

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023**

**REPORT ON FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED DECEMBER 31, 2020 AND 2019

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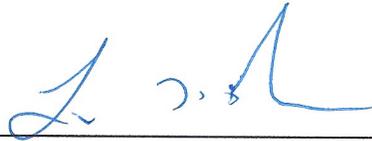
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**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023**

CERTIFICATE OF CORPORATE OFFICERS

We hereby certify that we have examined the accompanying financial statements and supplementary information as of and for the year ended December 31, 2020, of the Hartford Village, HUD Project No. 044-38023, and to the best of our knowledge and belief, the same are accurate and complete.



Lawrence T. Mathews, Treasurer

Organization Employer Identification # 47-1404100

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023**

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary data as of and for the year ended December 31, 2020, of the Hartford Village, HUD Project No. 044-38023, and, to the best of my knowledge and belief, the same are accurate and complete.

Management Agent:

**Cheryl
Carney**

Digitally signed by Cheryl Carney
DN: cn=Cheryl Carney, o=PVM,
ou, email=ccarney@pvm.org,
c=US
Date: 2021.03.29 10:16:11 -0400'

Cheryl Carney, VP Housing
Presbyterian Villages of Michigan

Property Manager:

Employer Identification # 38-1387145

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hartford Village

Report on the Financial Statements

We have audited the accompanying financial statements of Hartford Village HUD Project No. 044-38023, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartford Village as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as identified in the table of contents, is presented for the 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 our report dated March 25, 2021 on our consideration of Hartford Village'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 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 Hartford Village's 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 Hartford Village's internal control over financial reporting and compliance.

Maney Costeiran PC

March 25, 2021

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents		
Operations	\$ 137,732	\$ 176,344
Accounts receivable		
Tenant	13,110	26,494
Other	20,501	20,000
Prepaid expenses	9,126	44,442
Total current assets	180,469	267,280
Restricted cash and funded reserves		
Insurance escrow	69,220	(17,819)
Tax escrow	9,205	9,202
MIP escrow	39,272	38,576
Replacement reserve	141,759	103,940
Total restricted cash and funded reserves	259,456	133,899
Property and equipment		
Land and improvements	688,869	688,869
Buildings	13,780,875	13,780,875
Furniture, fixtures, and equipment	725,521	719,421
	15,195,265	15,189,165
Accumulated depreciation	(1,457,030)	(1,039,770)
Property and equipment - net	13,738,235	14,149,395
TOTAL ASSETS	\$ 14,178,160	\$ 14,550,574

See notes to financial statements.

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable		
Trade	\$ 34,838	\$ 2,445
Related party	7,773	3,782
Accrued payroll	3,491	4,618
Accrued interest	31,572	32,010
Prepaid rent	19,043	16,710
Other deferred revenue	20,000	20,000
Mortgage payable - HUD insured, current portion	161,202	155,867
Loan payable - City of Detroit HOME, current portion	1,200	1,200
Loan payable - County of Wayne HOME, current portion	50,000	50,000
Loan payable - City of Detroit NSP, current portion	32,500	32,500
	<u>361,619</u>	<u>319,132</u>
Long-term liabilities		
Mortgages and loans payable		
Mortgage payable - HUD insured, net of current portion	11,081,081	11,242,284
Loan payable - City of Detroit HOME, net of current portion	1,694,000	1,697,600
Loan payable - County of Wayne HOME, net of current portion	687,500	737,500
Loan payable - City of Detroit NSP, net of current portion	455,000	487,500
	<u>13,917,581</u>	<u>14,164,884</u>
Less unamortized debt issuance costs	<u>(793,025)</u>	<u>(829,742)</u>
	13,124,556	13,335,142
Developer fee payable	<u>509,868</u>	<u>574,378</u>
	<u>13,634,424</u>	<u>13,909,520</u>
TOTAL LIABILITIES	13,996,043	14,228,652
NET ASSETS		
Without donor restrictions	<u>182,117</u>	<u>321,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,178,160</u>	<u>\$ 14,550,574</u>

