$ 2,538    |
| <b>Reconciliation of change in net assets<br/>to net cash provided by (used in) operating activities:</b> |             |             |
| Change in net assets  | \$ (63,753) | \$ (76,501) |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities:  |             |             |
| Depreciation  | 66,020      | 66,831      |
| (Increase) decrease in tenant accounts receivable   | 810         | (133)       |
| (Increase) decrease in housing assistance receivable  | (2,316)     | 121         |
| Increase in accounts payable  | 8,309       | 7,060       |
| Increase (decrease) in prepaid rents  | 5,236       | (2,526)     |
| Decrease in payable to affiliate  | (9,398)     | (9,894)     |
| Net cash provided by (used in) operating activities   | \$ 4,908    | \$ (15,042) |

The accompanying notes are an integral part of these financial statements.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**Note 1–Nature of business**

Brook View Gardens, Inc. (Brook View) was organized to provide living facilities for residents with physical and mental disabilities who are referred from Preferred Properties, Inc. Brook View is a separate legal entity that is sponsored and managed by the Preferred Properties, Inc., which is a nonprofit private corporation that provides living facilities for residents with physical and mental disabilities in Lucas County, Ohio. Brook View is under the control of the Preferred Properties, Inc.'s Board of Trustees and management.

The operations of Brook View are regulated by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD) under Section 811 of the National Housing Act, as amended (Regulatory Agreement). Brook View is required to comply with the terms of the Regulatory Agreement.

Construction of the project was completed and operations for Brook View commenced on August 18, 2004.

**Note 2–Summary of significant accounting and reporting policies**

**Basis of accounting**

The financial statements of Brook View have been prepared on the accrual basis of accounting. The accrual basis of accounting provides for the recognition of revenues when earned and the recognition of expenses when incurred.

**Financial statement presentation**

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic related to Financial Statements of Not-for-Profit Organizations. Under the FASB ASC Topic related to Financial Statements of Not-for-Profit Organizations, Brook View 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. Management is of the opinion that there were no permanently restricted net assets at June 30, 2015 and 2014. See Note 3 for a detail of temporarily restricted net assets at June 30, 2015 and 2014.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents. Brook View had no cash equivalents at June 30, 2015 and 2014.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2015 and 2014**

**Note 2–Summary of significant accounting and reporting policies–continued**

**Accounts receivable**

Tenant accounts receivable consists of rent due from tenants. The July 2015 and July 2014 housing assistance payments due from HUD are classified as housing assistance receivable. Accounts receivable are considered fully collectible at June 30, 2015 and 2014. Accordingly, no allowance for uncollectible accounts is required.

**Property and equipment**

The cost of the building and equipment is depreciated over their estimated useful lives (ranging from 7 to 27 years), using the straight-line method. Brook View has a capitalization policy for expenditures over \$1,000.

The Project reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. Management believes there were no impairment losses in 2015 or 2014.

**Income taxes**

Brook View is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of Brook View is required to determine whether a tax position of Brook View is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Brook View's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

**Subsequent events**

The Project has evaluated all events subsequent to the statement of financial position date of June 30, 2015, through September 23, 2015, which is the date these financial statements were ready to be issued, and has determined that there are no subsequent events that require disclosure.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2015 and 2014**

**Note 3—Temporarily restricted net assets**

Temporarily restricted net assets consist of a capital advance from HUD in the amount of \$1,233,500 and grants from the City of Toledo HOME Investment Partnership Program (HOME funds), the State of Ohio Housing Development Assistance Program (State of Ohio) and the Federal Home Loan Bank of Cincinnati (Bank of Cincinnati) in the amounts of \$300,000, \$160,000 and \$112,000, respectively. The capital advance does not bear interest and need not be repaid as long as the housing remains available to very low-income-eligible persons, as approved by HUD, for no less than 40 years. Failure to comply with HUD requirements would result in HUD billing the owner for the entire capital advance outstanding plus interest since the date of the first advance. The HOME funds grant requires the housing to remain available to very low-income-eligible persons for a period of 20 years; the State of Ohio grant requires the housing remain available to very low-income-eligible persons for a period of 30 years; and the Bank of Cincinnati grant requires the housing remain available to very low-income-eligible persons for a period of 40 years. Management believes the likelihood of required repayment is remote.

**Note 4—Rental revenue**

Brook View is a 16-unit housing development, which receives monthly rentals as approved by HUD. The tenants are charged rental amounts based on a percentage of their income, and HUD subsidizes the remainder. HUD approved rentals per unit are \$810 per month for the period of June 1, 2014 through June 30, 2015 and \$660 per month for the period of July 1, 2013 through May 31, 2014. The rent subsidy contract with HUD expires August 2015.

