

ST. PAUL'S SENIOR HOUSING, INC.

HUD PROJECT NO. 042-11092  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

June 30, 2016 and 2015

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## Independent Auditor's Report

To the Board of Trustees of  
St. Paul's Senior Housing, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Paul's Senior Housing, Inc., HUD Project No. 042-11092, (a non-profit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project'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 Project'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 St. Paul's Senior Housing, Inc. as of June 30, 2016 and 2015, 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.

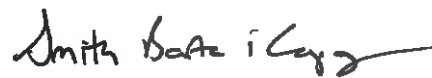
## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information shown on pages 11 through 19 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 July 21, 2016, on our consideration of St. Paul's Senior Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the 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 St. Paul's Senior Housing, Inc.'s internal control over financial reporting and compliance.

  
Certified Public Accountants

July 21, 2016

Canton, Ohio

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>			
Cash - operations		\$ 8,083	\$ 15,455
Tenant accounts receivable		3,162	2,920
<b>TOTAL CURRENT ASSETS</b>		<b>11,245</b>	<b>18,375</b>
<u>RESTRICTED DEPOSITS</u>			
Escrow deposits		49,845	31,499
Replacement reserve		60,050	68,362
Residual receipts reserve		28	28
Tenant deposits held in trust		13,870	12,937
<b>TOTAL RESTRICTED DEPOSITS</b>		<b>123,793</b>	<b>112,826</b>
<u>PROPERTY AND EQUIPMENT</u>			
Land		150,000	150,000
Buildings		2,733,555	2,851,850
Building equipment		31,126	31,126
		2,914,681	3,032,976
Less accumulated depreciation		1,960,963	2,018,555
		953,718	1,014,421
<u>OTHER ASSETS</u>			
Deferred financing costs		104,676	108,728
<b>TOTAL ASSETS</b>		<b>\$ 1,193,432</b>	<b>\$ 1,254,350</b>
	<u>LIABILITIES AND NET DEFICIT</u>		
<u>CURRENT LIABILITIES</u>			
Mortgage payable - current - NOTE B		\$ 47,590	\$ 35,870
Accounts payable - operations		11,873	6,368
Accrued interest payable - mortgage		8,183	11,161
Accrued property taxes		53,962	36,438
Prepaid revenue		2,464	2,743
Tenant deposits held in trust (contra)		14,177	14,072
<b>TOTAL CURRENT LIABILITIES</b>		<b>138,249</b>	<b>106,652</b>
<u>MORTGAGE PAYABLE - NOTE B</u>		2,194,246	2,245,857
<b>TOTAL LIABILITIES</b>		<b>2,332,495</b>	<b>2,352,509</b>
<u>NET DEFICIT</u>		(1,139,063)	(1,098,159)
<b>TOTAL LIABILITIES AND NET DEFICIT</b>		<b>\$ 1,193,432</b>	<b>\$ 1,254,350</b>

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

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>REVENUES</u>		
Net rental revenue	\$ 484,965	\$ 510,650
Financial revenue - project operations	6	13
Revenue from replacement reserve	90	75
Laundry and vending revenue	1,406	2,074
Miscellaneous income	<u>37,304</u>	<u>33,766</u>
 TOTAL REVENUES	 523,771	 546,578
<u>EXPENSES</u>		
Administrative expense	90,346	103,295
Utilities	97,924	94,812
Operating and maintenance expense	125,830	133,174
Taxes and insurance	51,078	50,597
Depreciation and amortization expense	80,715	85,466
Interest	<u>118,782</u>	<u>134,857</u>
 TOTAL EXPENSES	 <u>564,675</u>	 <u>602,201</u>
 DECREASE IN NET ASSETS	 (40,904)	 (55,623)
NET DEFICIT AT BEGINNING OF YEAR	<u>(1,098,159)</u>	<u>(1,042,536)</u>
NET DEFICIT AT END OF YEAR	<u>\$ (1,139,063)</u>	<u>\$ (1,098,159)</u>