See notes to financial statements.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUES		
Rent potential		
Cottages and apartments	\$ 1,330,716	\$ 1,362,840
Vacancy loss	<u>(44,521)</u>	<u>(70,868)</u>
Net rental potential	1,286,195	1,291,972
Other revenue		
Contributions	2,073	-
Tenant charges	77,265	81,777
Forgiveness of debt	82,500	82,500
Other	<u>3,936</u>	<u>8,973</u>
TOTAL REVENUES	<u>1,451,969</u>	<u>1,465,222</u>
EXPENSES		
Program services		
Utilities	79,441	69,750
Operating and maintenance	367,312	319,652
Taxes and insurance	121,045	111,456
Depreciation	<u>417,260</u>	<u>417,497</u>
Total program services	<u>985,058</u>	<u>918,355</u>
Management and general		
Office salaries	110,441	90,871
Management fees	59,110	56,893
Audit	8,500	8,765
Bad debt	495	-
Interest	418,004	423,673
Other office expenses	<u>10,166</u>	<u>30,430</u>
Total management and general	<u>606,716</u>	<u>610,632</u>
TOTAL EXPENSES	<u>1,591,774</u>	<u>1,528,987</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (139,805)</u>	<u>\$ (63,765)</u>

See notes to financial statements.

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS, January 1, 2019	\$ 385,687
Change in net assets without donor restrictions	(63,765)
NET ASSETS WITHOUT DONOR RESTRICTIONS, December 31, 2019	321,922
Change in net assets without donor restrictions	(139,805)
NET ASSETS WITHOUT DONOR RESTRICTIONS, December 31, 2020	\$ 182,117

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Cash flows from operating activities		
Rental receipts	\$ 1,301,411	\$ 1,291,411
Other operating receipts	81,201	88,716
Donations	2,073	-
Total receipts	<u>1,384,685</u>	<u>1,380,127</u>
Administrative	(19,161)	(40,445)
Management fee	(59,110)	(56,893)
Utilities	(79,441)	(76,412)
Salaries and wages	(139,442)	(134,601)
Operating and maintenance	(317,750)	(285,479)
Property insurance	(3,121)	(54,989)
Miscellaneous taxes and insurance	(17,174)	(17,670)
Mortgage insurance premium	(50,738)	(51,433)
Interest on mortgage	<u>(381,725)</u>	<u>(386,883)</u>
Total disbursements	<u>(1,067,662)</u>	<u>(1,104,805)</u>
Net cash provided by operating activities	<u>317,023</u>	<u>275,322</u>
Cash flow from investing activities		
Net purchase of property and equipment	<u>(6,100)</u>	<u>(4,979)</u>
Cash flow from financing activities		
Payment of related party note payable	-	(175,999)
Payments of developer fee payable	(64,510)	(145,622)
Mortgage principal payments	<u>(159,468)</u>	<u>(150,708)</u>
Net cash used by financing activities	<u>(223,978)</u>	<u>(472,329)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	86,945	(201,986)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Beginning of year	<u>310,243</u>	<u>512,229</u>
End of year	<u>\$ 397,188</u>	<u>\$ 310,243</u>

See notes to financial statements.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Change in net assets	\$ (139,805)	\$ (63,765)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	417,260	417,497
Amortization of debt issuance costs	36,717	37,213
Forgiveness of debt income	(82,500)	(82,500)
Accounts receivable	12,883	703
Prepaid expenses	35,316	(12,636)
Accounts payable	36,384	(13,613)
Accrued payroll	(1,127)	(3,856)
Accrued interest	(438)	(423)
Prepaid rent	2,333	(1,264)
Gain on disposal of property and equipment	-	(2,034)
Net cash provided by operating activities	\$ 317,023	\$ 275,322

See notes to financial statements.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Method of Accounting - The financial statements are prepared on the accrual basis.

Cash and Cash Equivalents - The Organization's cash and cash equivalents are considered to be cash on hand demand deposits and any unrestricted investment instruments with original maturities of three months or less. As of December 31, 2020 and 2019, cash and cash equivalents consist of operating cash.

Restricted Cash and Funded Reserves - Tax and insurance escrows, MIP escrow, and replacement reserve are considered restricted due to the restrictions placed on these accounts.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and funded reserves reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	2020	2019
Cash and cash equivalents	\$ 137,732	\$ 176,344
Restricted cash and funded reserves	259,456	133,899
Total cash and cash equivalents and restricted cash and funded reserves	\$ 397,188	\$ 310,243

Tax and Insurance Escrows - Tax and insurance escrows are restricted for payments of real estate taxes and insurance premiums. These accounts are used to receive monthly deposits sufficient to pay annual real estate taxes and insurance premiums that are paid from the accounts.