**Note 5—Transactions with affiliate**

Preferred Properties, Inc. charges Brook View a portion of payroll expenses for a maintenance employee, accounting services, office services and vehicle maintenance. Payroll expenses charged were \$18,084 for the years ended June 30, 2015 and 2014. The payable to affiliate balances at June 30, 2015 and 2014 amount to \$2,609 and \$12,007, respectively, for other operating costs, and accrued management fees.

In 2015, Preferred Properties, Inc. charged Brook View a management fee equal to \$49 per unit rented throughout the year. Management fees charged in 2015 and 2014 amounted to \$9,255 and \$8,863, respectively.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2015 and 2014**

**Note 6–Cash reserves**

HUD requires that Brook View fund the following reserves:

**Residual receipts reserve**

Project funds in excess of funds needed for their intended purpose must be deposited with the mortgagee within 60 days after year-end. Withdrawals from this account can be made only with approval of HUD and only for project purposes. Funding of the residual receipts reserve was not required at June 30, 2015 and 2014 as no surplus cash existed.

**Replacement reserve**

The replacement reserve funds are to be used for replacement of property with the approval of HUD. The Capital Advance Program Regulatory Agreement requires that the mortgagor make monthly deposits of \$545 to the replacement reserve account. Effective November 1, 2011, Brook View received an approval from HUD suspending monthly deposits to the reserve account for 2 years. During November 2013, Brook View resumed making the require \$545 monthly deposits. At June 30, 2015 and 2014 the replacement reserve balance was \$57,413 and \$50,862, respectively. HUD-approved withdrawals amounted to \$0 and \$21,635 in 2015 and 2014, respectively.

**Note 7–Current vulnerability due to certain concentrations**

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

## **SUPPLEMENTARY INFORMATION**

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

| <u>Federal Grantor /<br/>Program Title</u>                          | <u>Federal<br/>CFDA<br/>Number</u>   | <u>Federal<br/>Expenditures</u> |
|---|--------------------------------------|---------------------------------|
| <b>U.S. Department of Housing<br/>and Urban Development</b>         |                                      |                                 |
| Supportive Housing for Persons with Disabilities<br>PRAC            | 14.181                               | \$ 101,853                      |
| Supportive Housing for Persons with Disabilities<br>Capital Advance | 14.181                               | <u>1,233,500</u>                |
|   | Total expenditures of federal awards | <u>\$ 1,335,353</u>             |

The accompanying note is an integral part of this schedule.

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

**Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of Brook View Gardens, Inc., is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used, in the preparation of the financial statements.



**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Brook View Gardens, Inc.  
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brook View Gardens, Inc. (Brook View), which consist of the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brook View'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 Brook View's internal control. Accordingly, we do not express an opinion on the effectiveness of Brook View's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Brook View's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
September 23, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Brook View Gardens, Inc.  
Toledo, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited Brook View Gardens, Inc.'s (Brook View) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Brook View's major federal programs for the year ended June 30, 2015. Brook View's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Brook View'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Brook View's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Brook View's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Brook View complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Brook View 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 Brook View'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 OMB Circular A-133, 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 Brook View'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
September 23, 2015

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

|   |               |
|---|---------------|
| Type of auditor's report issued:  | Unmodified    |
| Internal control over financial reporting:  |               |
| • Material weakness(es) identified?   | No            |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted?   | No            |

**Federal Awards**

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| • Material weakness(es) identified?  | No            |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)?                          | None reported |
| Type of auditors' report issued on compliance for major programs:  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No            |

**Identification of major programs**

| <u>CFDA Number</u>  | <u>Name of Federal Program</u>   |
|---|--|
| 14.181  | <b>Department of Housing and Urban Development</b><br><br>Supportive Housing for Persons with Disabilities |
| Dollar threshold used to distinguish between type A and type B programs | \$300,000  |
| Auditee qualified as low-risk auditee?                                  | Yes  |

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**SCHEDULE OF STATUS OF PRIOR YEAR (2014) AUDIT FINDINGS**  
**For the Year Ended June 30, 2015**

There were no reportable findings for the year ended June 30, 2014.

**HUD SUPPLEMENTARY INFORMATION**

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**BALANCE SHEET**  
**June 30, 2015**

**ASSETS**

**Current assets**

|      |                            |    |       |
|------|----------------------------|----|-------|
| 1120 | Cash – operations          | \$ | 895   |
| 1130 | Tenant accounts receivable |    | 15    |
| 1135 | Accounts receivable - HUD  |    | 8,407 |
|      | Total current assets       |    | 9,317 |

**Restricted deposits and funded reserves**

|      |   |  |        |
|------|---|--|--------|
| 1191 | Tenant/patient deposits held in trust         |  | 4,141  |
| 1320 | Replacement reserve                           |  | 57,413 |
|      | Total restricted deposits and funded reserves |  | 61,554 |