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

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Rental receipts	\$ 484,444	\$ 514,078
Interest receipts	96	13
Other operating receipts	38,710	35,915
Total Receipts	<u>523,250</u>	<u>550,006</u>
Administrative	59,262	70,848
Management fee	31,084	30,324
Utilities	97,924	94,812
Operating and maintenance	120,325	133,174
Real estate taxes and escrow deposits	35,869	14,368
Property insurance	10,114	8,058
Miscellaneous taxes and maintenance	5,917	6,101
Tenant securities deposits and other deposits	828	1,841
Interest on mortgage	121,760	135,023
Total Disbursements	<u>483,083</u>	<u>494,549</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,167	55,457
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net withdrawals to the residual reserve		10,543
Net (deposits) withdrawals to the replacement reserve	8,312	(15,356)
Net purchase of fixed assets	(15,960)	(5,113)
NET CASH USED BY INVESTING ACTIVITIES	(7,648)	(9,926)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on mortgage	(39,891)	(33,828)
NET CASH USED BY FINANCING ACTIVITIES	(39,891)	(33,828)
NET INCREASE (DECREASE) IN CASH	(7,372)	11,703
CASH AT BEGINNING OF YEAR	15,455	3,752
CASH AT END OF YEAR	<u>\$ 8,083</u>	<u>\$ 15,455</u>

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

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF CASH FLOWS - (Continued)

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Decrease in net assets	\$ (40,904)	\$ (55,623)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	80,715	85,466
Increase in tenant accounts receivable	(242)	(1,007)
Decrease in accounts receivable - HUD	-	1,415
Decrease in accounts receivable - operations	-	277
Decrease in miscellaneous prepaid expenses	-	3,258
(Increase) decrease in escrow deposits	(18,346)	3,458
(Increase) decrease in tenant deposits held in trust	(933)	2,812
Increase (decrease) in accounts payable - operations	5,505	(4,771)
Increase in accrued expenses	17,524	17,573
Decrease in accrued mortgage interest payable	(2,978)	(166)
Increase in tenant deposits held in trusts - (contra)	105	473
Increase (decrease) in prepaid revenue	(279)	2,292
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 40,167</u>	<u>\$ 55,457</u>

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



ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF PROJECT AND OPERATIONS (S3100-010)

St. Paul's Senior Housing, Inc. (a non-profit organization) (the Project) was organized under the laws of the state of Ohio, for the purpose of developing and operating St. Paul's Senior Housing, Inc., a 65 unit project located in Canton, Ohio. The Project is operated under section 8 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

BASIS OF ACCOUNTING (S3100-040)

The financial statements are prepared on the accrual basis of accounting.

REVENUE RECOGNITION (S3100-040)

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

USE OF ESTIMATES (S3100-040)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECEIVABLES AND RELATED ALLOWANCES (S3100-040)

Tenant accounts receivable are recorded when rentals become due from the Project's tenants or third party providers of rental assistance. Tenant accounts receivable are written off when they are determined to be uncollectible. An allowance for doubtful accounts is estimated based on the Project's historical losses, the existing economic conditions in the multi-family housing rental industry, and the specific circumstances of its tenants and third party providers of rental assistance. At June 30, 2016 and 2015, any allowance for doubtful accounts was deemed to be immaterial.

PROPERTY AND EQUIPMENT (S3100-040)

Property and equipment are valued at cost less accumulated depreciation. Depreciation is computed for financial statement purposes over the estimated useful lives of the related assets using the straight-line method.

Expenditures for maintenance, repairs and renewals for minor items are charged to expense as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

DEFERRED FINANCING COSTS (S3100-040)

Amortization is computed on a straight-line basis. Deferred financing costs are amortized over the life of the related mortgage.