MIP Escrow - The MIP escrow is restricted for payments of the mortgage insurance premium. The account is used to receive monthly deposits sufficient to pay mortgage insurance premiums that are paid from the account.

Replacement Reserve - The regulatory agreement between HUD and the Organization requires monthly deposits to a reserve fund for replacing assets of the Organization.

Accounts Receivable and Bad Debt - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable represents the Organization's right to consideration that is unconditional if only the passage of time is required before payment of that consideration is due. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property, Equipment, and Depreciation - Fixed assets are carried at cost and depreciated using the straight-line and accelerated methods over the estimated useful lives of the related assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Debt Issuance Costs - Debt issuance costs are amortized over the term of the mortgage (40 years) utilizing the interest method. Amortization of debt issuance costs is reported in the statement of activities as interest expense.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions as of December 31, 2020 and 2019 were \$182,117 and \$321,922, respectively.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Organization has no net assets with donor restrictions as of December 31, 2020 and 2019.

Distributions - The Organization's regulatory agreement with HUD stipulates, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors except from surplus cash as defined by the regulatory agreement.

Income Taxes - The Organization is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

Advertising - Advertising costs are expensed as incurred.

Prepaid Rent - The Organization records prepaid rent when cash payments are received or due in advance of the Organization's performance, including amounts which are refundable.

Recognition of Rent Revenue - The Organization recognized net rent potential in the period in which the rent is earned. Revenue received from contracts with tenants for housing and related services is recorded over the period of the lease term. Performance obligations identified in the contracts are satisfied on a monthly basis as housing and other services are provided to each tenant. Revenue is recognized in an amount that reflects consideration the Organization expects to be entitled to in exchange for the housing and other related services provided. In accordance with the HUD financial reporting requirements, net rent potential represents total possible rent revenue as if all units are 100% occupied during the year less vacancies.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

The following schedule shows the Project's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Contract revenue recognized at a point in time		
Tenant charges	\$ 77,265	\$ 81,777
Contract revenue recognized over time		
Net rent potential	<u>1,286,195</u>	<u>1,291,972</u>
Total contract revenue	1,363,460	1,373,749
Contributions	2,073	-
Forgiveness of debt	82,500	82,500
Other	<u>3,936</u>	<u>8,973</u>
Total revenue	<u>\$ 1,451,969</u>	<u>\$ 1,465,222</u>

Functional Allocation of Expenses - The costs of providing programs and supporting services have been directly charged. Hartford Village's only program service is its rental operations HUD project, which provides supportive housing to elderly tenants. Management and general expenses primarily consist of office salaries, management fees, accounting and legal costs, and other office expenses. Expenses are presented on a functional basis in the statements of activities.

Reclassification - Certain amounts in the 2019 financial statements have been reclassified to conform to the current year's presentation.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Hartford Village (the Organization) is organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed July 16, 2014 for the purpose of constructing and operating a 46 unit apartment complex and a 39-unit cottage in Detroit, Michigan under Section 231 of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

The Organization is wholly owned by Hartford PVM, LLC (the Owner), whose members are Hartford Development Foundation, an affiliate of Hartford Memorial Baptist Church, and Presbyterian Villages of Michigan, both non-profit Michigan corporations.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and restricted deposits. The Organization places its cash and restricted deposits with FDIC insured financial institutions. Such investments and cash balances may exceed the federally insured limits at certain times during the year, and, in the opinion of management, are subject to minimal risk.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through March 25, 2021, which is the date the financial statements were available to be issued.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on tenants, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain. On January 20, 2021, the Center for Disease Control and Prevention (CDC) extended the federal moratorium on tenant evictions until March 31, 2021.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 - CONTRACT ASSETS AND CONTRACT LIABILITIES

Opening and closing balances of accounts receivable and prepaid rent consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Contract assets		
Accounts receivable - tenant, beginning of year	<u>\$ 26,494</u>	<u>\$ 27,197</u>
Accounts receivable - tenant, end of year	<u>\$ 13,110</u>	<u>\$ 26,494</u>
Contract liabilities		
Prepaid rent, beginning of year	<u>\$ 16,710</u>	<u>\$ 17,974</u>
Prepaid rent, end of year	<u>\$ 19,043</u>	<u>\$ 16,710</u>

NOTE 4 - DEFERRED REVENUE AND OTHER RECEIVABLES

The Organization holds \$20,000 on deposit which was paid to Damone Construction in February 2021, which in turn was contributed to Hartford Village through the PVM Foundation in March 2021 for the use of a falls reduction program.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Organization's primary source of revenue is rental revenue without donor restrictions. The remainder of revenue consists of miscellaneous other revenue without donor restrictions. The Organization considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include mortgage and interest payments as well as all expenses necessary to facilitate the Organization's operations. Note that all replacement reserve withdrawals must be approved by HUD prior to the funds becoming available to the Organization.

