

**ASHVILLE SENIOR HOUSING
ASSOCIATION, INC.
LOUISE TERRACE
HUD PROJECT NO. 043-EE008-NP-L8-WAH**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

James G. Zupka, CPA, Inc.
Certified Public Accountants

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
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JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Ashville Senior Housing Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ashville Senior Housing Association, Inc., HUD Project No. 043-EE008-NP-L8-WAH, which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ashville Senior Housing Association, Inc. as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ashville Senior Housing Association, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ashville Senior Housing Association, Inc.'s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Ashville Senior Housing Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ashville Senior Housing Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included on pages 11 through 15 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 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 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 a report dated March 30, 2022, on our consideration of the Asheville Senior Housing Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Asheville Senior Housing Association, Inc.'s internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Asheville Senior Housing Association, Inc.'s control over financial reporting and compliance.

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 30, 2022

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,174
Accounts Receivable	3,240
Funded Reserves	232,380
Deposits Held in Trust	13,222
Other Current Assets	7,236
Total Current Assets	<u>258,252</u>

Property and Equipment

Land and Improvements	390,039
Building	1,538,508
Furniture, Fixtures, and Equipment	222,334
	<u>2,150,881</u>
Less: Accumulated Depreciation	(1,485,993)
Net Property and Equipment	<u>664,888</u>

TOTAL ASSETS

\$ 923,140

LIABILITIES AND NET DEFICIT

Current Liabilities

Accounts Payable	\$ 5,530
Accrued Real Estate Taxes	24,162
Other Current Liabilities	15,310
Total Current Liabilities	<u>45,002</u>

Long-Term Liabilities

Mortgage Note Payable	1,947,500
Total Long-Term Debt	<u>1,947,500</u>
Total Liabilities	<u>1,992,502</u>

Net Deficit

(1,069,362)

TOTAL LIABILITIES AND NET ASSETS

\$ 923,140

See accompanying notes to the financial statements.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>REVENUE</u>	
Rent Revenue	\$ 264,566
Finance Revenue	230
Other Revenue	<u>5,219</u>
TOTAL REVENUE	<u>270,015</u>
 <u>EXPENSES</u>	
Program Services:	
Utilities	68,390
Operating and Maintenance	90,203
Taxes and Insurance	30,310
Depreciation	<u>61,707</u>
Total Program Services	<u>250,610</u>
 Supporting Services:	
Administrative	<u>83,345</u>
Total Supporting Services	<u>83,345</u>
TOTAL EXPENSES	<u>333,955</u>
Change in Net Deficit	(63,940)
 Net Deficit, Beginning of Year	<u>(1,005,422)</u>
 NET DEFICIT, END OF YEAR	 <u>\$ (1,069,362)</u>

See accompanying notes to the financial statements.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Cash Flows from Operating Activities</u>	
Rental Receipts	\$ 262,096
Interest Receipts	28
Other Cash Receipts	5,199
Administrative Disbursements	(40,835)
Utilities Disbursements	(68,390)
Payroll Disbursements	(18,315)
Management Disbursements	(30,701)
Real Estate Taxes	(24,162)
Property Insurance	(5,723)
Operating and Maintenance Disbursements	(81,340)
Tenant Security Deposits	439
Disbursements for Prepaid Expenses	(492)
Net Cash Provided by Operating Activities	<u>(2,196)</u>
 <u>Cash Flows from Investing Activities</u>	
Deposits to Reserves for Replacements	(12,564)
Deposits to Residual Receipts	(3,731)
Withdrawals from Reserves for Replacements	35,817
Purchases of Property and Equipment	<u>(23,280)</u>
Net Cash Used by Investing Activities	<u>(3,758)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,954)
 Cash and Cash Equivalents at Beginning of Period	 <u>8,128</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 2,174</u>
 <u>Reconciliation of Change in Net Deficit to</u>	
<u>Net Cash Provided by Operating Activities:</u>	
Change in Net Deficit	\$ (63,940)
Adjustments to Reconcile Change in Net Deficit to	
Net Cash Provided by Operating Activities:	
Depreciation	61,707
Interest Income Retained in Restricted Deposit Accounts	(202)
Changes in Assets and Liabilities:	
Accounts Receivable - Tenant	(2,470)
Prepaid Insurance	(492)
Tenant Security Deposits	439
Accounts Payable	694
Other Miscellaneous	<u>2,068</u>
Net Cash Provided by Operating Activities	<u>\$ (2,196)</u>

See accompanying notes to the financial statements.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: ORGANIZATION AND OPERATIONS

Ashville Senior Housing Association, Inc. (the ASHA), Louise Terrace (the Association), is organized as a nonprofit corporation under the laws of the State of Ohio, for the purpose of developing and operating a 41- unit project located in Ashville, Ohio (the Project). Louise Terrace is insured under section 202 of the National Housing Act, with mortgage insurance provided by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development.

The responsibility for management of the affairs of Louise Terrace, and the ongoing management of the Project is vested with Ashville Senior Housing Association. The Association contracts with Pickaway Metropolitan Housing Authority to provide management and maintenance services for the apartment project. Compensation for such services is determined in the management agreement.

Effective on January 10, 2015, the Association and the United States Department of Housing and Urban Development (HUD) entered into a Project Rental Assistance Contract (PRAC) whereby HUD subsidized the Project to the extent of the fair market value of the rents. The contract, which had a term of one year was revised on October 18, 2016 and includes a term of one year that automatically renews annually. This contract may be terminated by either party at the end of any calendar month with 30 days advance written notice. The amount of rental assistance received from HUD in the period was \$112,638.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements are presented using the accrual basis of accounting. In using this method, revenues are recorded in the period they are earned and expenses are recorded in the period they are incurred.

Property and Equipment

Property and equipment are carried at cost. Expenditures for additions and major improvements that significantly extend the asset's life are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The Association uses the straight-line method of computing depreciation for financial reporting purposes. The estimated useful lives of the assets used for determining depreciation are

Land Improvements	15 years
Buildings	40 years
Furniture, Fixtures, and Equipment	7 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. An impairment loss would be recognized in operations for the amount that the carrying value of an asset or asset group exceeds its fair value determined using applicable accounting standards. No impairments have been recorded.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition

The Association recognizes revenue from tenant rent agreements in accordance with Accounting Standards Update (ASU) 840, *Leases*. Rental revenue is generated from base rents received through agreements with tenants and is recognized in the month earned as stated in the Agreement. Revenues from all other sources, primarily laundry, vending, and late charges, are recognized as the service is provided or the customer is charged. The Association generally meets its performance obligations related to laundry and vending services immediately.

Income Taxes

The Association is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Net Assets Without Donor Restrictions

None of the Association's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Liquidity Management

The Association has \$5,414 of financial assets available within one year of the balance sheet date for general expenditure, consisting of cash and cash equivalents of \$2,174 and accounts receivable of \$3,240. None of the financial assets are subject to restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The Association has funded reserves set aside for significant recurring expenses such as taxes and insurance, as well as major repair and maintenance projects.

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association has a management agreement approved by the Board of Directors with the Pickaway Metropolitan Housing Authority to conduct business, including authorization of operational disbursements and expenditures, on behalf of Louise Terrace.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments with a maturity date of three months or less at the date of purchase to be cash equivalents. There were no cash payments for interest or income taxes for the years presented.

Risk Due to Concentration

The Association's operations are concentrated in the multifamily real estate market which is a heavily regulated environment. The Association is 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 HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2021. The standard can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Association is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance.

Capital Advance Mortgage

The Association has a non-amortizing capital advance from HUD. The mortgage is for a term of 40 years and is secured by a 41-unit apartment project in Ashville, Ohio which is the principal asset of the Association. Total principal outstanding at December 31, 2021 was \$1,947,500, and the maturity date is February 1, 2034. The note bears no interest and repayment is not required as long as the housing remains available for very low-income, elderly persons or very low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959 or Section 811 of the National Affordable Housing Act of 1990. Once these terms have been met, the note shall be considered to be paid and the principal balance discharged at maturity.

Management Agreement

The Association has a contract with the Pickaway Metropolitan Housing Authority to provide management and maintenance services for the apartment project. Management fees of \$30,701 for this period were billed at 11.6 percent of residential income collected. Maintenance services are billed based on historical effort, periodically updated to actual. The amount charged to operations for these maintenance services during the year ended December 31, 2021, was \$35,922.

Funded Reserves

In accordance with the terms of the contract with HUD, the Association is required to set aside certain amounts for the replacement of property and other project expenditures as approved by HUD. These reserves, which were \$232,380 at December 31, 2021, are held in separate accounts and generally are not available for operating purposes.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Current Vulnerability Due to Certain Concentrations

The Association's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Association 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.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will likely impact subsequent periods of the Ashville Senior Housing Association, Inc. The impact on the Ashville Senior Housing Association, Inc.'s future operating costs and revenues cannot be estimated.

Subsequent Events

Subsequent events were evaluation through March 30, 2022, which is the date the financial statements were available to be issued.

NOTE 3: **FUNCTIONAL EXPENSES**

The Association provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional expenses that require allocation between activities.

	Program Rental	Supporting Activities Management and General	Total Expenses
Payroll and Benefits	\$ 60,257	\$ 0	\$ 60,257
Administrative	17,139	0	17,139
Management Fee	0	30,701	30,701
Utilities	68,390	0	68,390
Repair and Maintenance	65,451	0	65,451
Taxes and Insurance	30,310	0	30,310
Depreciation and Amortization	61,707	0	61,707
Total	<u>\$ 303,254</u>	<u>\$ 30,701</u>	<u>\$ 333,955</u>

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
DECEMBER 31, 2021

STATEMENT OF NET POSITION

ASSETS

Current Assets

1120	Cash in Bank	\$	2,174
1130	Accounts Receivable		3,240
1200	Prepaid Insurance and Other		7,236
	Total Current Assets		12,650

DEPOSITS HELD

1191	Tenant Security Deposits		13,222
			13,222

FUNDED RESERVES

1320	Replacement Reserve		179,988
1330	Taxes and Insurance		38,741
1340	Residual Receipts		13,651
	Total Funded Reserves		232,380

Property and Equipment

1410	Land and Land Improvements		390,039
1420	Building		1,538,508
1460	Furnishings		75,076
1465	Office Equipment		3,767
1470	Maintenance Equipment		143,491
			2,150,881
1495	Less: Accumulated Depreciation		(1,485,993)
	Net Property and Equipment		664,888

TOTAL ASSETS

\$ 923,140

LIABILITIES AND NET DEFICIT

Current Liabilities

2110	Accounts Payable	\$	5,530
2120	Accrued Wages Payable		2,088
2150	Accrued Property Taxes		24,162
	Total Current Liabilities		31,780

Deposits Held (Contra)

2191	Tenant Security Deposits		13,222
	Total Deposits Held (Contra)		13,222

Long-Term Liabilities

2320	Capital Advance Mortgage		1,947,500
	Total Liabilities		1,992,502

Net Deficit

3131	Deficit from Operations		(1,069,362)
	Total Net Deficit		(1,069,362)

TOTAL LIABILITIES AND NET DEFICIT

\$ 923,140

See Independent Auditor's Report.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

STATEMENT OF ACTIVITIES

RENT REVENUE

5120	Apartments or Member Carrying Charges (Co-	\$ 155,502
5121	Tenance Assistance Payments	112,638
5220	Vacancies	<u>(3,574)</u>
	Total Rent Revenue	<u>264,566</u>

FINANCIAL REVENUE

5430	Revenue from Investments - Residual Receipts	6
5440	Revenue from Investments - Replacement Reserve	196
5490	Revenue from Investments - Miscellaneous	<u>28</u>
	Total Financial Revenue	<u>230</u>

OTHER REVENUE

5910	Laundry and Vending	4,550
5920	Tenant Charges	<u>669</u>
	Total Other Revenue	<u>5,219</u>

TOTAL REVENUE	<u><u>\$ 270,015</u></u>
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See Independent Auditor's Report.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

STATEMENT OF ACTIVITIES
(Continued)

EXPENSES

Administrative Expenses

6210	Advertising	\$	424
6310	Office Salaries		23,696
6311	Office Supplies		6,008
6320	Management		30,701
6340	Legal Expenses (Project)		116
6350	Auditing Expenses		5,861
6360	Telephone and Answering Service		1,912
6390	Miscellaneous		2,818
	Total Administrative Expenses		71,536

Utilities Expense

6450	Electricity (Light and Miscellaneous Power)		34,897
6451	Water		22,439
6452	Gas		11,054
	Total Utilities Expense		68,390

Operating and Maintenance Expense

6517	Janitor and Cleaning Contract		20,070
6519	Exterminating Payroll/Contract		375
6525	Garbage and Trash Removal		1,415
6537	Grounds Contract		7,500
6540	Repairs-Payroll		20,403
6541	Repairs-Material		8,322
6542	Repairs Contract		24,005
6545	Elevator Maintenance/Contract		2,107
6570	Vehicle Operation and Repairs		1,657
	Total Operating and Maintenance Expense		85,854

Taxes and Insurance

6710	Real Estate Taxes		24,162
6720	Property and Liability Insurance (Hazard)		5,723
6721	Fidelity Bond Insurance		262
6723	Health Insurance and Other Benefits		16,158
6729	Other Insurance		163
	Total Taxes and Insurance		46,468

Total Expenses Before Depreciation

272,248

Change in Net Deficit Before Depreciation

(2,233)

6600 Depreciation

61,707

Change in Net Deficit for the Year

(63,940)

Net Deficit, Beginning of Year

(1,005,422)

Net Deficit, End of Year

\$ (1,069,362)

See Independent Auditor's Report.

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
 HUD PROJECT 043-EE008-NP-L8-WAH
 SUPPLEMENTARY INFORMATION REQUIRED BY HUD
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (CONTINUED)**

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the regulatory agreement, restricted cash is held at financial institutions to be used for replacement of property with the approval of HUD. Following is activity for the year:

Balance, December 31, 2020	\$	203,045
Add:		
Monthly Deposits (12 x \$1,047 per month)		12,564
Interest Income		196
		(35,817)
Balance, December 31, 2021	\$	<u>179,988</u>

RESIDUAL RECEIPTS

Balance, December 31, 2020	\$	9,914
Add:		
Deposit		3,731
Interest Income		6
		6
Balance, December 31, 2021	\$	<u>13,651</u>

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS - ANNUAL

Cash	\$	<u>15,396</u>
Current Obligations:		
Accounts Payable Due Within 30 Days		5,530
Accrued Wages Payable		2,088
Tenant Security Deposits		13,222
Replacement Reserve Due in 30 Days		1,047
		21,887
Total Current Obligations		21,887
Surplus Cash	\$	<u>(6,491)</u>

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

CHANGES IN PROPERTY AND EQUIPMENT

	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021
Land and Land Improvements	\$ 390,039	\$ 0	\$ 0	\$ 390,039
Building	1,515,228	23,280	0	1,538,508
Office Equipment	3,767	0	0	3,767
Furniture and Fixtures	75,076	0	0	75,076
Machinery and Equipment	143,491	0	0	143,491
Total Assets	\$ 2,127,601	\$ 23,280	\$ 0	\$ 2,150,881

Accumulated Depreciation

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Net Book Value 12/31/2021
Land and Land Improvements	\$ 245,268	\$ 12,266	\$ 0	\$ 257,534	\$ 132,505
Building	995,372	43,492	0	1,038,864	499,644
Office Equipment	3,767	0	0	3,767	0
Furniture and Fixtures	68,700	969	0	69,669	5,407
Machinery and Equipment	111,179	4,980	0	116,159	27,332
Total Accumulated Depreciation	\$ 1,424,286	\$ 61,707	\$ 0	\$ 1,485,993	\$ 664,888

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
 HUD PROJECT 043-EE008-NP-L8-WAH
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Supporting Housing for the Elderly - Section 202 Capital Advance	14.157 *	\$ 1,947,500
Supporting Housing for the Elderly - Project Rental Assistance Contract (PRAC) <i>Total ALN #14.157</i>	14.157	<u>112,658</u>
Total U.S. Department of Housing and Urban Development		<u>2,060,158</u>
Total Expenditures of Federal Awards		<u>\$ 2,060,158</u>

* The Section 202 Capital Advance represents the outstanding loan balance at January 1, 2021.

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT 043-EE008-NP-L8-WAH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ashville Senior Housing Association, Inc., HUD Project 043-EE008-NP-L8-WAH, under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Ashville Senior Housing Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Ashville Senior Housing Association, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Ashville Senior Housing Association, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: LOAN BALANCE OUTSTANDING

The outstanding loan balance for the Supporting Housing for the Elderly – Section 202 Capital Advance - ALN #14.157 – was \$1,947,500 at December 31, 2021.

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Partners of
Ashville Senior Housing Association, Inc.

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 the Ashville Senior Housing Association, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ashville Senior Housing Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the Ashville Senior Housing Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Ashville Senior Housing Association, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Asheville Senior Housing Association, Inc.'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 financial statements. 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 Asheville Senior Housing Association, Inc.'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 Asheville Senior Housing Association, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 30, 2022

JAMES G. ZUPKA, C.P.A., INC.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Partners of
Asheville Senior Housing Association, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Asheville Senior Housing Association, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Asheville Senior Housing Association, Inc.'s major federal program for the year ended December 31, 2021. The Asheville Senior Housing Association, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Asheville Senior Housing Association, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Asheville Senior Housing Association, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Asheville Senior Housing Association, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements to the Ashville Senior Housing Association, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Ashville Senior Housing Association, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ashville Senior Housing Association, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Ashville Senior Housing Association, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Ashville Senior Housing Association, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Ashville Senior Housing Association, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 30, 2022

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
 HUD PROJECT #043-EE008-NP-L8-WAH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

2021(i) Type of Financial Statement Opinion	Unmodified
2021(ii) Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2021(ii) Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2021(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2021(iv) Were there any material internal control weaknesses reported for major federal programs?	No
2021(iv) Were there any significant deficiencies in internal control reported for major federal programs?	No
2021(v) Type of Major Programs' Compliance Opinion	Unmodified
2021(vi) Are there any reportable findings under 2 CFR 200.516(a)?	No
2021(vii) Major Programs (list): Section 202 Capital Advance - ALN #14.157	
2021(viii) Dollar Threshold: Type A\B Programs	Type A: \$750,000 Type B: All Others
2021(ix) Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT #043-EE008-NP-L8-WAH
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

There were no findings or questioned costs for the year ended December 31, 2020.

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT #043-EE008-NP-L8-WAH**

MORTGAGOR'S CERTIFICATION

FOR THE YEAR ENDED DECEMBER 31, 2021

We hereby certify that we have examined the accompanying 2021 financial statements and supplemental data of **ASHVILLE SENIOR HOUSING ASSOCIATION, INC.** and, to the best of our knowledge and belief, the same is complete and accurate.

Date

**ASHVILLE SENIOR HOUSING ASSOCIATION, INC.
HUD PROJECT #043-EE008-NP-L8-WAH**

MANAGING AGENT'S CERTIFICATION

FOR THE YEAR ENDED DECEMBER 31, 2021

We hereby certify that we have examined the accompanying 2021 financial statements and supplemental data of **ASHVILLE SENIOR HOUSING ASSOCIATION, INC.** and, to the best of our knowledge and belief, the same is complete and accurate.

Date