INCOME TAXES (S3100-040)

St. Paul's Senior Housing, Inc. is a non-profit project as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FINANCIAL STATEMENT PRESENTATION (S3100-040)

St. Paul's Senior Housing, Inc. follows standards of accounting and financial reporting as prescribed in the industry audit guide entitled "Audits of Voluntary Health and Welfare Organizations," published by the American Institute of Certified Public Accountants. The Project adopted the "Financial Statements of Not-For-Profit Organizations" topic of the FASB ASC, and under that topic the Project is required to report information regarding the nature and amount of its net assets. The accompanying financial statements have been prepared in accordance with accounting principles applicable to a U.S. Department of Housing and Urban Development (HUD) project, in conformity with the disclosure requirements as outlined in HUD Handbook 4370.2 REV-1.

Under the conditions of the Project's regulatory agreement with HUD, the Project is obligated to create a revenue fund account into which all operating income of the Project is deposited, and a replacement reserve fund to apply toward the cost of unusual or extraordinary maintenance or repairs, renewals or replacements. In addition, any residual receipts realized from the operations of the mortgaged property must be deposited annually, no later than 60 days after the end of each fiscal year. The mortgage agreement also requires that the Project make monthly escrow deposits for taxes and insurance. HUD-restricted deposits are held in separate accounts and generally are not available for operating purposes.

Expenditures incurred in connection with project operations have been summarized on a functional basis in the statements of activities. Supporting services consist primarily of administrative expenses; all other costs relate to the Project's HUD-assisted real estate housing development. The Project has no fund raising expense.

DISTRIBUTIONS (S3100-040)

The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers or directors.

RECLASSIFICATION (S3100-040)

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS (S3100-040)

Management has evaluated subsequent events through July 21, 2016, which is the date the financial statements were available to be issued

CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS (S3100-240)

The Project's sole asset is a 65 unit apartment complex. The Project's operations are concentrated in the multi-family real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of Federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden to comply with a change.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE B - MORTGAGE PAYABLE (S3100-050)

Long term debt at June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable in monthly installments of \$12,070, including interest at 4.38%, secured by land, building, and equipment, due May, 2042.	\$ 2,241,836	\$ 2,281,727
Less current portion	47,590	35,870
	<u>\$ 2,194,246</u>	<u>\$ 2,245,857</u>
2017	\$ 47,590	
2018	49,717	
2019	51,938	
2020	54,260	
2021	56,685	
Thereafter	1,981,646	
	<u>\$ 2,241,836</u>	

NOTE C - MANAGEMENT FEE (S3100-230)

REM Commercial, Inc. manages the Project pursuant to a management agreement, which began December 1, 2014. Management fee expense for the years ended June 30, 2016 and 2015, was \$31,084 and \$29,285, respectively. Management of the Project is monitored indirectly by HUD under the Housing Assistance Payments Contract.

NOTE D - PROJECT RENTAL ASSISTANCE CONTRACT (S3100-240)

The U.S. Department of Housing and Urban Development has a contract with the Project pursuant to a rental assistance contract to make rent subsidies available to the Project on behalf of qualified tenants. The contract expires October 2, 2018. For the years ended June 30, 2016 and 2015, the Project received \$321,569 and \$341,568, respectively, in rental assistance payments.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

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ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS

Account No.		2016	2015
	<u>CURRENT ASSETS</u>		
1120	Cash - operations	\$ 8,083	\$ 15,455
1130	Tenant accounts receivable	3,162	2,920
1100T	TOTAL CURRENT ASSETS	11,245	18,375
1191	<u>TENANT DEPOSITS HELD IN TRUST</u>	13,870	12,937
	<u>RESTRICTED DEPOSITS</u>		
1310	Escrow deposits	49,845	31,499
1320	Replacement reserve	60,050	68,362
1340	Residual receipts reserve	28	28
1300T	TOTAL RESTRICTED DEPOSITS	109,923	99,889
	<u>PROPERTY AND EQUIPMENT</u>		
1410	Land	150,000	150,000
1420	Buildings	2,733,555	2,851,850
1440	Building equipment	31,126	31,126
1400T	TOTAL FIXED ASSETS	2,914,681	3,032,976
1495	Less accumulated depreciation	1,960,963	2,018,555
1400N	NET FIXED ASSETS	953,718	1,014,421
	<u>OTHER ASSETS</u>		
1520	Deferred financing costs	104,676	108,728
1500T	TOTAL OTHER ASSETS	104,676	108,728
1000T	TOTAL ASSETS	\$ 1,193,432	\$ 1,254,350

LIABILITIES AND NET DEFICIT

	<u>CURRENT LIABILITIES</u>		
2110	Accounts payable - operations	\$ 11,873	\$ 6,368
2131	Accrued interest payable - mortgage	8,183	11,161
2150	Accrued property taxes	53,962	36,438
2170	Mortgage payable - current	47,590	35,870
2210	Prepaid revenue	2,464	2,743
2122T	TOTAL CURRENT LIABILITIES	124,072	92,580
2191	<u>TENANT DEPOSITS HELD IN TRUST (CONTRA)</u>	14,177	14,072
2320	<u>MORTGAGE PAYABLE</u>	2,194,246	2,245,857
2000T	TOTAL LIABILITIES	2,332,495	2,352,509
3130	<u>NET DEFICIT</u>	(1,139,063)	(1,098,159)
2033T	TOTAL LIABILITIES AND NET DEFICIT	\$ 1,193,432	\$ 1,254,350

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

Account No.		2016	2015
	<u>REVENUES</u>		
5120	Rental revenue - gross potential	\$ 235,492	\$ 214,769
5121	Tenant assistance payments	321,569	341,568
5100T	Total Potential Rent Revenue	557,061	556,337
5220	Vacancies - apartments	(72,096)	(45,687)
5152N	Net Rental Revenue	484,965	510,650
5410	Financial revenue -project operations	6	13
5440	Revenue from investments - reserve for replacements	90	75
5400T	Total Financial Revenue	96	88
5910	Laundry and vending revenue	1,406	2,074
5990	Miscellaneous revenue	37,304	33,766
5900T	Total Other Revenue	38,710	35,840
5000T	TOTAL REVENUES	523,771	546,578
	<u>EXPENSES</u>		
6210	Advertising and marketing		1,090
6310	Office salaries	14,811	29,162
6311	Office expenses	2,958	6,318
6320	Management fee	31,084	29,285
6340	Legal expense	1,080	-
6350	Audit expense	7,000	10,550
6351	Bookkeeping fees/accounting services	4,486	5,063
6390	Miscellaneous administrative expenses	28,927	21,827
6263T	Total Administrative Expenses	90,346	103,295
6450	Electricity	85,192	82,134
6451	Water	9,492	9,002
6452	Gas	3,240	3,676
6400T	Total Utilities Expense	97,924	94,812
6515	Supplies	6,534	16,231
6520	Contracts	110,163	113,722
6525	Garbage and trash removal	3,610	3,221
6590	Miscellaneous operating and maintenance expenses	5,523	-
6500T	Total Operating and Maintenance Expenses	125,830	133,174

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF ACTIVITIES - (Continued)