The table below presents financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 137,732	\$ 176,344
Accounts receivable - tenant	13,110	26,494
Replacement reserve	<u>141,759</u>	<u>103,940</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 292,601</u>	<u>\$ 306,778</u>

NOTE 6 - MORTGAGES AND LOANS PAYABLE

Mortgages and loans payable at December 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Mortgage payable - HUD insured - under the provision of Section 231 of the National Housing Act (NHA). The loan provides for monthly payments of \$44,799, including interest at 3.37% through March 2057. The mortgage payable is collateralized by the Organization's land, building, and equipment.	\$ 11,242,283	\$ 11,398,151
City of Detroit HOME - \$1,700,000 was advanced to the Organization through the City of Detroit Home Investor Loan Program to be used for the Project. The loan bears no interest. Commencing on June 1, 2017, and on the first day of each subsequent year thereafter, through and including June 1, 2056, the Organization will make yearly payments of \$1,200 each on the outstanding principal balance. On the maturity date (June 1, 2056), the entire principal balance is due and payable.	1,695,200	1,698,800

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - MORTGAGES AND LOANS PAYABLE (continued)

	2020	2019
<p>County of Wayne HOME - \$1,000,000 was advanced to the Organization from the County of Wayne. The loan bears no interest. The principal balance shall be reduced by 5% on each anniversary of the date the loan is taken (September 29, 2015), until, in the absence of an event of default, the principal is reduced to \$0. Forgiveness of debt income of \$50,000 is recognized each year the Organization remains in compliance with the provisions of the loan agreement. The entire principal amount of this loan shall be due and payable by no later than September 1, 2057.</p>	\$ 737,500	\$ 787,500
<p>City of Detroit NSP - On September 29, 2015, \$650,000 was advanced to the Organization by the City of Detroit Neighborhood Stabilization Program (NSP) to be used for the Project. The loan bears no interest unless an event of default, in which the rate would convert to a rate of 6%. The loan shall be amortized over the term of the affordability period (20 years) in equal annual amounts until the principal is reduced to \$0. Forgiveness of debt income of \$32,500 is recognized each year the Organization remains in compliance with the provisions of the loan agreement. In the event of default, the full principal balance will be due immediately, payable to the City. The loan's maturity date is the expiration of the period of affordability.</p>	487,500	520,000
Total mortgages and loans payable	14,162,483	14,404,451
Less current portion	(244,902)	(239,567)
Net mortgages and loans payable	\$ 13,917,581	\$ 14,164,884

The principal maturities of the mortgages and loans payable are as follows:

Year Ending December 31,	
2021	\$ 244,902
2022	250,419
2023	256,125
2024	262,027
2025	268,130
2026 and thereafter	12,880,880
	\$ 14,162,483

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - MORTGAGES AND LOANS PAYABLE (continued)

The fair value of the mortgages and loans payable is estimated based on the current rates offered to the Organization for debt of the same remaining maturities. At December 31, 2020 and 2019, the fair value of the mortgages and notes payable approximates the amounts recorded in the financial statements.

NOTE 7 - RELATED PARTY TRANSACTIONS

Management fee

Presbyterian Villages of Michigan (PVM), a member of the Owner, manages the project and earned management fees of \$59,110 and \$56,893 during 2020 and 2019, respectively. The management fee is based on an amount equal to 4% of gross collections received. Presbyterian Villages of Michigan was owed \$7,773 and \$3,782 at December 31, 2020 and 2019, respectively, for management fees and other operating advances. The current management agreement started on September 30, 2015 and continually renews until cancelled by either ownership or management.

Salaries and wages

The salaries and wages and the related payroll taxes and benefits for the employees of the Organization are paid by PVM as the management agent. The Organization reimburses PVM for these expenses. During the years ended December 31, 2020 and 2019, the Organization paid PVM approximately \$139,000 and \$135,000, respectively for reimbursable payroll costs. Presbyterian Villages of Michigan was owed \$3,491 and \$4,618 at December 31, 2020 and 2019, respectively, for reimbursable payroll costs.

Developer fee

The developer fee is payable to Presbyterian Villages of Michigan, a member of the Owner, for services rendered in negotiating, coordinating, and servicing the planning architectural, engineering, and construction services necessary for the project. The development agreement specifies total payments of \$1,600,000. The developer fee is capitalized as part of the building and improvements and has been earned and recognized in accordance with the development fee arrangements. As of December 31, 2020 and 2019, \$509,868 and \$574,378, respectively, of this developer fee remains payable. The developer fee payable is to be paid from surplus cash as determined by the annual audit utilizing the HUD surplus cash calculation.

NOTE 8 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Concentration in Affordable Housing Market

The Organization's sole assets are a 46-unit apartment complex and a 39-unit cottage in Detroit, Michigan. The Organization's operations are concentrated in the real estate rental market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization 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.

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - CARES ACT FUNDING

The Project did not receive financial relief funds established by the CARES Act, either directly or indirectly, during the year ended December 31, 2020.

SUPPLEMENTARY INFORMATION

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FINANCIAL POSITION DATA
DECEMBER 31, 2020**

ASSETS		
Current assets		
1120	Cash - operations	\$ 137,732
1130	Tenant accounts receivable	13,110
1140	Accounts receivable - other	20,501
1200	Prepaid expenses	<u>9,126</u>
1100T	Total current assets	<u>180,469</u>
Restricted deposits		
1310	Escrow deposits	117,697
1320	Replacement reserve	<u>141,759</u>
1300T	Total restricted deposits	<u>259,456</u>
Property and equipment		
1410	Land and improvements	688,869
1420	Buildings	13,780,875
1460	Furniture, fixtures, and equipment	<u>725,521</u>
1400T	Total fixed assets	15,195,265
1495	Accumulated depreciation	<u>1,457,030</u>
1400N	Net fixed assets	<u>13,738,235</u>
1000T	TOTAL ASSETS	<u><u>\$ 14,178,160</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

2110	Accounts payable - operations	\$ 42,611
2120	Accrued wages payable	3,491
2131	Accrued interest payable	31,572
2170	Mortgage payable - current portion	244,902
2190	Miscellaneous current liabilities	20,000
2210	Prepaid revenue	<u>19,043</u>
2122T	Total current liabilities	<u>361,619</u>

Long-term liabilities

2320	Mortgage payable, net of current portion	11,081,081
2323	Developer fee payable	509,868
2324	Other loans and notes payable	2,836,500
2340	Debt issuance costs	<u>793,025</u>
2300T	Total long-term liabilities	<u>13,634,424</u>

2000T	TOTAL LIABILITIES	<u>13,996,043</u>
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NET ASSETS

3131	Net assets without donor restrictions	<u>182,117</u>
3130	TOTAL NET ASSETS	<u>182,117</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,178,160</u></u>

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF ACTIVITIES DATA
YEAR ENDED DECEMBER 31, 2020**

	REVENUES	
	Rent revenue	
5120	Rent revenue - gross potential	<u>\$ 1,330,716</u>
5100T	Total potential rent revenue	<u>1,330,716</u>
	Vacancies	
5220	Apartments	<u>44,521</u>
5152N	Net rental revenue	<u>1,286,195</u>
	Financial revenue	
5440	Revenue from investments - reserve for replacement	<u>19</u>
5400T	Total financial revenue	<u>19</u>
	Other revenue	
5920	Tenant charges	77,265
5970	Gifts	2,073
5990	Miscellaneous revenue	<u>86,417</u>
5900T	Total other revenues	<u>165,755</u>
5000T	TOTAL REVENUES	<u>1,451,969</u>
	EXPENSES	
	Administrative	
6210	Advertising and marketing	1,521
6310	Office salaries	24,361
6311	Office expenses	3,225
6320	Management fee	59,110
6330	Manager or superintendent salaries	86,080
6340	Legal	495
6350	Audit expense	8,500
6390	Miscellaneous administrative expenses	<u>5,420</u>
6263T	Total administrative expenses	<u>188,712</u>
	Utilities	
6450	Electricity	22,162
6451	Water	51,334
6452	Gas	<u>5,945</u>
6400T	Total utilities expense	<u>79,441</u>

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF ACTIVITIES DATA
YEAR ENDED DECEMBER 31, 2020**

	EXPENSES (continued)	
	Operating and maintenance	
6510	Payroll	\$ 27,874
6515	Supplies	8,434
6520	Contracts	67,805
6525	Garbage and trash removal	3,836
6530	Security payroll/contract	132,802
6548	Snow removal	32,666
6570	Vehicle and maintenance of equipment operation and repair	93
6590	Miscellaneous operating and maintenance expenses	<u>93,802</u>
6500T	Total operating and maintenance expenses	<u>367,312</u>
	Taxes and insurance	
6711	Payroll taxes (project's share)	10,138
6720	Property and liability insurance (hazard)	52,959
6722	Worker's compensation	1,703
6723	Health insurance and other employee benefits	5,333
6790	Miscellaneous taxes, licenses, permits and insurance	<u>50,912</u>
6700T	Total taxes and insurance expenses	<u>121,045</u>
	Financial expenses	
6820	Interest on first mortgage payable	<u>418,004</u>
6800T	Total financial expenses	<u>418,004</u>
6000T	TOTAL EXPENSES BEFORE DEPRECIATION	<u>1,174,514</u>
5060T	CHANGE IN NET ASSETS BEFORE DEPRECIATION	<u>277,455</u>
6600	Depreciation expense	<u>417,260</u>
	Total depreciation and amortization	<u>417,260</u>
5060N	Operating loss	<u>(139,805)</u>
3247	CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(139,805)</u>
3250	CHANGE IN TOTAL NET ASSETS FROM OPERATIONS	<u>\$ (139,805)</u>

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 SUPPLEMENTARY DATA REQUIRED BY THE
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 STATEMENT OF ACTIVITIES DATA
 YEAR ENDED DECEMBER 31, 2020**

S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	<u>\$ 159,468</u>
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	<u>\$ 37,800</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on this statement of activities.	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this statement of activities.	<u>\$ -</u>

HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF CHANGES IN NET ASSET DATA
YEAR ENDED DECEMBER 31, 2020

S1100-060	NET ASSETS WITHOUT DONOR RESTRICTIONS, as of January 1, 2020	\$ 321,922
3247	Change in net assets without donor restrictions from operations	<u>(139,805)</u>
3131	NET ASSETS WITHOUT DONOR RESTRICTIONS, as of December 31, 2020	<u>\$ 182,117</u>
S1100-050	TOTAL NET ASSETS, as of January 1, 2020	\$ 321,922
3250	Change in total net assets from operations	<u>(139,805)</u>
3130	TOTAL NET ASSETS, as of December 31, 2020	<u>\$ 182,117</u>

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF CASH FLOWS DATA
YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities

S1200-010	Rental receipts	\$ 1,301,411
S1200-025	Gifts	2,073
S1200-030	Other operating receipts	<u>81,201</u>
S1200-040	Total receipts	<u>1,384,685</u>
S1200-050	Administrative	(19,161)
S1200-070	Management fee	(59,110)
S1200-090	Utilities	(79,441)
S1200-100	Salaries and wages	(139,442)
S1200-110	Operating and maintenance	(317,750)
S1200-140	Property insurance	(3,121)
S1200-150	Miscellaneous taxes and insurance	(17,174)
S1200-190	Interest on mortgage payable	(381,725)
S1200-210	Mortgage insurance premium (MIP)	<u>(50,738)</u>
S1200-230	Total disbursements	<u>(1,067,662)</u>
S1200-240	Net cash provided by operating activities	<u>317,023</u>

Cash flow from investing activities

S1200-245	Net deposits (withdrawals) to the mortgage escrow account	(87,738)
S1200-250	Net withdrawals (deposits) to the reserve for replacement account	(37,819)
S1200-330	Net purchase of fixed assets	<u>(6,100)</u>
S1200-350	Net cash used by investing activities	<u>(131,657)</u>

Cash flow from financing activities

S1200-360	Repayment of long-term debt	(159,468)
S1200-370	Principal payments on loans or notes payable	<u>(64,510)</u>
S1200-460	Net cash used by financing activities	<u>(223,978)</u>
S1200-470	NET DECREASE IN CASH	(38,612)
S1200-480	CASH, beginning of year	<u>176,344</u>
S1200T	CASH, end of year	<u><u>\$ 137,732</u></u>

**HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF CASH FLOWS DATA
YEAR ENDED DECEMBER 31, 2020**

Reconciliation of change in net assets to net cash provided by operating activities:

3250	Change in net assets	\$ (139,805)
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Adjustments to reconcile change in net assets to net cash provided
by operating activities:

6600	Depreciation	417,260
6610	Amortization of debt issuance costs	36,717
S1200-490	Decrease (increase) in accounts receivable	12,883
S1200-520	Prepaid expenses	35,316
S1200-540	Increase (decrease) in accounts payable	36,384
S1200-560	Increase (decrease) in accrued liabilities	(1,127)
S1200-570	Increase (decrease) in accrued interest payable	(438)
S1200-590	Increase (decrease) in prepaid revenue	2,333
S1200-600	Other adjustments	<u>(82,500)</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 317,023</u></u>

HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SUPPLEMENTARY DATA REQUIRED BY THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
YEAR ENDED DECEMBER 31, 2020

Schedule of Reserve for Replacement

In accordance with the provisions of the regulatory agreement, restricted cash is held to be used for replacement of property and various other uses with the prior approval of HUD as follows:

1320P	Balance, January 1, 2020	\$ 103,940
1320DT	Total monthly deposits	37,800
1320INT	Interest on replacement reserve account	<u>19</u>
1320	Balance, December 31, 2020	<u><u>\$ 141,759</u></u>
1320R	Deposits suspended or waived	<u><u>No</u></u>

Schedule of Changes in Fixed Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
1410	Land and improvements	\$ 688,869	\$ -	\$ 688,869
1420	Buildings	13,780,875	-	13,780,875
1460	Furniture, fixtures, and equipment	<u>719,421</u>	<u>6,100</u>	<u>-</u> <u>725,521</u>
	Totals	<u><u>\$ 15,189,165</u></u>	<u><u>\$ 6,100</u></u>	<u><u>\$ -</u></u> <u>15,195,265</u>
	Accumulated depreciation	<u><u>\$ 1,039,770</u></u>	<u><u>\$ 417,260</u></u>	<u><u>\$ -</u></u> <u>1,457,030</u>
	Net book value			<u><u>\$ 13,738,235</u></u>

Schedule of Additions to Fixed Assets

Refrigerator	\$ 1,004
Washer and dryer	1,666
Heater	<u>3,430</u>
Total	<u><u>\$ 6,100</u></u>

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 SUPPLEMENTARY DATA REQUIRED BY THE
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 YEAR ENDED DECEMBER 31, 2020**

Detail of Accounts - Statement of Financial Position

Accounts receivable - other (Account No. 1140)

Prepaid construction deposit	\$ 20,000
Other	501
	501
	\$ 20,501

Miscellaneous current liabilities (Account No. 2190)

Prepaid construction deposit	\$ 20,000
	20,000

Detail of Accounts - Statement of Activities Data

Miscellaneous revenue (Account No. 5990)

Forgiveness of debt income	\$ 82,500
Other miscellaneous income	3,917
	3,917
	\$ 86,417

Miscellaneous administrative expenses (Account No. 6390)

Service coordinator administrative expenses	\$ 5,420
	5,420

Miscellaneous operating and maintenance expenses (Account No. 6590)

System maintenance	\$ 30,655
Connectivity	9,473
Cable TV	40,976
Maintenance	2,760
Covid-19 expenses	5,655
Other	4,283
	4,283
	\$ 93,802

Miscellaneous taxes, licenses, permits and insurance (Account No. 6790)

Mortgage insurance premium	\$ 50,912
	50,912

Detail of Accounts - Statement of Cash Flows Data

Other adjustments (Acct No. 1200-600)

Forgiveness of loan income	\$ (82,500)
	(82,500)

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 SUPPLEMENTARY DATA REQUIRED BY THE
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 YEAR ENDED DECEMBER 31, 2020**

Computation of Surplus Cash, Distributions, and Residual Receipts

Part A - Compute Surplus Cash

S1300-010	Cash (Accounts 1120, 1170, and 1191)	<u>\$ 137,732</u>	
S1300-040	Total cash		<u>\$ 137,732</u>
S1300-050	Accrued mortgage interest payable	31,572	
S1300-075	Accounts payable (due within 30 days)	42,611	
S1300-080	Loans and notes payable (due within 30 days)	25,199	
S1300-100	Accrued expenses (not escrowed)	3,491	
2210	Prepaid rents	<u>19,043</u>	
S1300-140	Total current obligations		<u>121,916</u>
S1300-150	Surplus cash (deficiency)		<u>\$ 15,816</u>
S1300-200	Amount available for distribution during next fiscal period		<u>\$ 15,816</u>
S1300-210	Deposit due to residual receipts		<u>\$ -</u>