**Property and equipment**

|      |                               |    |           |
|------|-------------------------------|----|-----------|
| 1410 | Land                          |    | 79,720    |
| 1420 | Building                      |    | 1,771,430 |
|      | Total property and equipment  |    | 1,851,150 |
| 1495 | Less accumulated depreciation |    | 684,462   |
|      | Net property and equipment    |    | 1,166,688 |
|      | Total assets                  | \$ | 1,237,559 |

**LIABILITIES AND NET ASSETS**

**Current liabilities**

|      |                                |    |        |
|------|--------------------------------|----|--------|
| 2110 | Accounts payable - operations  | \$ | 18,528 |
| 2123 | Accrued management fee payable |    | 784    |
| 2210 | Prepaid revenue                |    | 8,922  |
|      | Total current liabilities      |    | 28,234 |

**Deposit liabilities**

|      |                               |  |        |
|------|-------------------------------|--|--------|
| 2191 | Tenant deposits held in trust |  | 4,141  |
|      | Total liabilities             |  | 32,375 |

**Net assets**

|      |                                   |    |           |
|------|-----------------------------------|----|-----------|
| 3131 | Unrestricted net assets           |    | (600,316) |
| 3132 | Temporarily restricted net assets |    | 1,805,500 |
|      | Total net assets                  |    | 1,205,184 |
|      | Total liabilities and net assets  | \$ | 1,237,559 |

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**STATEMENT OF PROFIT AND LOSS**  
**For the Year Ended June 30, 2015**

**Rent revenue**

|      |                                |           |
|------|--------------------------------|-----------|
| 5120 | Rent revenue – gross potential | \$ 53,661 |
| 5121 | Tenant assistance payments     | 101,853   |
|      | Total revenue                  | 155,514   |

**Vacancies**

|      |                  |         |
|------|------------------|---------|
| 5220 | Apartments       | 2,069   |
|      | Total vacancies  | 2,069   |
|      | Net rent revenue | 153,445 |

**Financial revenue**

|      |  |    |
|------|--|----|
| 5440 | Revenue from investments – replacement reserve | 11 |
|      | Total financial revenue                        | 11 |

**Other revenue**

|      |                       |         |
|------|-----------------------|---------|
| 5920 | Tenant charges        | 750     |
| 5990 | Miscellaneous revenue | 1       |
|      | Total other revenue   | 751     |
|      | Total revenue         | 154,207 |

**Administrative expenses**

|      |                                      |        |
|------|--------------------------------------|--------|
| 6203 | Conventions and meetings             | 245    |
| 6210 | Advertising and marketing            | 255    |
| 6310 | Office salaries                      | 6,636  |
| 6311 | Office expenses                      | 4,309  |
| 6320 | Management fee                       | 9,255  |
| 6350 | Audit expense                        | 6,150  |
| 6351 | Bookkeeping fees/accounting services | 2,244  |
| 6370 | Bad debts                            | 75     |
|      | Total administrative expenses        | 29,169 |

**Utilities expenses**

|      |                          |        |
|------|--------------------------|--------|
| 6450 | Electricity              | 16,157 |
| 6451 | Water                    | 10,484 |
| 6452 | Gas                      | 8,289  |
|      | Total utilities expenses | 34,930 |

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**STATEMENT OF PROFIT AND LOSS-CONTINUED**  
**For the Year Ended June 30, 2015**

**Operating and maintenance expenses**

|      |  |        |
|------|--|--------|
| 6510 | Payroll                                  | 9,204  |
| 6515 | Supplies                                 | 31,021 |
| 6520 | Contracts                                | 26,396 |
| 6525 | Garbage and trash removal                | 3,613  |
| 6546 | Heating/cooling repairs and maintenance  | 747    |
| 6548 | Snow removal                             | 5,511  |
|      | Total operating and maintenance expenses | 76,492 |

**Taxes and insurance**

|      |  |        |
|------|--|--------|
| 6710 | Real estate taxes                                    | 1,015  |
| 6720 | Property and liability insurance                     | 8,670  |
| 6790 | Miscellaneous taxes, licenses, permits and insurance | 1,664  |
|      | Total taxes and insurance                            | 11,349 |

|  |  |         |
|--|--|---------|
|  | Total cost of operations before depreciation | 151,940 |
|--|--|---------|

|  |                            |       |
|--|----------------------------|-------|
|  | Profit before depreciation | 2,267 |
|--|----------------------------|-------|

|      |                       |        |
|------|-----------------------|--------|
| 6600 | Depreciation expenses | 66,020 |
|------|-----------------------|--------|

|  |          |             |
|--|----------|-------------|
|  | Net loss | \$ (63,753) |
|--|----------|-------------|

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**COMPUTATION OF SURPLUS CASH**  
**For the Year Ended June 30, 2015**

**Current cash**

|      |                               |    |        |
|------|-------------------------------|----|--------|
|      | Cash (accounts 1120 and 1191) | \$ | 5,036  |
| 1135 | Accounts receivable – HUD     |    | 8,407  |
|      | Total current cash            |    | 13,443 |

**Current obligations**

|      |                                |  |        |
|------|--------------------------------|--|--------|
| 2110 | Accounts payable – operations  |  | 18,528 |
| 2123 | Accrued management fee payable |  | 784    |
| 2191 | Tenant deposits held in trust  |  | 4,141  |
| 2210 | Prepaid revenue                |  | 8,922  |

Total current obligations 32,375

Deficiency \$ (18,932)

Deposit due receipts \$ 0

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**SCHEDULE OF CHANGES IN FIXED ASSETS**  
**For the Year Ended June 30, 2015**

|      |                             | <b>Property and Equipment</b>    |                               |                    |                                  |   |
|------|-----------------------------|----------------------------------|-------------------------------|--------------------|----------------------------------|---|
|      |                             | <b>Balance<br/>June 30, 2014</b> | <b>Additions</b>              | <b>Retirements</b> | <b>Balance<br/>June 30, 2015</b> |   |
|      | 1410 Land                   | \$ 79,720                        | \$ 0                          | \$ 0               | \$ 79,720                        |   |
|      | 1420 Buildings              | 1,771,430                        |                               |                    | 1,771,430                        |   |
|      |                             | \$ 1,851,150                     | \$ 0                          | \$ 0               | \$ 1,851,150                     |   |
|      |                             | <b>Accumulated Depreciation</b>  |                               |                    |                                  |   |
|      |                             | <b>Balance<br/>June 30, 2014</b> | <b>Current<br/>Provisions</b> | <b>Retirements</b> | <b>Balance<br/>June 30, 2015</b> | <b>Net<br/>Book Value<br/>June 30, 2015</b> |
|      | Land                        | \$ 0                             | \$ 0                          | \$ 0               | \$ 0                             | \$ 79,720                                   |
| 1495 | Accumulated<br>depreciation | 618,442                          | 66,020                        |                    | 684,462                          | 1,086,968                                   |
|      |                             | \$ 618,442                       | \$ 66,020                     | \$ 0               | \$ 684,462                       | \$ 1,166,688                                |

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**OTHER SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2015**

**Replacement reserve**

In accordance with the provisions of the Regulatory Agreement, restricted cash is held at Fifth Third Bank to be used for the replacement of property, with the approval of HUD, as follows:

|                                 |           |               |
|---------------------------------|-----------|---------------|
| Beginning balance, July 1, 2014 | \$        | 50,862        |
| Monthly deposits (\$545 x 12)   |           | 6,540         |
| Interest earned                 |           | 11            |
| Withdrawals                     |           | 0             |
| Ending balance, June 30, 2015   | <u>\$</u> | <u>57,413</u> |

**Residual receipts**

In accordance with the provisions of the Regulatory Agreement, restricted cash is to be held in an escrow account to be used for the purposes determined to be necessary or appropriate by HUD.

|                                 |           |          |
|---------------------------------|-----------|----------|
| Beginning balance, July 1, 2014 | \$        | 0        |
| Additions                       |           | 0        |
| Interest earned                 |           | 0        |
| Authorized withdrawals          |           | 0        |
| Ending balance, June 30, 2015   | <u>\$</u> | <u>0</u> |

**BROOK VIEW GARDENS, INC.  
PROJECT NO. 042-HD087  
MORTGAGOR'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Brook View Gardens, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

By: \_\_\_\_\_  
Yvonda Bean  
Executive Director

By: \_\_\_\_\_  
Beverly A. Zadiraka  
Finance Manager

Federal Employer Identification  
Number 34-1942463

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**MANAGEMENT AGENT'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Brook View Gardens, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

By: \_\_\_\_\_  
Yvonda Bean  
Executive Director  
Preferred Properties, Inc.

By: \_\_\_\_\_  
Beverly A. Zadiraka  
Finance Manager  
Preferred Properties, Inc.

Federal Employer Identification  
Number 34-1715222

**BROOK VIEW GARDENS, INC.**  
**PROJECT NO. 042-HD087**  
**GENERAL INFORMATION**  
**For the Year Ended June 30, 2015**

Gilmore Jason Mahler, LTD  
1715 Indian Wood Circle, Suite 100  
Maumee, OH 43537

Engagement Partner: Robert A. Bobek  
Telephone Number: (419) 794-2000  
Federal Employer I.D. Number: 34-1827159

The audit was performed between July 27, 2015 and August 28, 2015.

Records for the accounting and administration of the Federal Financial Assistance programs, and administration of the mortgagor and the management agent are located at 5555 Airport Highway, Suite 145, Toledo, OH 43615, telephone number (419) 244-9609.