Years Ended June 30, 2016 and 2015

Account No.		2016	2015
6710	Real estate taxes	35,047	36,438
6720	Property and liability insurance	10,114	8,058
6790	Miscellaneous taxes, licenses, permits and insurance	5,917	6,101
6700T	Total Taxes and Insurance	<u>51,078</u>	<u>50,597</u>
6820	Interest on mortgage payable	118,782	134,857
6800T	Total Financial Expenses	<u>118,782</u>	<u>134,857</u>
6000T	TOTAL EXPENSES BEFORE DEPRECIATION	<u>483,960</u>	<u>516,735</u>
5060T	PROFIT BEFORE DEPRECIATION	39,811	29,843
6600	Depreciation expense	76,663	81,414
6610	Amortization expense	<u>4,052</u>	<u>4,052</u>
5060N	OPERATING LOSS	(40,904)	(55,623)
3250	DECREASE IN NET ASSETS	<u>\$ (40,904)</u>	<u>\$ (55,623)</u>
S1000-010	Total mortgage principal payments required during the fiscal year	\$ 39,891	\$ 33,828
S1000-020	Total of 12 monthly deposits during the fiscal year into the replacement reserve account, as required by the regulatory agreement	\$ 29,464	\$ 19,044
S1000-030	Replacement reserve or residual receipts releases which are included as expense items on this statement of activities	\$ 1,309	\$ 14,238
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on these statements of activities	\$ -	\$ -

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

Account No.		2016	2015
	<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
S1200-010	Rental receipts	\$ 484,444	\$ 514,078
S1200-020	Interest receipts	96	13
S1200-030	Other operating receipts	38,710	35,915
S1200-040	Total Receipts	<u>523,250</u>	<u>550,006</u>
S1200-050	Administrative	59,262	70,848
S1200-070	Management fee	31,084	30,324
S1200-090	Utilities	97,924	94,812
S1200-110	Operating and maintenance	120,325	133,174
S1200-120	Real estate taxes and escrow deposits	35,869	14,368
S1200-140	Property insurance	10,114	8,058
S1200-150	Miscellaneous taxes and maintenance	5,917	6,101
S1200-160	Tenant security and other deposits	828	1,841
S1200-180	Interest on mortgage	121,760	135,023
S1200-230	Total Disbursements	<u>483,083</u>	<u>494,549</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES	40,167	55,457
	<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
S1200-260	Net withdrawals to the residual reserve		10,543
S1200-250	Net (deposits) withdrawals to the reserve for replacement	8,312	(15,356)
S1200-330	Net purchase of fixed assets	<u>(15,960)</u>	<u>(5,113)</u>
S1200-350	NET CASH USED BY INVESTING ACTIVITIES	(7,648)	(9,926)
	<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
S1200-360	Principal payments on mortgage	<u>(39,891)</u>	<u>(33,828)</u>
S1200-460	NET CASH USED BY FINANCING ACTIVITIES	<u>(39,891)</u>	<u>(33,828)</u>
S1200-470	NET INCREASE (DECREASE) IN CASH	(7,372)	11,703
S1200-480	CASH AT BEGINNING OF YEAR	<u>15,455</u>	<u>3,752</u>
S1200T	CASH AT END OF YEAR	<u>\$ 8,083</u>	<u>\$ 15,455</u>

See Independent Auditor's Report.



ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

STATEMENTS OF CASH FLOWS - (Continued)

Years Ended June 30, 2016 and 2015

		<u>2016</u>	<u>2015</u>
	<u>RECONCILIATION OF DECREASE IN NET ASSETS TO</u>		
	<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
3250	Decrease in net assets	\$ (40,904)	\$ (55,623)
	Adjustments to reconcile decrease in net assets to net cash		
	provided (used) by operating activities		
6600	Depreciation	76,663	81,414
6610	Amortization	4,052	4,052
S1200-490	Increase in tenant accounts receivable	(242)	(1,007)
S1200-490	Decrease in accounts receivable - HUD	-	1,415
S1200-500	Decrease in accounts receivable - operations	-	277
S1200-520	Decrease in miscellaneous prepaid expenses	-	3,258
S1200-520	(Increase) decrease in escrow deposits	(18,346)	3,458
S1200-530	(Increase) decrease in tenant deposits held in trust	(933)	2,812
S1200-540	Increase (decrease) in accounts payable - operations	5,505	(4,771)
S1200-560	Increase in accrued expenses	17,524	17,573
S1200-570	Decrease in accrued mortgage interest payable	(2,978)	(166)
S1200-580	Increase in tenant deposits held in trusts - (contra)	105	473
S1200-590	Increase (decrease) in prepaid revenue	(279)	2,292
		<u>          </u>	<u>          </u>
S1200-610	NET CASH PROVIDED BY		
	OPERATING ACTIVITIES	<u>\$ 40,167</u>	<u>\$ 55,457</u>

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

COMPUTATION OF DEFICIENCY CASH - ANNUAL

Year Ended June 30, 2016

Account No.		
S1300-040	Cash	\$ 21,953
	<u>Current Obligations</u>	
S1300-075	Accounts payable due within 30 days	11,873
S1300-110	Prepaid revenue	2,464
2191	Tenant security deposits held in trust	<u>14,177</u>
S1300-140	Total Current Obligations	<u>28,514</u>
S1300-150	Cash Deficiency	<u><u>\$ (6,561)</u></u>

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

Year Ended June 30, 2016

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1410	Land	\$ 150,000	\$ -	\$ -	\$ 150,000
1420	Buildings	2,851,850	38,979	(157,274)	2,733,555
1440	Building equipment	31,126	-	-	31,126
1400T	TOTAL	3,032,976	38,979	(157,274)	2,914,681
1495	Accumulated depreciation	2,018,555	76,663	(134,255)	1,960,963
1400N	NET BOOK VALUE	<u>\$ 1,014,421</u>	<u>\$ (37,684)</u>	<u>\$ (23,019)</u>	<u>\$ 953,718</u>

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SCHEDULE OF RESERVE FOR REPLACEMENT

Year Ended June 30, 2016

Account No.		
1320P	Balance at beginning of year	\$ 68,362
1320DT	Total monthly deposits	29,464
1320INT	Interest on replacement reserve	90
1320WT	HUD approved withdrawals	<u>(37,866)</u>
1320	Balance at end of year	<u>\$ 60,050</u>

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SCHEDULE OF RESIDUAL RECEIPTS RESERVE

Year Ended June 30, 2016

Account No.		
1340P	Balance at beginning of year	\$ 28
1340INT	Interest income for the year ended June 30, 2016	<u>*</u>
1340	Balance at end of year	<u>\$ 28</u>

See Independent Auditor's Report.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

<u>PROGRAM TITLE</u>	<u>CFDA#</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS:		
<u>Department of Housing and Urban Development</u>		
HUD Direct Loan	14.138	\$ 2,281,727
Section 8 Housing Assistance	14.195	<u>321,569</u>
TOTAL MAJOR PROGRAMS		2,603,296
NON-MAJOR PROGRAMS:		
<u>Department of Housing and Urban Development</u>		
Supportive Housing for the Elderly	14.157	<u>32,975</u>
TOTAL NON-MAJOR PROGRAMS		<u>32,975</u>
TOTAL ALL FEDERAL PROGRAMS		<u>\$ 2,636,271</u>

The accompanying notes are an integral part of this schedule.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of St. Paul's Senior Housing, Inc., HUD project No. 042-11092, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of St. Paul's Senior Housing, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of St. Paul's Senior Housing, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. St. Paul's Senior Housing, Inc. has elected not to use the 10-percent de minimis indirect cost rate under the Uniform Guidance.

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

St. Paul's Senior Housing, Inc. has received a U.S. Department of Housing and Urban Development direct loan under the National Housing Act. The loan balance outstanding at the beginning of the year is included in the Schedule of Expenditures of Federal Awards. St. Paul's Senior Housing, Inc. received no additional loans during the year. The balance of the loan outstanding at June 30, 2016 was \$2,241,836.

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2016

NONE NOTED





## Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

### 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 Trustees of  
St. Paul's Senior Housing, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of St. Paul's Senior Housing, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Paul's Senior Housing, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that were 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 St. Paul's Senior Housing, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Paul's Senior Housing, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project'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 considered 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 St. Paul's Senior Housing, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Certified Public Accountants

July 21, 2016

Canton, Ohio



## Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of  
St. Paul's Senior Housing, Inc.