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency Number	Federal Expenditures
U.S. Department of Housing and Urban Development Mortgage Insurance for Rental Housing for the Elderly	14.138	044-38023	<u>\$ 11,398,151</u>
Total U.S. Department of Housing and Urban Development and CFDA 14.138			<u><u>\$ 11,398,151</u></u>

HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hartford Village under programs of the federal government for the year ended December 31, 2020. 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 Hartford Village, it is not intended to and does not present the financial position, changes in net deficit or cash flows of Hartford Village.

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. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Hartford Village has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOAN PROGRAM

Hartford Village has a mortgage insured by U.S. Department of Housing and Urban Development under Section 231 of the National Housing Act. The mortgage is included in the federal expenditures presented in the Schedule. Hartford Village received no additional capital advances, or loans, during the year. The balance of the mortgage at December 31, 2020, was \$11,242,283.

**INDEPENDENT AUDITOR'S 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 Board of Directors
Hartford Village

We have audited, 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, the financial statements of Hartford Village, HUD Project No. 044-38023 which comprise the statement of financial position as of December 31, 2020, 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 March 25, 2021.

Internal Control Over Financial Reporting

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

Maney Costeiran PC

March 25, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Hartford Village

Report on Compliance for Each Major HUD Program

We have audited Hartford Village's compliance with the compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hartford Village's major federal programs for the year ended December 31, 2020. Hartford Village'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 federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hartford Village'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 Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hartford Village'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 Hartford Village's compliance.

Opinion on Each Major Federal Program

In our opinion, Hartford Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

Maney Costerian PC

March 25, 2021

**HARTFORD VILLAGE
 HUD PROJECT NO. 044-38023
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

➤ Significant deficiency(ies) identified? _____ Yes X No

➤ Material weakness(es) identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Programs

Type of auditor's report issued on compliance for major programs:

Unmodified

Internal control over major programs:

➤ Significant deficiency(ies) identified? _____ Yes X No

➤ Material weakness(es) identified? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.138	Mortgage Insurance for Rental Housing for the Elderly

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

HARTFORD VILLAGE
HUD PROJECT NO. 044-38023
SCHEDULE OF PRIOR PERIOD FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

1. Audit report dated March 23, 2020, for the year ended December 31, 2019, issued by Maner Costerisan, PC.
2. There were no findings or questioned costs for the year ended December 31, 2019.
3. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
4. There were no letters or reports issued by HUD management during the period covered by this audit.

**INDEPENDENT ACCOUNTANT’S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Hartford Village

We have performed the procedures described in the second paragraph of this report, which were agreed to by Hartford Village and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Hartford Village is responsible for the accuracy and completeness of the electronic submission. The sufficiency of these procedures is solely the responsibility of Hartford Village and REAC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the “UFRS Rule Information” column with the corresponding printed documents listed in the “Hard Copy Documents” column. The associated findings from the performance of our agreed-upon procedures indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the “UFRS Rule Information” column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (OMB Uniform Guidance), by Hartford Village as of and for the year ended December 31, 2020, and have issued our reports thereon dated March 25, 2021. The information in the “Hard Copy Documents” column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated March 25, 2021, was expressed in relation to the basic financial statements of Hartford Village taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Hartford Village. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

March 25, 2021

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus cash (S1300 series of accounts)	Financial Data Templates (i.e., Computation of Surplus Cash, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e., Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees

ADDITIONAL HUD TRANSMITTAL INFORMATION

Unique IPA Identifier (UII): 20840

Firm name: Maner Costerisan PC

Auditor's Federal Employer ID Number: 38-2157642

Lead Auditor's Name: Keith Pfeifle

Title: Principal

Office Address: 2425 E. Grand River Avenue, Suite 1
Lansing, Michigan 48912

Phone: (517) 323-7500

March 25, 2021

To the Board of Directors
Hartford Village

We have audited the financial statements of Hartford Village for the year ended December 31, 2020, and have issued our report thereon dated March 25, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hartford Village are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets is based on depreciable lives as defined in Note 1 of the financial statements. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Hartford Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC