

WOOD LANE APARTMENTS

PROJECT NO. 042-HD151-WDD

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
WITH INDEPENDENT AUDITOR'S
REPORTS AND MORTGAGOR'S
AND MANAGEMENT AGENT'S CERTIFICATIONS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wood Lane Apartments
Bowling Green, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Wood Lane Apartments (an Ohio not-for-profit corporation), Project No. 042-HD151-WDD, which consist of the statements of financial position as of December 31, 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 audits. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wood Lane Apartments, as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 24 are presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This 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 March 17, 2016, on our consideration of the Wood Lane Apartments'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 Wood Lane Apartments's internal control over financial reporting and compliance.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
March 17, 2016

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current assets		
Cash	\$ 2,281	\$ 5,465
Housing assistance receivable	2,607	2,523
Total current assets	4,888	7,988
Deposits held in trust		
Tenant security deposits held in trust	4,144	4,144
Restricted deposits and funded reserves		
Reserve for replacements	37,397	33,222
Property and equipment		
Land	114,114	114,114
Building and building improvements	1,790,229	1,790,229
Office furniture and equipment	20,357	20,357
Total property and equipment	1,924,700	1,924,700
Less accumulated depreciation	238,320	190,656
Net property and equipment	1,686,380	1,734,044
Total assets	\$ 1,732,809	\$ 1,779,398
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,843	\$ 10,347
Prepaid rents	2,796	2,523
Total current liabilities	12,639	12,870
Deposit liabilities		
Tenant deposits held in trust	4,144	4,144
Long-term liabilities		
Accounts payable–affiliate	7,157	9,657
Total liabilities	23,940	26,671
Net assets		
Unrestricted	(216,931)	(173,073)
Temporarily restricted	1,925,800	1,925,800
Total net assets	1,708,869	1,752,727
Total liabilities and net assets	\$ 1,732,809	\$ 1,779,398

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

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
STATEMENTS OF ACTIVITES
For the Years Ended December 31, 2015 and 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Tenant assistance	\$ 30,912	\$ 0	\$ 30,912
Rental income, less vacancy loss of \$0 and \$516 in 2015 and 2014, respectively	56,778		56,778
Financial income	25		25
Miscellaneous	1,547		1,547
Total support, revenues and release from restrictions	<u>89,262</u>	<u>0</u>	<u>89,262</u>
Expenses			
Management fees	8,820		8,820
Administrative	8,198		8,198
Professional fees	7,862		7,862
Utilities	23,766		23,766
Operating and maintenance	32,757		32,757
Taxes and insurance	4,053		4,053
Depreciation	47,664		47,664
Total expenses	<u>133,120</u>	<u>0</u>	<u>133,120</u>
Change in net assets	(43,858)	0	(43,858)
Net assets at beginning of year	<u>(173,073)</u>	<u>1,925,800</u>	<u>1,752,727</u>
Net assets at end of year	<u>\$ (216,931)</u>	<u>\$ 1,925,800</u>	<u>\$ 1,708,869</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ 33,500	\$ 0	\$ 33,500
55,961		55,961
24		24
1,779		1,779
<u>91,264</u>	<u>0</u>	<u>91,264</u>
8,774		8,774
8,832		8,832
12,912		12,912
25,144		25,144
27,343		27,343
3,888		3,888
<u>47,664</u>		<u>47,664</u>
<u>134,557</u>	<u>0</u>	<u>134,557</u>
(43,293)	0	(43,293)
<u>(129,780)</u>	<u>1,925,800</u>	<u>1,796,020</u>
<u>\$ (173,073)</u>	<u>\$ 1,925,800</u>	<u>\$ 1,752,727</u>

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

WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Rental income	\$ 87,879	\$ 89,051
Other operating receipts	1,572	1,803
Tenant security and other deposit receipts	0	196
Total cash flows from operating activities	89,451	91,050
Administrative	(27,380)	(32,870)
Utilities	(23,766)	(25,144)
Operating and maintenance	(33,261)	(21,238)
Taxes and insurance	(4,053)	(3,888)
Tenant security and other deposits	0	(196)
Net cash provided by operating activities	991	7,714
Cash flows from investing activities		
Change in minimum capital investment	0	0
Change in reserve for replacements	(4,175)	(5,361)
Net cash used in investing activities	(4,175)	(5,361)
Net increase (decrease) in cash	(3,184)	2,353
Cash		
Cash at beginning of year	5,465	3,112
Cash at end of year	\$ 2,281	\$ 5,465
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (43,858)	\$ (43,293)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,664	47,664
(Increase) decrease in operating assets:		
Tenant security deposits held in trust	0	196
Housing assistance receivable	(84)	(1,330)
Increase (decrease) in operating liabilities:		
Accounts payable	(504)	6,105
Accounts payable–affiliate	(2,500)	(2,352)
Prepaid rents	273	920
Tenant deposits held in trust	0	(196)
Net cash provided by operating activities	\$ 991	\$ 7,714

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

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

Note 1–Nature of business

Wood Lane Apartments, Inc. (the Project) was organized to provide living facilities for disabled residents. The Project is a separate legal entity located in Bowling Green, Ohio and was incorporated in December 2007 and began operations in February 2011. The Project is sponsored by Wood Lane Residential Properties (WLRP), which is a nonprofit private corporation. The management agent for Wood Lane is Preferred Properties, Inc., which is a nonprofit private corporation.

Wood Lane is a 15-unit housing development which receives monthly rentals as approved by HUD. The operations of Wood Lane are regulated by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD) under Section 811 of the Housing Act, (Regulatory Agreement). Wood Lane is required to comply with the terms of the Regulatory Agreement.

Note 2–Summary of significant accounting and reporting policies

Basis of accounting

The financial statements of Wood Lane 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, Not for Profit Entities, Presentation of Financial Statements, to be in accordance with accounting principles generally accepted in the United States of America. Wood Lane 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 December 31, 2015.

Temporarily restricted net assets

Temporarily restricted net assets consist of a capital advance from HUD in the amount of \$1,925,800. The capital advance does not bear interest and need not be repaid as long as the housing remains available to disabled persons for at least 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. Management believes the likelihood of required repayment is remote.

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014**

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

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

All unrestricted investments with original maturities of three months or less are cash equivalents. The Project had no cash equivalents at December 31, 2015 and 2014.

Accounts receivable

Accounts receivable consists of amounts due from HUD for housing assistance payments. The January 2016 housing assistance payments due from HUD are classified as housing assistance receivable in 2015. Tenant accounts receivable consists of amounts due from tenants for rent. Accounts receivable are considered fully collectible at December 31, 2015 and 2014. Accordingly, no allowance for uncollectible accounts is required.

Property and equipment

The cost of the building and equipment will be depreciated over their estimated useful lives (ranging from 7 to 40 years), using the straight-line method. The Project 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 and 2014.

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014**

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

Income taxes

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

Management of the Project is required to determine whether a tax position of the Project 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 of the Project 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). The Project'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 December 31, 2015, through March 17, 2016, which is the date these financial statements were ready to be issued, and has determined that there are no subsequent events that require disclosure.

Note 3—Transactions with affiliates

WLRP performs maintenance services for the Project. Fees incurred to WLRP in 2015 and 2014 for maintenance services were \$7,056. The accounts payable to affiliate balance was \$7,157 and 9,657 at December 31, 2015 and 2014, respectively.

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2015 and 2014**

Note 4—Cash Reserves

HUD requires Wood Lane to fund the following reserves:

Residual receipts

Wood Lane's 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 for project purposes. Required funding of the residual receipts is \$0 as of December 31, 2015 and 2014.

Replacement reserve

In 2015 monthly funding payments of \$597 were required. The funds are to be used for the replacement of property, with the approval of HUD. The Capital Advance Program Regulatory Agreement requires that the mortgagor make monthly deposits to the replacement reserve account. The replacement reserve balance was \$37,397 and \$33,222 at December 31, 2015 and 2014, respectively. HUD approved withdrawals amounted to \$3,014 and \$1,827 in 2015 and 2014, respectively.

Note 5—Rental revenue

Tenants are charged rental amounts based on a percentage of their income, and HUD subsidizes the remainder. HUD approved rentals per unit were \$522 for the period January 2014 through December 2015. The rent subsidy contract with HUD expires December 2016.

Note 6—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

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015**

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Section 8 Housing Assistance Payments— Special Allocations	14.181	\$ 30,918
Supportive Housing for Persons with Disabilities (Section 811)	14.181	<u>1,925,800</u>
	Total expenditures of federal awards	<u>\$ 1,956,718</u>

The accompanying note is an integral part of this schedule.

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015**

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of Wood Lane Apartments, is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Directors
Wood Lane Apartments, Inc.
Bowling Green, 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 Wood Lane Apartments, which consist of the statement of financial position as of December 31, 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 March 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements and compliance, we considered Wood Lane Apartments's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wood Lane Apartments's internal control. Accordingly, we do not express an opinion on the effectiveness of Wood Lane Apartments'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 weakness 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 Wood Lane Apartments'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 Wood Lane Apartments's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wood Lane Apartments's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
March 17, 2016

**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 THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wood Lane Apartments
Bowling Green, Ohio

Report on Compliance for Each Major Federal Program

We have audited Wood Lane Apartments, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wood Lane Apartments, Inc.'s major federal programs for the year ended December 31, 2015. Wood Lane Apartments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 Wood Lane Apartments, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wood Lane Apartments, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Wood Lane Apartments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Wood Lane Apartments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wood Lane Apartments, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Wood Lane Apartments, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
March 17, 2016

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
For the Year Ended December 31, 2015**

Section I – Summary of Auditors 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 2 CFR 200.516(a)?	No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.181	Department of Housing and Urban Development Supportive Housing for Persons with Disabilities (Section 811)
Dollar threshold used to distinguish between type A and type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
SCHEDULE OF THE STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS,
AND RECOMMENDATIONS
For the Year Ended December 31, 2014**

There were no reportable findings for the year ended December 31, 2014.

HUD SUPPLEMENTARY INFORMATION

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
BALANCE SHEET
December 31, 2015**

ASSETS

Current assets

1120	Cash—operations	\$	2,281
1135	Housing assistance receivable		2,607
	Total current assets		4,888

Restricted deposits and funded reserves

1191	Tenant deposits held in trust		4,144
1320	Reserve for replacements		37,397
	Total deposits		41,541

Property and equipment

1410	Land		114,114
1420	Building and building improvements		1,790,229
1465	Office equipment		20,357
	Total property and equipment		1,924,700
1495	Less accumulated depreciation		238,320
	Net property and equipment		1,686,380
	Total assets		\$ 1,732,809

LIABILITIES AND NET ASSETS

Current liabilities

2110	Accounts payable	\$	17,000
2210	Prepaid revenues		2,796
	Total current liabilities		19,796

Long term liabilities

2191	Tenant deposits held in trust		4,144
	Total liabilities		23,940

Net assets

3131	Unrestricted net assets		(216,931)
3132	Temporarily restricted net assets		1,925,800
	Total net assets		1,708,869
	Total liabilities and net assets		\$ 1,732,809

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
STATEMENT OF PROFIT AND LOSS
For the Year Ended December 31, 2015**

Rent revenue

5120	Rent revenue—gross potential	\$ 56,778	
5121	Tenant assistance payments	30,912	
	Total rent revenue	87,690	

Vacancies

5220	Vacancies—apartments	0	
	Total vacancies	0	
	Net rent revenue	87,690	

Financial revenue

5490	Revenue from investments	25	
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Other revenue

5910	Laundry revenue	1,547	
	Total revenue	89,262	

Administrative expenses

6203	Conventions and meetings	111	
6310	Office salaries	5,040	
6311	Office expense	3,047	
6320	Management fees	8,820	
6350	Audit expenses	6,350	
6351	Bookkeeping fees	1,512	
	Total administrative expenses	24,880	

Utilities expenses

6450	Electricity	22,263	
6452	Gas	1,503	
	Total utilities expenses	23,766	

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
STATEMENT OF PROFIT AND LOSS – CONTINUED
For the Year Ended December 31, 2015**

Operating and maintenance expenses

6510 Payroll	7,056
6515 Supplies	4,495
6520 Contracts	15,384
6525 Garbage and trash removal	1,952
6548 Snow removal	3,870
Total operating and maintenance expenses	32,757

Taxes and insurance

6710 Real estate taxes	6
6720 Property and liability insurance	3,110
6790 Miscellaneous taxes, insurance, license and permits	937
Total taxes and insurance	4,053

	Total cost of operations before depreciation	85,456
Income before depreciation		3,806
6600 Depreciation		47,664
	Net loss	\$ (43,858)

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2015**

Computation of surplus cash

Current cash

S1300-010	Cash (accounts 1120 and 1191)	\$	6,425
1135	Accounts receivable-HUD		2,607
			9,032
	Total current cash		9,032

Current obligations

2110	Accounts payable		17,000
2191	Tenant deposits held in trust		4,144
2210	Prepaid revenue		2,796
S1300-140		Total current obligations	23,940
S1300-150		Cash deficiency	\$ (14,908)
S1300-210		Deposit due residual receipts	\$ 0

Replacement reserve

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

BEGINNING BALANCE, January 1, 2015	\$	33,222
Monthly deposits (\$597 x 12)		7,164
Interest earned		25
Authorized withdrawals		(3,014)
ENDING BALANCE, December 31, 2015	\$	37,397

Residual receipts

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the bank as follows:

BEGINNING BALANCE, January 1, 2015	\$	0
Additions		0
Interest earned		0
Authorized withdrawals		0
ENDING BALANCE, December 31, 2015	\$	0

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
SCHEDULE OF CHANGES IN FIXED ASSETS
For the Year Ended December 31, 2015**

		Property and Equipment			
		Balance 12/31/14	Additions	Retirements	Balance 12/31/15
1410	Land	\$ 114,114	\$ 0	\$ 0	\$ 114,114
1420	Building and building improvements	1,790,229			1,790,229
1465	Office furniture	20,357			20,357
		\$ 1,924,700	\$ 0	\$ 0	\$ 1,924,700

		Accumulated Depreciation				Net
		Balance 12/31/14	Current Provisions	Retirements	Balance 12/31/15	Book Value 12/31/15
	Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 114,114
1495	Accumulated depreciation	190,656	47,664		238,320	1,572,266
		\$ 190,656	\$ 47,664	\$ 0	\$ 238,320	\$ 1,686,380

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
MORTGAGOR'S CERTIFICATION**

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

By: Signature on File
Jessica Miller-Blakely
Chief Executive Officer

By: Signature on File
Tonia Peters
Finance Director

Federal Employer Identification
Number 16-1675124

**WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
MANAGEMENT AGENT'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Wood Lane Apartments and, to the best of our knowledge and belief, the same is complete and accurate.

By: *Signature on File*
Yvonda A. Bean
Executive Director
Preferred Properties, Inc.

By: *Signature on File*
Beverly A. Zadiraka
Finance Manager
Preferred Properties, Inc.

Federal Employer Identification
Number 34-1715222

WOOD LANE APARTMENTS
PROJECT NO. 042-HD151-WDD
GENERAL INFORMATION
For the Year Ended December 31, 2015 and 2014

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 December 16, 2015 and February 19, 2016, at Wood Lane Apartments, Inc.'s facility.

Records for the accounting and administration of the Federal Financial Assistance programs, and administration for the mortgagor and the management agent are located at 5555 Airport Highway, Suite 220, Toledo, Ohio 43615, telephone number (419) 244-9609.