#### **Report on Compliance for Each Major Federal Program**

We have audited St. Paul's Senior Housing, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on St. Paul's Senior Housing, Inc.'s major Federal program for the year ended June 30, 2016. St. Paul's Senior Housing, Inc.'s major Federal program is 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 the terms and conditions of its Federal awards applicable to its Federal program.

#### **Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of St. Paul's Senior Housing, Inc.'s compliance.

#### **Opinion on the Major Federal Program**

In our opinion, St. Paul's Senior Housing, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

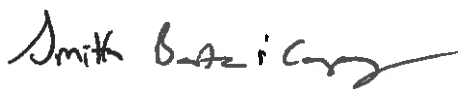
#### **Report on Internal Control Over Compliance**

Management of St. Paul's Senior Housing, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Paul's Senior Housing, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Paul's Senior Housing, Inc.'s internal control over compliance.

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

Our consideration of the 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 the 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.

  
Certified Public Accountants

July 21, 2016

Canton, Ohio

ST. PAUL'S SENIOR HOUSING, INC.  
HUD Project No. 042-11092

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified \_\_\_\_\_ Yes   x   No

Significant deficiency(s) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes   x   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   x   No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   x   No

Significant deficiency(s) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes   x   None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform Guidance? \_\_\_\_\_ Yes   x   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.138	HUD Direct Loan
14.195	Section 8 Housing Assistance Program

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

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

ST. PAUL'S SENIOR HOUSING, INC  
HUD Project No. 042-11092

CERTIFICATION OF BOARD MEMBERS

We hereby certify that we have examined the accompanying financial statements and supplemental information of St. Paul's Senior Housing, Inc., HUD Project No. 042-11092 for the year ended June 30, 2016, and, to the best of our knowledge and belief, the same is complete and accurate.

BOARD MEMBERS:

\_\_\_\_\_  
James S. Molnar, President (S2900-020, S2900-025)      Date \_\_\_\_\_ Telephone \_\_\_\_\_

\_\_\_\_\_  
Mike Discenza, Treasurer (S2900-030, S2900-035)      Date \_\_\_\_\_ Telephone \_\_\_\_\_

Employer Identification Number      34-1399903

ST. PAUL'S SENIOR HOUSING, INC  
HUD Project No. 042-11092

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental information of St. Paul's Senior Housing, Inc., HUD Project No. 042-11092, for the year ended June 30, 2016, and, to the best of my knowledge and belief, the same is complete and accurate. (S3000-010)

REM Commercial, Inc. (S3000-020)

BY

\_\_\_\_\_  
Gary Duvall, Jr. Managing Agent (S3000-030)

Date \_\_\_\_\_

Employer Identification Number      34-1343332 (S3000-040)



INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURE

To the Board of Trustees of  
St. Paul's Senior Housing, Inc.

We have performed the procedure described in the second paragraph of this report, which was agreed to by St. Paul's Senior Housing, Inc. and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. St. Paul's Senior Housing, Inc. is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the 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. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure 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 results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with 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), by St. Paul's Senior Housing, Inc. as of and for the year ended June 30, 2016, and have issued our reports thereon dated July 21, 2016. 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 July 21, 2016, was expressed in relation to the basic financial statements of St. Paul's Senior Housing, Inc. taken as a whole.

A copy of the reporting package required by the Uniform Guidance, which includes the auditor's reports, is available in its entirety from St. Paul's Senior Housing, Inc. 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, PIH-REAC.

This report is intended solely for the information and use of St. Paul's Senior Housing, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Certified Public Accountants

July 21, 2016

Canton, Ohio

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

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Information with Financial Statement Data	Agrees
Surplus cash (S1300 series of accounts)	Computation of Deficiency Cash	Agrees
Footnotes (3100 series of accounts)	Notes to the Audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Report on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S330, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees