

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

**FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
WITH AUDITOR'S REPORTS,
SUPPLEMENTARY INFORMATION,
HUD SUPPLEMENTARY INFORMATION,
AND MORTGAGOR'S
AND MANAGEMENT AGENT'S CERTIFICATIONS**

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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, 2016 and 2015, 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, 2016 and 2015, 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 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. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, 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 20, 2016

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	ASSETS	<u>2016</u>	<u>2015</u>
Current assets			
Cash		\$ 6,023	\$ 895
Tenant accounts receivable		257	15
Housing assistance receivable		6,267	8,407
	Total current assets	<u>12,547</u>	<u>9,317</u>
Deposits held in trust			
Tenant security deposits		4,153	4,141
Restricted deposits and funded reserves			
Reserve for replacements		49,834	57,413
Property and equipment			
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		750,082	684,462
	Net property and equipment	<u>1,101,068</u>	<u>1,166,688</u>
	Total assets	<u>\$ 1,167,602</u>	<u>\$ 1,237,559</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 3,975	\$ 16,703
Prepaid rents		6,911	8,922
Payable to affiliate		4,823	2,609
	Total current liabilities	<u>15,709</u>	<u>28,234</u>
Deposit liabilities			
Tenant security deposits		4,153	4,141
	Total liabilities	<u>19,862</u>	<u>32,375</u>
Unrestricted net assets			
Unrestricted		(657,760)	(600,316)
Temporarily restricted		1,805,500	1,805,500
	Total net assets	<u>1,147,740</u>	<u>1,205,184</u>
	Total liabilities and net assets	<u>\$ 1,167,602</u>	<u>\$ 1,237,559</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, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Tenant assistance	\$ 73,869	\$ 0	\$ 73,869
Rental income, less vacancy loss of \$2,585 in 2016 and \$2,069 in 2015	54,489		54,489
Miscellaneous income	185		185
Interest income	11		11
Total support and revenues	128,554	0	128,554
Expenses			
Management fees	9,241		9,241
Office expenses	3,351		3,351
Professional fees	6,150		6,150
Utilities	32,308		32,308
Operating and maintenance	48,155		48,155
Taxes and insurance	11,576		11,576
Other administrative expenses	9,597		9,597
Depreciation	65,620		65,620
Total expenses	185,998	0	185,998
Change in net assets	(57,444)	0	(57,444)
Net assets at beginning of year	(600,316)	1,805,500	1,205,184
Net assets at end of year	<u>\$ (657,760)</u>	<u>\$ 1,805,500</u>	<u>\$ 1,147,740</u>

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 101,853	\$ 0	\$ 101,853
51,592		51,592
751		751
11		11
<u>154,207</u>	<u>0</u>	<u>154,207</u>
9,255		9,255
4,309		4,309
6,150		6,150
34,930		34,930
76,492		76,492
11,349		11,349
9,455		9,455
66,020		66,020
<u>217,960</u>	<u>0</u>	<u>217,960</u>
(63,753)	0	(63,753)
<u>(536,563)</u>	<u>1,805,500</u>	<u>1,268,937</u>
<u>\$ (600,316)</u>	<u>\$ 1,805,500</u>	<u>\$ 1,205,184</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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Rental receipts	\$ 128,245	\$ 157,175
Interest receipts	11	11
Other operating receipts	185	751
Total cash flows from operating activities	128,441	157,937
Administrative	(19,098)	(19,914)
Management fees	(10,025)	(12,314)
Utilities	(32,308)	(34,930)
Operating and maintenance	(57,885)	(74,522)
Taxes and insurance	(11,576)	(11,349)
Net cash provided by (used in) operating activities	(2,451)	4,908
Cash flows from investing activities		
Change in reserve for replacements	7,579	(6,551)
Net cash provided by (used in) investing activities	7,579	(6,551)
Net increase (decrease) in cash	5,128	(1,643)
Cash		
Cash at beginning of year	895	2,538
Cash at end of year	\$ 6,023	\$ 895
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (57,444)	\$ (63,753)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	65,620	66,020
(Increase) decrease in tenant accounts receivable	(242)	810
(Increase) decrease in housing assistance receivable	2,140	(2,316)
Increase (decrease) in accounts payable	(12,728)	8,309
Increase (decrease) in prepaid rents	(2,011)	5,236
Increase (decrease) in payable to affiliate	2,214	(9,398)
Net cash provided by (used in) operating activities	\$ (2,451)	\$ 4,908

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, 2016 and 2015

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, 2016 and 2015. See Note 3 for a detail of temporarily restricted net assets at June 30, 2016 and 2015.

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, 2016 and 2015.

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2016 and 2015

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

Accounts receivable

Tenant accounts receivable consists of rent due from tenants. The July 2016 and July 2015 housing assistance payments due from HUD are classified as housing assistance receivable. Accounts receivable are considered fully collectible at June 30, 2016 and 2015. 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 2016 or 2015.

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, 2016, through September 20, 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.

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2016 and 2015

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 \$682 per month for the period of July 1, 2015 through June 30, 2016 and \$810 per month for the period of July 1, 2014 through June 30, 2015. The rent subsidy contract with HUD expires August 2016.

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, 2016 and 2015. The payable to affiliate balances at June 30, 2016 and 2015 amount to \$4,823 and \$2,609, respectively, for other operating costs, and accrued management fees.

In 2016, Preferred Properties, Inc. charged Brook View a management fee equal to \$49 per unit rented throughout the year. Management fees charged in 2016 and 2015 amounted to \$9,241 and \$9,255, respectively.

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2016 and 2015

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, 2016 and 2015 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, 2016 and 2015 the replacement reserve balance was \$49,834 and \$57,413, respectively. HUD-approved withdrawals amounted to \$14,130 and \$0 in 2016 and 2015, 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, 2016

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Supportive Housing for Persons with Disabilities PRAC	14.181	\$ 73,869
Supportive Housing for Persons with Disabilities Capital Advance	14.181	<u>1,233,500</u>
	Total expenditures of federal awards	<u>\$ 1,307,369</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, 2016

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 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 basic 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, 2016, 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 20, 2016.

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 20, 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
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 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, 2016. 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 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 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 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, 2016.

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
September 20, 2016

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
BALANCE SHEET
June 30, 2016

ASSETS

Current assets

1120	Cash – operations	\$	6,023
1130	Tenant accounts receivable		257
1135	Accounts receivable - HUD		6,267
	Total current assets		12,547

Restricted deposits and funded reserves

1191	Tenant/patient deposits held in trust		4,153
1320	Replacement reserve		49,834
	Total restricted deposits and funded reserves		53,987

Property and equipment

1410	Land		79,720
1420	Building		1,771,430
	Total property and equipment		1,851,150
1495	Less accumulated depreciation		750,082
	Net property and equipment		1,101,068
	Total assets	\$	1,167,602

LIABILITIES AND NET ASSETS

Current liabilities

2110	Accounts payable - operations	\$	8,798
2210	Prepaid revenue		6,911
	Total current liabilities		15,709

Deposit liabilities

2191	Tenant deposits held in trust		4,153
	Total liabilities		19,862

Net assets

3131	Unrestricted net assets		(657,760)
3132	Temporarily restricted net assets		1,805,500
	Total net assets		1,147,740

		\$	1,167,602
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BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENT OF PROFIT AND LOSS
For the Year Ended June 30, 2016

Rent revenue

5120	Rent revenue – gross potential	\$ 57,074
5121	Tenant assistance payments	73,869
	Total revenue	130,943

Vacancies

5220	Apartments	2,585
	Total vacancies	2,585
	Net rent revenue	128,358

Financial revenue

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

Other revenue

5920	Tenant charges	185
	Total other revenue	185
	Total revenue	128,554

Administrative expenses

6203	Conventions and meetings	188
6210	Advertising and marketing	496
6310	Office salaries	6,636
6311	Office expenses	3,351
6320	Management fee	9,241
6350	Audit expense	6,150
6351	Bookkeeping fees/accounting services	2,244
6390	Misc. Administrative Expenses	33
	Total administrative expenses	28,339

Utilities expenses

6450	Electricity	16,414
6451	Water	8,923
6452	Gas	6,971
	Total utilities expenses	32,308

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENT OF PROFIT AND LOSS-CONTINUED
For the Year Ended June 30, 2016

Operating and maintenance expenses

6510	Payroll	9,204
6515	Supplies	9,564
6520	Contracts	21,829
6525	Garbage and trash removal	3,414
6548	Snow removal	4,144
	Total operating and maintenance expenses	48,155

Taxes and insurance

6710	Real estate taxes	1,239
6720	Property and liability insurance	8,623
6790	Miscellaneous taxes, licenses, permits and insurance	1,714
	Total taxes and insurance	11,576

Total cost of operations before depreciation 120,378

Profit before depreciation 8,176

6600	Depreciation expenses	65,620
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Net loss \$ (57,444)

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
COMPUTATION OF SURPLUS CASH
For the Year Ended June 30, 2016

Current cash

	Cash (accounts 1120 and 1191)	\$	10,176
1135	Accounts receivable – HUD		6,267
	Total current cash		<u>16,443</u>

Current obligations

	Accounts payable – operations		8,798
2191	Tenant deposits held in trust		4,153
2210	Prepaid revenue		<u>6,911</u>
	Total current obligations		<u>19,862</u>
	Deficiency	\$	<u><u>(3,419)</u></u>
	Deposit due receipts	\$	<u><u>0</u></u>

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
SCHEDULE OF CHANGES IN FIXED ASSETS
For the Year Ended June 30, 2016

		Property and Equipment				
		Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	
1410	Land	\$ 79,720	\$ 0	\$ 0	\$ 79,720	
1420	Buildings	1,771,430			1,771,430	
		\$ 1,851,150	\$ 0	\$ 0	\$ 1,851,150	
		Accumulated Depreciation				
		Balance June 30, 2015	Current Provisions	Retirements	Balance June 30, 2016	Net Book Value June 30, 2016
1495	Land Accumulated depreciation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,720
		684,462	65,620		750,082	1,021,348
		\$ 684,462	\$ 65,620	\$ 0	\$ 750,082	\$ 1,101,068

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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, 2015	\$	57,413
Monthly deposits (\$545 x 12)		6,540
Interest earned		11
Withdrawals		(14,130)
Ending balance, June 30, 2016	<u>\$</u>	<u>49,834</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, 2015	\$	0
Additions		0
Interest earned		0
Authorized withdrawals		0
Ending balance, June 30, 2016	<u>\$</u>	<u>0</u>

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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 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
Dollar threshold used to distinguish between type A and type B programs	\$750,000
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 (2015) AUDIT FINDINGS
For the Year Ended June 30, 2016

There were no reportable findings for the year ended June 30, 2015.

HUD SUPPLEMENTARY INFORMATION

**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: Signature on File
John Nolan
Chairman

By: Signature on File
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: Signature on File
John Nolan
Chairman
Preferred Properties, Inc.

By: Signature on File
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, 2016

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 August 1, 2016 and August 26, 2016.

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.