

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT NO. 043-11258-NP-L8-WAH**

SINGLE AUDIT REPORT

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

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

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT NO. 043-11258-NP-L8-WAH
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
PMHA Pickaway Terrace, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PMHA Pickaway Terrace, LLC, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, changes in net assets, and changes in 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 PMHA Pickaway Terrace, LLC, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 PMHA Pickaway Terrace, LLC, 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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 to 14 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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC's internal control over financial reporting and compliance.

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

March 30, 2022

**PMHA PICKAWAY TERRACE, LLC
 HUD PROJECT 043-11258-NP-L8-WAH
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2021**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 101,440
Accounts Receivable	4,671
Prepaid Expenses	20,242
Total Current Assets	126,353

Deposits Held

Tenant Security Deposits	20,623
	20,623

Funded Reserves

Replacement Reserve	280,513
Taxes and Insurance	14,625
Total Funded Reserves	295,138

Property and Equipment

Land and Improvements	241,512
Buildings and Improvements	3,518,352
Maintenance Equipment and Vehicles	115,029
	3,874,893
Less: Accumulated Depreciation	(1,764,291)

Net Property and Equipment	2,110,602
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TOTAL ASSETS	\$ 2,552,716
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 19,756
Accrued Interest	8,069
Mortgage Note Payable	40,160
Other Current Liabilities	3,097
Total Current Liabilities	71,082

Deposits Held

Tenant Security Deposits	20,623
Total Deposits Held	20,623

Long-Term Debt

Mortgage Note Payable	2,501,368
Total Long-Term Debt	2,501,368
Total Liabilities	2,593,073

<u>Net Assets (Deficit)</u>	(40,357)
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,552,716
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See accompanying notes to the financial statements.

**PMHA PICKAWAY TERRACE, LLC
 HUD PROJECT 043-11258-NP-L8-WAH
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>REVENUE</u>	
Tenant Rents	\$ 253,420
Rental Assistance	339,550
Interest Income	33
Laundry and Miscellaneous Income	4,015
Other Tenant Income	43
TOTAL INCOME	<u>597,061</u>
 <u>EXPENSES</u>	
Program Services:	
Operating and Maintenance	73,782
Utilities	139,094
Taxes and Insurance	35,641
Insurance on Mortgage Payable	97,634
Depreciation	81,546
Total Program Services	<u>427,697</u>
Supporting Services:	
Administrative Expenses	105,423
Total Supporting Services	<u>105,423</u>
TOTAL EXPENSES	<u>533,120</u>
Change in Net Assets	63,941
 Net Assets, Beginning of Year	 (70,978)
Distribution	<u>(33,320)</u>
 NET DEFICIT, END OF YEAR	 <u>\$ (40,357)</u>

See accompanying notes to the financial statements.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Cash Flows from Operating Activities</u>	
Rental Receipts	\$ 250,500
Rental Assistance	339,550
Interest Receipts	33
Other Cash Receipts	4,298
Administrative Disbursements	(102,280)
Utilities Disbursements	(139,094)
Operating and Maintenance Disbursements	(71,909)
Taxes and Insurance	(35,641)
Net Cash from Operating Activities	<u>245,457</u>
 <u>Cash Flows from Investing Activities</u>	
Deposits to Reserves	(36,422)
Net Cash From Investing Activities	<u>(36,422)</u>
 <u>Cash Flows from Financing Activities</u>	
Principal Payments on Mortgages Payable	(38,660)
Interest on Mortgage Payable	(97,757)
Distribution	(33,320)
Net Cash From Financing Activities	<u>(169,737)</u>
Net Increase in Cash and Cash Equivalents	39,298
 Cash and Cash Equivalents at Beginning of Period	 <u>62,142</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 101,440</u></u>
 <u>Reconciliation of Change in Net Assets to</u>	
<u>Net Cash Provided by Operating Activities:</u>	
Change in Net Assets for the Year	\$ 63,941
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	81,546
Interest Expense and Change in Interest Payable	97,757
Changes in Assets and Liabilities:	
Accounts Receivable	(2,920)
Prepaid Expenses	(133)
Accounts Payable	2,006
Accrued Expenses	3,020
Tenant Security Deposits, Net	240
Net Cash Provided by Operating Activities	<u><u>\$ 245,457</u></u>

See accompanying notes to the financial statements.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1: ORGANIZATION

Pickaway Terrace, Inc. (the Corporation), the predecessor to PMHA Pickaway Terrace, LLC, was organized as a nonprofit corporation, owning real estate consisting of land and an apartment complex constructed in 1979 (the Project). The Corporation was located near Circleville, Ohio and provided housing primarily for senior citizens.

Management and the Board of Directors entered into an agreement to transition Pickaway Terrace, Inc. to become a subsidiary of Pickaway Metropolitan Housing Authority effective June 20, 2019. A new loan for 223(f) funding through the U.S. Department of Housing and Urban Development (HUD) was approved and closed on June 20, 2019. This new loan was used to refinance existing debt and allow for updates on the property. Concurrent with this refinancing and restructure, a new entity PMHA Pickaway Terrace, LLC (the LLC) was formed.

The Corporation had an ongoing Housing Assistance Payments Contract, effective in July 2019, with HUD, whereby HUD subsidized the Project to the extent of the fair market value of rents. The Housing Assistance Payments Contract was assumed by the new company which received \$339,550 during the year ended December 31, 2021. The duration of the original contract was twenty years.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements are presented using the accrual basis of accounting and in accordance with HUD guidelines. As a result, revenues are recorded in the period they are earned and expenses are recorded in the period they are incurred. Following are the more significant accounting policies adopted by the LLC.

Property and Equipment

The LLC uses the straight-line method of computing depreciation. The estimated useful lives of the assets used in calculating depreciation are as follows:

Buildings	40 years
Vehicles and equipment	3-7 years
Land improvements	5-15 years

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. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets.

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 the statement of activities and changes in net assets 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.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

Income Taxes

The LLC 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 LLC's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Revenue Recognition

In accordance with Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, the LLC recognizes revenue from tenant rent agreements in accordance with ASC 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 LLC generally meets its performance obligations related to laundry and vending services immediately.

Liquidity Management

The LLC has \$106,111 of financial assets available within one year of the balance sheet date for general expenditure, consisting of cash and cash equivalents of \$101,440 and accounts receivable of \$4,671. 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 LLC has funded reserves set aside for significant reoccurring expenses such as taxes, insurance, and major repair and maintenance projects. The LLC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the LLC considers all unrestricted demand and time deposits that have a maturity date of three months or less to be cash equivalents.

Use of Estimates

The preparation of the 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 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.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. The GASB 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 LLC is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance.

NOTE 3: MORTGAGE NOTE PAYABLE

The LLC has a mortgage note payable to Centennial Mortgage, LLC with total principal outstanding at December 31, 2021 of \$2,541,528. The mortgage has a 35-year term and carries an interest rate of 3.81 percent. It is payable in monthly installments, including interest, of \$11,358 through July 2054 and is secured by the LLC's apartment building and other property in in Circleville, Ohio. This mortgage is guaranteed by HUD.

Current maturities of the mortgage note payable for the five years subsequent to December 31, 2021 and the aggregate thereafter approximate the following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 40,160	\$ 96,135	\$ 136,295
2023	41,717	94,578	136,295
2024	43,334	92,961	136,295
2025	45,014	91,281	136,295
2026	46,760	89,535	136,295
2027 and thereafter	2,324,543	1,559,837	3,884,380
Totals	<u>\$ 2,541,528</u>	<u>\$ 2,024,327</u>	<u>\$ 4,565,855</u>

NOTE 4: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The LLC's primary assets consists of a 60-unit apartment complex with operations concentrated in the multifamily real estate market, which is a heavily regulated environment. The operations are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the United States Department of Housing and Urban Development (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 LLC. The impact on the LLC's future operating costs and revenues cannot be estimated.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 5: FUNDED RESERVES

In accordance with the terms of the contract with HUD, the LLC is required to set aside certain amounts for the replacement of property and other project expenditures as approved by HUD. These reserves, which were \$295,138 at December 31, 2021, are held by the mortgage holder in separate accounts and generally are not available for operating purposes. During the year ended December 31, 2021, no amounts were released from these reserves.

NOTE 6: SUBSEQUENT EVENTS

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

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
DECEMBER 31, 2021**

STATEMENT OF NET POSITION

ASSETS

Current Assets

1120	Cash in Bank	\$ 101,440
1130	Accounts Receivable	4,671
1240	Prepaid Insurance and Other	20,242
	Total Current Assets	<u>126,353</u>

DEPOSITS HELD

1199	Tenant Security Deposits	<u>20,623</u>
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FUNDED RESERVES

1321	Replacement Reserve	280,513
1350	Taxes and Insurance	14,625
	Total Funded Reserves	<u>295,138</u>

Property and Equipment

1410	Land	241,512
1420	Building and Equipment	3,518,352
1460	Furniture and Fixtures	108,388
1470	Maintenance Equipment	6,641
		<u>3,874,893</u>
4100	Less: Accumulated Depreciation	<u>(1,764,291)</u>
	Net Property and Equipment	<u>2,110,602</u>

TOTAL ASSETS

\$ 2,552,716

LIABILITIES AND NET DEFICIT

Current Liabilities

2110	Accounts Payable	\$ 19,756
2120	Accrued Wages Payable	3,097
2130	Accrued Interest	8,069
2330	Mortgage Note Payable	40,160
	Total Current Liabilities	<u>71,082</u>

Deposits Held

2191	Tenant Security Deposits	20,623
	Total Deposits Held	<u>20,623</u>

Long-Term Liabilities

2320	Mortgage Note Payable	2,501,368
	Total Liabilities	<u>2,593,073</u>

Net Deficit

3210	Deficiency from Operations	(40,357)
	Total Net Deficit	<u>(40,357)</u>

TOTAL LIABILITIES AND NET DEFICIT

\$ 2,552,716

See Independent Auditor's Report.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-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-	\$ 255,770
5121	Tenant Assistance Payments	339,550
5220	Vacancies	<u>(2,350)</u>
	Total Rent Revenue	<u>592,970</u>

FINANCIAL REVENUE

573	Revenue from Investments - Miscellaneous	<u>33</u>
	Total Financial Revenue	<u>33</u>

OTHER REVENUE

5910	Laundry and Vending	4,015
5920	Tenant Charges	<u>43</u>
	Total Other Revenue	<u>4,058</u>

TOTAL REVENUE	<u><u>\$ 597,061</u></u>
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See Independent Auditor's Report.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

STATEMENT OF ACTIVITIES

(Continued)

EXPENSES

Adm

6210	Advertising	\$	649
6310	Office Salaries		35,132
6311	Office Supplies		954
6320	Management		30,240
6330	Manager or Superintendent Salaries		2,400
6340	Legal Expenses (Project)		304
6350	Auditing Expenses (Project)		6,030
6360	Telephone and Answering Service		7,102
6370	Bad Debt Expense		298
6390	Miscellaneous		5,723
	Total Administrative Expenses		88,832

Utilities Expense

6450	Electricity (Light and Miscellaneous Power)		74,296
6451	Water		64,798
	Total Utilities Expense		139,094

Operating and Maintenance Expense

6517	Janitor and Cleaning Contract		7,740
6519	Exterminating Payroll/Contract		110
6525	Garbage and Trash Removal		5,208
6537	Grounds Contract		10,800
6540	Repairs-Payroll		30,254
6541	Repairs-Material		8,059
6542	Repairs-Contract		5,481
	Total Operating and Maintenance Expense		67,652

Taxes and Insurance

6720	Property and Liability Insurance (Hazard)		35,641
6723	Health Insurance and Other Benefits		22,721
	Total Taxes and Insurance		58,362

Financial Expenses

6820	Interest on Mortgage Payable		97,634
	Total Financial Expenses		97,634
	Total Expenses Before Depreciation		451,574

	Change in Net Assets Before Depreciation		145,487
6600	Depreciation		81,546
	Change in Net Assets After Depreciation		63,941

	Net Assets, January 1, 2021		(70,978)
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3210	Distribution		(33,320)
	Net Deficit, December 31, 2021		\$ (40,357)

See Independent Auditor's Report.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258-NP-L8-WAH
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

SCHEDULE OF RESERVE FUNDING

In accordance with the provisions of the regulatory agreement, these funds are held in a separate account and are generally not available for use in operations. As part of the change in ownership and funding arrangement, the LLC initiated new reserve funds in the period. Following is a summary of the activity in the accounts (balance includes escrow for taxes and insurance):

Balance, December 31, 2020	\$ 244,091
Add:	
Reserve Deposits	36,396
Interest Income	26
Less: Reserve Disbursements	<u>0</u>
Balance, December 31, 2021	<u>\$ 280,513</u>

SCHEDULE OF PROPERTY AND EQUIPMENT

	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021
Land and Improvements	\$ 241,512	\$ 0	\$ 0	\$ 241,512
Buildings	3,518,352	0	0	3,518,352
Maintenance Equipment and Vehicles	115,029	0	0	115,029
Total Assets	<u>\$ 3,874,893</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,874,893</u>

Accumulated Depreciation

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Net Book Value 12/31/2021
Land and Improvements	\$ 64,275	\$ 2,469	\$ 0	\$ 66,744	\$ 174,768
Buildings	1,519,080	76,305	0	1,595,385	1,922,967
Maintenance Equipment and Vehicles	99,390	2,772	0	102,162	12,867
Total Accumulated Depreciation	<u>\$ 1,682,745</u>	<u>\$ 81,546</u>	<u>\$ 0</u>	<u>\$ 1,764,291</u>	<u>\$ 2,110,602</u>

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

Cash	<u>\$ 122,063</u>
Current Obligations:	
Accounts Payable Due Within 30 Days	19,710
Mortgage Payment	11,358
Other Current Liabilities	3,143
Replacement Reserve Due in 30 Days	3,066
Tenant Security Deposits	20,623
Total Current Obligations	<u>57,900</u>
Surplus Cash	<u>\$ 64,163</u>

**PMHA PICKAWAY TERRACE, LLC
 HUD PROJECT 043-11258-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>		
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects - Section 223(f) <i>Total ALN #14.155</i>	14.155 *	\$ 2,580,188 <u>2,580,188</u>
Section 8 Project-Based Cluster: Section 8 Housing Assistance Programs	14.195	<u>339,550</u>
Total Section 8 Project-Based Cluster		<u>339,550</u>
Total U.S. Department of Housing and Urban Development		<u>2,919,738</u>
Total Expenditures of Federal Awards		<u>\$ 2,919,738</u>

* The Section 223(f) Mortgage Insurance represents the outstanding loan balance at January 1, 2021.

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

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT 043-11258NP-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 PMHA Pickaway Terrace, LLC, HUD Project 043-11258-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 PMHA Pickaway Terrace, LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of PMHA Pickaway Terrace, LLC.

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

PMHA Pickaway Terrace, LLC 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 Mortgage Program for the Purchase or Refinancing of Existing Multifamily Housing Projects – Section 223(f) – ALN #14.155 was \$2,541,528 at December 31, 2021.

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

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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
PMHA Pickaway Terrace, LLC

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 PMHA Pickaway Terrace, LLC, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, 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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PMHA Pickaway Terrace, LLC'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
PMHA Pickaway Terrace, LLC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PMHA Pickaway Terrace, LLC'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 each of PMHA Pickaway Terrace, LLC's major federal program for the year ended December 31, 2021. PMHA Pickaway Terrace, LLC'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, PMHA Pickaway Terrace, LLC 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 PMHA Pickaway Terrace, LLC, 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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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 PMHA Pickaway Terrace, LLC'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

**PMHA PICKAWAY TERRACE, LLC
 HUD PROJECT #043-11258-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 223(f) Mortgage Insurance for the Refinancing of Existing Multifamily Housing Projects - ALN #14.155	
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.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT #043-11258-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.

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT #043-11258-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 **PMHA PICKAWAY TERRACE, LLC**, and, to the best of our knowledge and belief, the same is complete and accurate.

Date

**PMHA PICKAWAY TERRACE, LLC
HUD PROJECT #043-11258-NP-L8-WAH**

MANAGING AGENT'S CERTIFICATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

We hereby certify that we have examined the accompanying 2021 financial statements and supplemental data of **PMHA PICKAWAY TERRACE, LLC**, and, to the best of our knowledge and belief, the same is complete and accurate.

Date