

Portfolio Manager: [REDACTED]

Project Name: \_\_\_\_\_ Project ID No.: \_\_\_\_\_ Date Received: \_\_\_\_\_

Date Reviewed: \_\_\_\_\_ Marginal Project? Yes/No\*\*\*Surplus Cash: \$ \_\_\_\_\_

**NOTE: IF SURPLUS CASH IS DUE BASED ON AUDITOR'S CALCULATION, EMAIL THE BORROWER FOR CHECK AMOUNT, NUMBER & DATE PAYMENT WAS SENT.**

1. Examine prior year's financial statement review. Note any outstanding items and follow-up with each.
2. **Balance Sheet**
  - a. Does the Cash account appear to be adequate? *(Is amount greater than accounts payable (2110) Acid test Calculation 1100T Current Assets/(2100T Current Liabilities-2191 Tenant Deposits)*\_\_\_\_\_.
  - b. Is the current Tenant Accounts Receivable amount inconsistently higher in comparison to prior year audit amounts? *(Important to access increases in Tenant Accounts Receivable – Mgmt. should provide a plan and PM should schedule a follow-up discussion in an effort to maintain tenant receivables at a reasonable level)*\_\_\_\_\_
  - c. Do Accounts 1140 or 1145 have amounts shown? If so, are they detailed in the audit are they allowable? \_\_\_\_\_
  - d. Is the Tenant Security Deposits account underfunded by more than 5%? If yes, note Account Number. *(If underfunded, account 1191 will be less than account 2191)*\_\_\_\_\_
  - e. **Is the Accounts Payable an allowable s/c deduction?** Is it inconsistently higher than with prior year amounts? *(Accounts payable due in 30 days – request detail A/P ledger- sometimes disputed payables will remain on the books for too long without being addresses. If concern regarding the A/P balance arises – review detail for payables over 60 days past due and ask management to explain and provide a plan for addressing past due obligations.)*\_\_\_\_\_
  - f. In reference to notes, if descriptions and amounts are in the section; are there any that appear to a related party? If so, are they acceptable? *(Accounts on the balance sheet that may indicate related party transactions 1125, 1140, 1145, 1175, 1515, 2113.)*\_\_\_\_\_
  - g. **Does Prepaid Revenue appear to be reasonable?** *(Surplus cash definition includes Prepaid Rents – Often “other” prepaid items or tenant credits are included in this account. If the amount seems high, request detail. Prepaid rents should be rent paid in December – Due January (or June due July) depending on FYE.)*\_\_\_\_\_

**Funded Reserves**

- h. Are the Reserve and special account balances fully funded? **Have annual increases (if applicable) been applied?** *(Especially for first audits – important to verify that all reserves have been funded annually.)*\_\_\_\_\_

i. Was interest (if required) posted to each of these accounts and are the balances accurate and/or verified by the lender? (Explained in Audit Review Worksheet) RFR Balance: \$ \_\_\_\_\_ Mo Pymt. \$ \_\_\_\_\_  
X 12 = \$ \_\_\_\_\_. Are the reserve and special account balances fully funded? Was interest posted to each of these accounts and are the balances accurate/verified by lender?

j. If applicable have all withdrawals been approved? (Explained in Audit Review Worksheet) \_\_\_\_\_

### 3. Fixed Assets

a. Are there any additions and or changes that need explanations? (Any additions in accounts 1440 – 1490 should be noted in the audit. If not, request explanation of amounts. Additions to 1495 are expected each year) \_\_\_\_\_

### 4. Mortgage Details

a. Do the mortgage loans appear to be satisfactory? (Verify monthly payments current – last year's surplus cash payment to Amerinat;) \_\_\_\_\_

b. Are the mortgage notes consistent with the documents? (Explained in Audit Review Worksheet) \_\_\_\_\_

### 5. Profit and Loss Statement

a. Is Gross Rent Potential higher than the rent limits allowed during the audit year? (Using the "Rental & Credit" tab in the factsheet to calculate the yearly contract rent potential using current rents for the property – verify that amounts charged under (5120 Rent Revenue + 5121 Tenant Assistance Payments) do not exceed the yearly contract rent potential.) \_\_\_\_\_

b. Is the current year rent revenue decreasing compared to prior year? (Explained in Audit Review Worksheet.) \_\_\_\_\_

c. Are Apartment Vacancies more than 10% of Rent Revenue and Tenant Assisted Payments combined? (Account 5220/(5120 Rent Revenue + 5121 Tenant Assistance Payments) \_\_\_\_\_

d. Are there any anomalies comparing current year P&L accounts to prior years? (Review individual line items on the profit and loss – amount showing on the line item when nothing was posted in prior years – unusual increases and decreases from year to year – amount not showing on a line item when there was an amount in previous years.) \_\_\_\_\_

e. Are there expense categories that have increased or decreased more than 15%? (Refer to Profit and Loss Variance Table in Audit Report) \_\_\_\_\_

f. Verify the auditor completed the second part of the P&L adequately. (Explained in Audit Review WS) \_\_\_\_\_

**6. Cash Flow Statement**

- a. Is the Management Fee paid in accordance with the current Management Agreement? *(Review management agreement to determine Mgmt. fee calculation compared to management fee accrual (account 6320 on P & L). The amount in Account S1200-070 on the Cash Flow statement reflects cash actually paid for management fees for the year.* \_\_\_\_\_
- b. Check the accounts and amounts, including the details to determine if any unauthorized distributions have been made. (S1200-225 (Entity/Construction Expenses Paid) – Deferred Developer Fees paid, \$\$1200-420(Distributions) – Distribution paid. Management Fee: \_\_\_\_\_ % \$ \_\_\_\_\_

**7. Notes**

- a. Is there a going concern? If so, obtain information about management's plan to mitigate such conditions or events. \_\_\_\_\_
- b. Do the notes clearly identify related party transactions? (This may affect surplus cash) \_\_\_\_\_
- c. Do the notes identify any issues that may affect the property and/or loans? \_\_\_\_\_

**8. Auditor Letters**

- a. Does the auditor note a "separate letter to management"? If so, obtain a copy of the letter to review and follow up. \_\_\_\_\_

**9. Findings**

- a. Are there any findings noted? If so, are there detailed owners replies included? If not, ask. \_\_\_\_\_

**10. Surplus Cash**

- a. Review surplus cash calculation for accuracy, and to verify it coincides with the loan document's definition as it relates to cash and allowable deductions. *If there is a HUD loan in 1<sup>st</sup> position – HUD allows the following months mortgage payment, escrow payment and RFR payment as a deduction in the surplus cash calculation.* \_\_\_\_\_

*Types of surplus cash for debt repayment, surplus cash for RFR deposit and surplus cash distribution. Review Deed of Trust Note for surplus cash application. HUD receivable may include management's expectation on abatement issues. Abatement receivables are not guaranteed and should not be included in surplus cash calculation.* \_\_\_\_\_

- b. If surplus cash is due, include in follow up questions, a request for payment amount, check number and date payment made. \_\_\_\_\_

**11. Change in "Watch List" designation**

**Based on the audit review I recommend the project (be added to/remains on/removed from) the**


Watch List. \_\_\_\_\_



**Financial Statements  
And  
Supplementary Information**

*March 31, 2018*



  
**Financial Statements  
And  
Supplementary Information**  
*March 31, 2018*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Restoration Gardens, LLC

**Report on the Financial Statements**

We have audited the accompanying financial statements of [REDACTED] which comprise the balance sheet as of March 31, 2018, and the related statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 [REDACTED] as of March 31, 2018, and the results of its operations and its cash flows for the year 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 financial statements as a whole. The accompanying supplementary information shown on pages 14 to 24 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 14 to 24 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. Such 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 accompanying supplementary information shown on pages 14 to 24 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 May 10, 2018 on our consideration of [REDACTED] 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 [REDACTED]'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 [REDACTED] internal control over financial reporting and compliance.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Balance Sheet**  
**March 31, 2018**

**ASSETS**

***Current Assets***

Cash - Operations	\$	2,787
Tenant Accounts Receivable		5,518
Subsidy Accounts Receivable		3,831
Prepaid Expenses		15,237
<i>Total Current Assets</i>		<u>27,373</u>

***Deposits Held in Trust-Funded***

Tenants Security Deposits		8,099
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***Restricted Deposits & Funded Reserves***

Mortgage Escrow		10,941
Cash in Operating Reserve		100,436
Cash in Reserve for Replacement		13,047
<i>Total Restricted Deposits &amp; Funded Reserves</i>		<u>124,424</u>

***Property & Equipment***

Land		134,445
Building & Improvements		5,189,444
Furniture, Fixtures & Equipment		188,484
<i>Total Property &amp; Equipment</i>		<u>5,512,373</u>
Less: Accumulated Depreciation		<u>(1,102,641)</u>
<i>Net Property &amp; Equipment</i>		4,409,732

***Other Assets***

Utilities Deposit		<u>13,635</u>
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<i>Total Assets</i>	\$	<u><u>4,583,263</u></u>
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The accompanying notes are an integral part of these financial statements.

RESTORATION GARDENS, L.L.C.  
CMA PROJECT # NSP-NSP-160101300  
Balance Sheet (Cont.)

March 31, 2018

**LIABILITIES & MEMBERS' EQUITY**

***Current Liabilities***

Accounts Payable - Operations	\$	10,490
Accrued Expenses		8,104
Due To Affiliate		<u>6,716</u>
<i>Total Current Liabilities</i>		25,310

***Deposit and Prepayment Liabilities***

Tenant Security Deposits (Contra)		<u>6,958</u>
<i>Total Deposit and Prepayment Liabilities</i>		6,958

***Long-term Liabilities***

Mortgage Payable- CDBGR		700,000
Mortgage Payable- HOPWA		1,000,000
Mortgage Payable- NSP		<u>3,500,000</u>
<i>Total Long-term Liabilities</i>		5,200,000

<i>Total Liabilities</i>		5,232,268
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***Members' Equity***

Members' Equity		<u>(649,005)</u>
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<i>Total Liabilities &amp; Members' Equity</i>	\$	<u>4,583,263</u>
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The accompanying notes are an integral part of these financial statements.

**Statement of Income**  
**For the Year Ended March 31, 2018**

<b>Revenue</b>	
Rent, net	\$ 428,290
Financial	298
Other	<u>(7,053)</u>
<b>Total Revenue</b>	<u>421,535</u>
<b>Expenses</b>	
Administrative	109,464
Utilities	69,085
Operating & Maintenance	187,624
Taxes & Insurance	50,003
Financial	858
Depreciation	<u>150,532</u>
<b>Total Expenses</b>	<u>567,566</u>
<b>Net (Loss)</b>	<u>\$ (146,031)</u>

Statement of Changes in Members' Equity  
For the Year Ended March 31, 2018

	<i>Homes for <u>America, Inc.</u></i>	<i>Empire Homes of <u>Maryland, Inc.</u></i>	<i><u>Total</u></i>
Members' Equity, April 1, 2017	\$ (360,517)	\$ (142,457)	\$ (502,974)
<i>Net (Loss) for the Year Ended March 31, 2018</i>	<u>(74,476)</u>	<u>(71,555)</u>	<u>(146,031)</u>
Members' Equity, March 31, 2018	<u>\$ (434,993)</u>	<u>\$ (214,012)</u>	<u>\$ (649,005)</u>
Members' Percentage of Loss	51%	49%	100%

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

RESTORATION GARDEAS, LLC  
DA PROJECT NO. 18040300

**Statement of Cash Flows**  
**For the Year Ended March 31, 2018**

<b><i>Cash Flows From Operating Activities</i></b>	
Rent Receipts	\$ 412,633
Financial	298
Other Operating Receipts	3,076
Total Receipts	<u>416,007</u>
Administrative	87,799
Utilities	62,881
Operating & Maintenance	202,902
Taxes & Insurance	49,699
Financial	858
Total Disbursements	<u>404,139</u>
<i>Net Cash Provided by Operating Activities</i>	11,868
<b><i>Cash Flows From Investing Activities</i></b>	
Deposits to Mortgage Escrow	(27,166)
Payments from Mortgage Escrow	29,082
Deposits to Replacement Reserve	(13,047)
Purchase of Fixed Assets	<u>(38,315)</u>
<i>Net Cash Used by Investing Activities</i>	(49,446)
<b><i>Cash Flows From Financing Activities</i></b>	
Net payment of Operating Advances from Affiliates	<u>(5,236)</u>
<i>Net Cash Used by Financing Activities</i>	<u>(5,236)</u>
<b><i>Net Decrease in Cash</i></b>	(42,814)
<b><i>Cash in Bank:</i></b>	
<i>Beginning of Year</i>	<u>45,601</u>
<i>End of Year</i>	<u>\$ 2,787</u>

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



**Statement of Cash Flows (Cont'd)**  
**For the Year Ended March 31, 2018**

***Cash Flows from Operating Activities***

Net (Loss)	\$	(146,031)
<i>Adjustment to Reconcile Net Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation		150,532
Loss on Asset Disposal		10,522
Bad Debt		41,198
<i>(Increase) / Decrease in Assets:</i>		
Tenant Accounts Receivable		(45,497)
Subsidy Accounts Receivable		1,729
Other Receivables		5,502
Prepaid Expenses		9,171
Tenant Security Deposits		(481)
<i>Increase / (Decrease) in Liabilities:</i>		
Accounts Payable - Operations		(20,258)
Accrued Expenses		4,205
Tenant Security Deposits		1,276
		<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$	<u>11,868</u>

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

[REDACTED]  
[REDACTED]  
**Notes to Financial Statements**  
**March 31, 2018**

**NOTE 1 – Description of Business and Summary of Significant Accounting Policies**

***Description of Business***

[REDACTED] (the Organization) was formed as a limited liability company under the laws of the State of Maryland on April 28, 2009, for the purpose of acquiring, owning, developing, constructing, and operating a multifamily apartment building for low-income, homeless, and at risk youths aged 18 to 24 as defined by the [REDACTED]. The Project consists of 44 units located in Baltimore, Maryland, and is currently operating under the name of [REDACTED].

The multi-family apartment building was constructed under various mortgage agreements from governmental agencies in which repayment of principal and interest is only required if the Project fails to comply with the mortgage and regulatory agreements.

The Organization has two members, Homes for America, Inc. and Empire Homes of Maryland, Inc. Both of these members are managing members.

The major activities of the Organization are governed by the operating agreement and the regulatory agreement with DHCD.

By agreement, the Organization shall have a perpetual existence.

Generally, all profits and losses are allocated to the members, pro rata in accordance with their percentage interests: [REDACTED] Inc., 51% and [REDACTED] Inc., 49%. Cash flow, as defined by the operating agreement, generally is distributable to the members pro rata in accordance with their percentage interests. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Organization's assets will be specially allocated based on the respective members' equity capital account balances, as prioritized in the operating agreement. Additionally, the operating agreement provides for other instances in which a special allocation of profits and losses and distributions may be required.

***Basis of Accounting***

The Organization uses the accrual method of accounting whereby income is recognized when earned and expenses are recognized when incurred.

***Use of Estimates***

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

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with maturities of three months or less to be cash equivalents. Restricted deposits are not considered cash for the statement of cash flows.

***Accounts Receivable and Bad Debts***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Project provides for losses on tenants and subsidies receivable using the allowance method. The allowance is based on experience, individual account analysis, and other circumstances. It is the Project's policy to charge off accounts receivable when management determines the receivable will not be collected. An allowance for uncollectible accounts is established based on the results of this analysis.

***Accumulated Other Comprehensive Income***

The Organization has no accumulated other comprehensive income as of March 31, 2018. Comprehensive income is identical to net operating income for the year ended March 31, 2018.

[REDACTED]  
[REDACTED]  
[REDACTED]  
s to Financial Statements  
March 31, 2018

**NOTE 1 – Description of Business and Summary of Significant Accounting Policies (Cont'd)**

***Rental Requirements***

The Organization's regulatory agreement with [REDACTED] requires that the units must be rented to households whose annual income does not exceed NSP income limits as defined in the agreement. Tenant and unit rents cannot exceed amounts specified in the agreement without prior [REDACTED] approval.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and tenants of the property are operating leases whose terms range from monthly to a maximum of one year.

***Property and Equipment***

Property and equipment is stated at cost and depreciated for book and tax purposes using straight line and the modified accelerated cost recovery system, respectively, based on estimated useful lives of seven (7) years for furnishings and equipment and forty (40) years for buildings and improvements. All of the property and equipment serves as collateral on the three mortgages payable. Depreciation expense for the year ended March 31, 2018 amounts to \$150,532.

***Valuation of Long-Lived Assets***

The Organization reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated and any estimated proceeds from the eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. As of March 31, 2018, the Organization determined that none of its assets were impaired. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization has no assets intended for disposal as of March 31, 2018.

***Income Taxes***

The Organization has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Organization's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Organization is not required to take any tax positions in order to qualify as a pass-through entity. The Organization is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. The Organization's federal tax returns for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

***Fair Value of Financial Instruments***

The Project's financial instruments consist principally of cash and cash equivalents, rent receivables, affiliate receivables, and trade receivables and payables. There are no significant differences between the carrying value and fair value of any of these financial instruments as of March 31, 2018.

***Distributions to Owners***


Distributions to owners are not allowed while the mortgages are outstanding, unless approved in writing by [REDACTED].

***Advertising Costs***

Non-direct response advertising costs are expensed as incurred. There were no direct response advertising costs for the year ended March 31, 2018.

***Subsequent Events***

The Organization evaluated for disclosure any subsequent events through May 10, 2018, the date the financial statements were available to be issued.


  
**Notes to Financial Statements**  
**March 31, 2018**



**NOTE 2 – Accounts Receivable**

Accounts Receivable consists of the following at March 31, 2018:



Tenant Rents	\$	8,459
Tenant Assistance		1,598
Vacancy Claims		<u>2,233</u>
Total Accounts Receivable	\$	12,290
Less Allowance for Doubtful Accounts		<u>(2,941)</u>
Net Accounts Receivable	\$	<u>9,349</u>

**NOTE 3 – Restricted Deposits and Reserves**

Under the terms of  regulatory agreement, the Organization is required to place tenant deposits into a separate interest-bearing bank account. The balance in this account as of March 31, 2018 was \$8,099.

Pursuant to  regulatory agreement, the Project is required to deposit \$1,075 monthly into a reserve for replacement account to cover future capital expenditures and repairs to and for the Project with an escrow agent. Interest income for all reserve accounts is credited to the Reserve for Replacement account which totaled \$147 for the year ended March 31, 2018. Withdrawals from this account are only permitted with the prior written approval of . There were no withdrawals from this account during the year ended March 31, 2018. The reserve for replacement account has a balance of \$13,047 as of March 31, 2018.

In addition, surplus cash, as computed annually by the regulatory agreement, is required to be deposited into this account within 90 days of year end. There was no deposit required in fiscal year 2018 based on the surplus cash calculation for the year ended March 31, 2018.

The Organization is required to maintain an operating reserve account which is being held by an escrow agent appointed by . There were no deposits in 2018. Funds in this account may only be disbursed with the prior written approval of . The balance in this account as of March 31, 2018 is \$100,436. No further funding is required.

Restricted deposits and funded reserves are comprised of the following at March 31, 2018:

Tenant Security Deposits	\$	8,099
Reserve for Replacement		13,047
Operating Reserve		100,436
Tax & Insurance Escrow		<u>10,941</u>
Total Restricted Funds	\$	<u>132,523</u>

These funds are held in separate accounts and generally are not available for operating purposes.

[REDACTED]

**Notes to Financial Statements**  
**March 31, 2018**

**NOTE 4 – Mortgages Payable**

The Organization received a mortgage from [REDACTED] pursuant to the Neighborhood Stabilization Program (NSP) (as set forth in Section 2031 of the Housing and Economic Recovery Act of 2008), in the amount of \$3,500,000. All available funds have been expended by the Organization as of March 31, 2017. The mortgage is secured by a first deed of trust on the rental property and matures on January 1, 2051. This is an interest-free loan and repayment of the loan shall be forgiven if the Project continues to be operated in accordance with the operating agreement and the Project leases 100% of the units to qualified individuals as defined pursuant to NSP guidelines.

The Organization also received a mortgage from the Baltimore City Mayor and City Council pursuant to the Housing Opportunities for Persons with AIDS Act (the "HOPWA Act") in the amount of \$1,000,000. The mortgage is secured by a second deed of trust on the rental property and matures on January 1, 2021. In the event of a default, interest accrues on the outstanding principal balance from the date of default at the prime rate as published by The Wall Street Journal, plus 4 percent. Repayment of the principal and interest shall be forgiven if the Project continues to operate in accordance with the operating agreement and the Project leases 100% of the units to qualified individuals as defined pursuant to HOPWA Act guidelines.

The Organization has acquired a mortgage from the Baltimore City Mayor and City Council pursuant to the Community Development Block Grant Recovery ("CDBG-R") in the amount of \$700,000. The mortgage is secured by a third deed of trust on the rental property and matures on January 1, 2031. In the event of a default, interest accrues on the outstanding principal balance from the date of default at the prime rate as published by The Wall Street Journal, plus 4 percent. Repayment of the principal and interest shall be forgiven if the Project continues to operate in accordance with the operating agreement and the Project complies with the terms of the loan agreement.

The liability of the Organization under the mortgages is limited to the underlying value of the real estate collateral.

Under agreements with the mortgage lenders and [REDACTED], the Organization is required to make monthly escrow deposits for taxes, insurance, and replacement of Project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to members.

Principal maturities of long-term mortgages payable for the next five years are as follows:

<b><u>March 31,</u></b>	
2019	\$ 0
2020	0
2021	1,000,000
2022	0
2023	0
Thereafter	<u>4,200,000</u>
<b>TOTAL</b>	<b><u>\$ 5,200,000</u></b>

**NOTE 5 – Related Party Transactions**

The Organization received \$6,614 in tenant assistance payments which passed through AIDS Interfaith Residential Services, Inc. (AIRS), an affiliated entity, during the year ended March 31, 2018. The balance due to AIRS totaled \$1,051 at March 31, 2018.

Due to affiliates consists of operating expenses due to [REDACTED]. The balance due to [REDACTED] totaled \$5,665 at March 31, 2018.

**Notes to Financial Statements**  
**March 31, 2018**

**NOTE 5 – Related Party Transactions (Cont'd)**

Per the amended management agreement effective January 1, 2016, the management agent, EHM, earns a noncumulative fee of 6% of gross tenant rental collections for services rendered with respect to the management and operation of the project. The agent compensation fee is payable from cash flows, as defined in the management agreement. The allowed management fee for the year ended March 31, 2018 totaled \$23,071. The agreement expires December 31, 2018.

In addition, the Minority Member, EHM, charged the Project \$128,406 in reimbursable personnel costs and \$6,000 in bookkeeping fees during the year ended March 31, 2018.

AIRS, an affiliate, provides supportive services to the residents of the Project. Services include case management, residential counseling, and activities coordination. For the year ended March 31, 2018, the total cost of these services provided but not allocated to the Project totaled \$93,971.

**NOTE 6 – Marketing Fee**

In September 2010, the Organization entered into an installation and services agreement with a cable company in which the company will have the right to provide broadband communication services to the premises including voice, internet, and multi-channel video services in exchange for a fee of \$6,600, which equates to a per unit fee of \$150. The term of the agreement was seven years. The entire amount was recorded as deferred service revenue upon receipt of the revenue and is being recognized as income over seven years on the straight-line basis. The original service agreement expired in September, 2017 and automatically renewed for a period of two years. The agreement can be terminated at any time by either party giving 60 days written notice. There is no deferred revenue as of March 31, 2018. Revenue recognized under this agreement for the year ended March 31, 2018 totaled \$393.

**NOTE 7 – Significant Concentrations**

The Project operates 44 units for low-income, homeless, and at-risk youths aged 18 to 24. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations for federal, state, and local regulatory agencies, including, but not limited to, HUD and DHCD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or DHCD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Project is concentrated in the low-income housing market located in Baltimore City and approximately 83% of rental income was derived from governmental subsidies during the year ended March 31, 2018.

**NOTE 8 – Housing Assistance Payment Contract**

The City of Baltimore has contracted with the Organization to make housing assistance payments on behalf of qualified tenants residing in 43 of 44 units of the Project. This contract is for a twelve month period and is subject to renewal on an annual basis.

**NOTE 9 – Surplus Cash**

Surplus cash, as defined in the regulatory agreement, shall be deposited into the Reserve for Replacement account within 90 days after the end of each fiscal year. The Organization was not required to remit a deposit for surplus cash for the year ended March 31, 2018.

**SUPPLEMENTARY INFORMATION**

**Supplementary Information Required by**  
**March 31, 2018**

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REGISTRATION GARDENS, L.L.C.  
CDA PROJECT NO. NSP 166101300

**Balance Sheet Data**  
**March 31, 2018**

**CURRENT ASSETS**

1120 Cash – Operations	\$ 2,787
1130 Tenant Accounts Receivable	5,518
1135 Subsidy Accounts Receivable	3,831
1290 Prepaid Expenses	<u>15,237</u>
<i>1100T Current Assets</i>	27,373

**DEPOSITS HELD IN TRUST- FUNDED**

1191 Tenant Security Deposits	<u>8,099</u>
<i>1200T Total Current Assets</i>	35,472

**FUNDED RESERVES**

1310 Mortgage Escrow Deposits	10,941
1320 Replacement Reserve	13,047
1365 Operating Reserve	<u>100,436</u>
<i>1300 Total Funded Reserves</i>	124,424

**FIXED ASSETS**

1410 Land	134,445
1420 Buildings	5,189,444
1460 Furniture, Fixtures & Equipment	<u>188,484</u>
<i>1400T Total Fixed Assets</i>	5,512,373
1495 Less: Accumulated Depreciation	<u>(1,102,641)</u>
<i>1400 Net Fixed Assets</i>	4,409,732

**OTHER ASSETS**


1590 Utilities Deposit	<u>13,635</u>
<i>1500T Total Other Assets</i>	13,635

**1000T TOTAL ASSETS** \$ 4,583,263

**RESTORATION GARDENS LLC**  
**DA PHU THUAN PROJECT**

**Statement of Income and Expense Data (Cont.)**  
**For the Year Ended March 31, 2018**

<b>TAXES AND INSURANCE EXPENSE</b>	
6710 Real Estate Taxes	\$ 8,909
6711 Payroll Taxes	9,634
6720 Property and Liability Insurance (Hazard)	17,214
6722 Workmen's Compensation	500
6723 Health Insurance and Other Employee Benefits	6,924
6790 Miscellaneous Taxes, Licenses, Permits, and Insurance	<u>6,822</u>
<i>6700T Total Taxes and Insurance Expense</i>	<u>50,003</u>
<i>6010T Total Operating Expenses</i>	<u>416,176</u>
<i>NOI Net Operating Income (Loss)</i>	5,359
<b>FINANCIAL EXPENSES</b>	
6890 Miscellaneous Financial Expenses	<u>858</u>
<i>6800T Total Financial Expenses</i>	858
<i>6000T TOTAL COST BEFORE DEPRECIATION</i>	<u>417,034</u>
<i>5060T INCOME BEFORE DEPRECIATION</i>	<u>4,501</u>
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>	
6600 Depreciation Expense	<u>150,532</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	150,532
<i>5060N OPERATING (LOSS)</i>	<u>\$ (146,031)</u>
S1000-010 Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage.	\$ -
S1000-020 Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$ 12,900
S1000-030 Replacement or Painting reserve releases which are included as expense items on this Profit and Loss Statement.	\$ -
S1000-040 Project Improvement Reserve Releases under the Flexible Subsidy Program that is included as expense items on this Profit and Loss Statement.	\$ -

  
**Statement of Cash Flows Data**  
**For the Year Ended March 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

S1200-010 Rental Receipts	412,633
S1200-020 Interest Receipts	298
S1200-030 Other Operating Receipts	3,076
<i>S1200-040 Total Receipts</i>	<u>416,007</u>
S1200-050 Administrative	(64,728)
S1200-070 Management Fee	(23,071)
S1200-090 Utilities	(62,881)
S1200-100 Salaries and Wages	(111,348)
S1200-110 Operating and Maintenance	(91,554)
S1200-120 Real Estate Taxes	(9,010)
S1200-140 Property Insurance	(17,249)
S1200-150 Miscellaneous Taxes and Insurance	(23,440)
S1200-220 Miscellaneous Financial	(858)
<i>S1200-230 Total Disbursements</i>	<u>(404,139)</u>
<i>S1200-240 Net Cash Provided by Operating Activities</i>	11,868

**CASH FLOWS FROM INVESTING ACTIVITIES:**

S1200-245 Net Withdrawals from the Mortgage Escrow Account	1,916
S1200-250 Net Deposits to the Reserve for Replacement Account	(13,047)
S1200-330 Net Purchase of Fixed Assets	(38,315)
<i>S1200-350 Net Cash Used by Investing Activities</i>	<u>(49,446)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

S1200-450 Net Decrease in Operating Advances from Affiliates	(5,236)
<i>S1200-460 Net Cash Used by Financing Activities</i>	<u>(5,236)</u>
S1200-470 Net Decrease in Cash and Cash Equivalents	(42,814)
S1200-480 Beginning of Period Cash	45,601
S1200T End of Period Cash	2,787

**Reconciliation of Net Profit to Net Cash Provided by Operating Activities:**

3250 Net Loss	(146,031)
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**Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:**

6370 Bad Debt	41,198
6600 Depreciation	150,532
S1200-030 Loss on Asset Disposal	10,522
S1200-490 Increase in Tenant Accounts Receivable	(45,497)
S1200-500 Decrease in Subsidy Accounts Receivable	1,729
S1200-500 Decrease in Other Receivables	5,502
S1200-520 Decrease in Prepaid Expenses	9,171
S1200-530 Increase in Cash Restricted for Tenant Security Deposits	(481)
S1200-540 Decrease in Accounts Payable	(20,258)
S1200-560 Increase in Accrued Liabilities	4,205
S1200-560 Increase in Tenant Security Deposits	1,276

<i>S1200-610 Net Cash Provided by Operating Activities</i>	<u>11,868</u>
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**RESTORATION GARDENS, LLC**  
**DA PROJECT NO. NSP-16684300**  
**Supplementary Information Required by**  
**March 31, 2018**

**Schedule of Letters of Credit**

None

**Schedule of Mortgages Payable**

Creditors	Terms	Original Amount	Balance Due
Maryland Department of Housing and Community Development	Mortgage received from DHCD pursuant to Neighborhood Stabilization Program (NSP) as set forth in Section 2031 of the Housing & Economic Recovery Act of 2008. Mortgage is secured by first deed of trust on real property containing 43 units located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2051. This is an interest free loan and repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to NSP guidelines.	3,500,000	3,500,000
Mayor and City Council of Baltimore	Mortgage received from Mayor and City Council of Baltimore through DHCD pursuant to the Housing Opportunities for Persons With AIDS Act (HOPWA Act). The mortgage is secured by a second deed of trust on real estate located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2021. In the event of a default, interest accrues on the outstanding principal balance from the date of the default at the prime rate as published in the Wall Street Journal, plus 4 percent. Repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to HOPWA Act guidelines.	1,000,000	1,000,000
Mayor and City Council of Baltimore	Mortgage received from Mayor and City Council of Baltimore through DHCD pursuant to the Community Development Block Grant Recovery. The mortgage is secured by a third deed of trust on real estate located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2031. This is an interest free loan and repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to NSP guidelines.	700,000	700,000

RESTORATION GARDENS, LLC  
CDA PROJECT LEASE HOLDING  
**Supplementary Information Required by LDCD**  
**March 31, 2018**

**Schedule of Notes Payable**

None

**Schedule of Accounts and Notes Receivable (Other than from Regular Tenants)**

None

**Schedule of Identity of Interest**

AIDS Interfaith Residential Services, Inc.:

Pass-through of rental subsidy	\$ 6,614
--------------------------------	----------

Empires Homes of Maryland, Inc.:

Payroll and related costs	\$ 128,406
Management fee	\$ 23,071
Bookkeeping fee	\$ 6,000

**Schedule of Reserves**

***Replacement Reserve***

In accordance with provisions of the Regulatory Agreement with [REDACTED], restricted cash must be used for replacement of property with approval from [REDACTED]. The mortgagor is required to deposit a monthly sum of \$1,075 to such reserve fund commencing January 1, 2011.

Balance at April 1, 2017	\$ 0
Deposits per Regulatory Agreement	12,900
Surplus Cash Required Deposit	0
Interest Earned	147
Transfer from Operating Reserve	0
Withdrawals	0
Balance at March 31, 2018	\$ <u>13,047</u>

***Operating Reserve***

The Organization is required to maintain an operating reserve account which was being held by an escrow agent appointed by [REDACTED]. Funds in this account may only be disbursed with the prior written approval of [REDACTED]. The balance in this account as of March 31, 2018 is \$100,436. No further funding is required.

Balance at April 1, 2017	\$ 100,436
Deposits	0
Interest Earned	0
Authorized withdrawals to fund Replacement Reserve	0
Balance at March 31, 2018	\$ <u>100,436</u>

All reserve accounts are maintained with AmeriNat.

  
**Supplementary Information Required by DHCD**  
**March 31, 2018**

**Schedule of Residual Receipts**

Not applicable to this Project.

**Schedule of Changes in Fixed Assets**

<i><b>FIXED ASSETS</b></i>	<b>Land</b>	<b>Building &amp; Improvements</b>	<b>Work In Progress</b>	<b>Equipment &amp; Furniture for Project</b>	<b>Totals</b>
Balance, 03/31/17	\$ 134,445	\$ 5,149,888	\$ 14,396	\$ 187,829	\$ 5,486,558
Additions	0	52,056	0	655	52,711
Disposals	0	(12,500)	(14,396)	0	(26,896)
Balance, 03/31/18	\$ 134,445	\$ 5,189,444	0	\$ 188,484	\$ 5,512,373
<i><b>ACCUMULATED DEPRECIATION</b></i>					
Balance, 03/31/17	\$ 0	\$ 794,299	0	\$ 159,788	\$ 954,087
Depreciation	0	129,512	0	21,020	150,532
Disposals	0	(1,978)	0	0	(1,978)
Balance, 03/31/18	\$ 0	\$ 921,833	0	\$ 180,808	\$ 1,102,641
<i><b>NET BOOK VALUE</b></i>	<b>\$ 134,445</b>	<b>\$ 4,267,611</b>	<b>0</b>	<b>\$ 7,676</b>	<b>\$ 4,409,732</b>

During FY 18 the Organization transferred \$14,396 recorded as work in progress at March 31, 2017 for renovations to units 112 and 217 to Building and Improvements as part of the \$52,056 in additions to Buildings and Improvements since these units were placed back into service on 6/26/17.

  
**Supplementary Information Required by DHCD**  
**March 31, 2018**

**Computation of Surplus Cash**

1. Cash (accounts 1120 and 1191)	\$ 10,886
2. Subsidy Accounts Receivable	3,831
(a) Total Cash	14,717
<b><i>Current Obligations:</i></b>	
3. Accrued mortgage interest payable	0
4. Delinquent mortgage principal payments	0
5. Delinquent deposits to reserve for replacements	0
6. Accounts payable (due within 30 days)	10,490
7. Loans and notes payable (due within 30 days)	0
8. Deficient tax, insurance, or MIP escrow deposits	0
9. Accrued expenses (not escrowed)	8,104
10. Prepaid rents	0
11. Tenant security deposits liability	6,958
12. Other	
(b) Less Total Current Obligations	25,552
(c) Surplus Cash	\$ (10,835)

**Computation of Surplus Cash for the Purpose of Debt Repayment**

Not Applicable.





**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.

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

[REDACTED] *Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR DHCD PROGRAMS  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED  
AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS AND THE AUDIT GUIDE ISSUED BY THE  
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

To the Members of [REDACTED]

**Report on Compliance for [REDACTED] Programs**

We have audited Restoration Gardens, LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) and the *Audit Guide* issued by the Maryland Department of Housing and Community Development that could have a direct and material effect on [REDACTED] programs for the year ended March 31, 2018. [REDACTED] program is a mortgage received pursuant to the Neighborhood Stabilization Program (NSP). In accordance with an operating agreement and NSP guidelines, the program has specific compliance requirements governing *financial reports; fair housing & non-discrimination; mortgage status; replacement reserve; residual receipts; distributions to owners; equity skimming; cash receipts; cash disbursements; tenant application, eligibility and recertification; units leased to extremely low-income families; tenant security deposits; management functions; unauthorized change of ownership/acquisition of liabilities; and unauthorized loans of project funds.*

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its DHCD programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for [REDACTED] program based on our audit of the 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; the Guide; and the *Audit Guide* issued by the Maryland Department of Housing and Community Development. Those standards and Guides require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a DHCD program occurred. An audit includes examining, on a test basis, evidence about [REDACTED] 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 DHCD program. However, our audit does not provide a legal determination of [REDACTED] compliance.

**Opinion on DHCD Program**

In our opinion, Restoration Gardens, LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its DHCD program for the year ended March 31, 2018.



**Other Matters**

We noted certain matters that we are required to report to management of [REDACTED] separate written communication. These matters are described in our management letter dated May 10, 2018.

**Report on Internal Control over Compliance**

Management of [REDACTED] 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 [REDACTED] internal control over compliance with the requirements that could have a direct and material effect on its [REDACTED] program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its [REDACTED] program and to test and report on internal control over compliance in accordance with the Guides, 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 [REDACTED] 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 compliance requirement of a [REDACTED] program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a [REDACTED] 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 compliance requirement of a [REDACTED] 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 Guides. Accordingly, this report is not suitable for any other purpose.



**Schedule of Findings, Questioned Costs, & Recommendations**  
**March 31, 2018**

Our audit disclosed no findings that are required to be reported herein under the *Consolidated Audit Guide for Audits of HUD Programs* and *The Guide*, issued by the Maryland Department of Housing & Community Development.

**RESTORATION GARDENS LLC**  
**PROJECT # NO: NSP-160164500**  
**Comments on Audit Resolution Matters**  
**March 31, 2018**

There were no findings related to previous HUD and/or DHCD audits, program reviews, management reviews, or physical inspections which have not already been addressed.

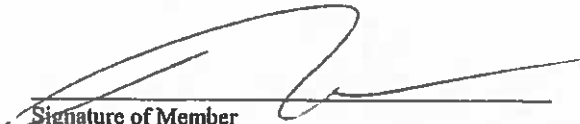
RESTORATION CENTER  
DAVIS COUNTY, MISSOURI

**Schedule of the Status of Prior Audit Findings, Questioned Costs, & Recommendations  
March 31, 2018**

There were no prior year audit findings and questioned costs.


**RESTORATION GARDENS, LLC**  
**DAKOTA STATE PNO: NSP 166104300**  
**Members' Certification**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Restoration Gardens, LLC, and, to the best of our knowledge and belief, the same are complete and accurate.

  
\_\_\_\_\_  
Signature of Member

Empire Homes of Maryland, Inc.

6/28/18  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Member

Homes for America, Inc.

6/28/18  
\_\_\_\_\_  
Date

~~RESTORATION GARDENS, LLC~~  
~~PROFESSIONAL CORPORATION~~  
**Management Agent's Certification**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Restoration Gardens, LLC, and, to the best of our knowledge and belief, the same are complete and accurate.

  
\_\_\_\_\_  
Signature of Management Agent's Representative

President + CEO  
\_\_\_\_\_  
Title

Anthony I. Butler, Empire Homes of Maryland, Inc.  
\_\_\_\_\_  
Management Agent's Name

6/28/18  
\_\_\_\_\_  
Date



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

To the Members of Restoration Gardens, LLC

We have performed the procedure described in the second paragraph of this report, which was agreed to by [redacted] LLC and the Maryland Department of Housing and Community Development, on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. [redacted] is responsible for the accuracy and completeness of the electronic submission. 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 associated findings from 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.

The 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 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 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 *Consolidated Audit Guide for Audits of HUD Programs* and the *Audit Guide* issued by the Maryland Department of Housing and Community Development for Restoration Gardens, LLC as of and for the year ended March 31, 2018, and have issued our reports thereon dated May 10, 2018. 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 May 10, 2018, was expressed in relation to the basic financial statements of Restoration Gardens, LLC taken as a whole.

A copy of the reporting package required by the *Audit Guide* issued by the [redacted], which includes the auditor's reports, is available in its entirety from [redacted]. 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 Maryland Department of Housing and Community Development portal.

[REDACTED]

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The purpose of this report on applying the agreed-upon procedure is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

[REDACTED]  
[REDACTED]  
[REDACTED] Company, A.  
[REDACTED] Valley, MD  
[REDACTED] May 10, 2018

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

<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 S1200 series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S3100 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 the Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Compliance (account numbers S2100-020, S2300-020)	Auditor's Reports on the Financial Statements and Compliance	Agrees
Type of Opinion on Financial Data Templates (i.e., Supplementary Data) (account number S2100-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S2700 series of accounts)	Schedule of Findings and Questioned Costs	Agrees

RESTORATION GARDENS, LLC  
CDA PROJECT NO. NSP 166104307

**Financial Statements  
And  
Supplementary Information**

*March 31, 2017*



**Financial Statements  
And  
Supplementary Information**  
*March 31, 2017*

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[REDACTED]  
[REDACTED]  
[REDACTED]

1350 McCormick Road  
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[REDACTED] Valley, MD 21031  
[REDACTED] 410-341-8002 ph  
[REDACTED]

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Restoration Gardens, LLC

**Report on the Financial Statements**

We have audited the accompanying financial statements of [REDACTED] DA [REDACTED] [REDACTED] which comprise the balance sheet as of March 31, 2017, and the related statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 [REDACTED] as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

[REDACTED]

**Other Matters**

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 24 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 14 to 24 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. Such 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 accompanying supplementary information shown on pages 14 to 24 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 June 16, 2017 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [REDACTED] internal control over financial reporting and compliance.

[REDACTED] pl.

[REDACTED]  
[REDACTED]  
[REDACTED]  
June 16, 2017

[REDACTED]  
[REDACTED]  
[REDACTED]



**Balance Sheet**  
**March 31, 2017**

**ASSETS**

**Current Assets**

Cash - Operations	\$	45,601
Tenant Accounts Receivable		1,219
Subsidy Accounts Receivable		5,560
Other Receivables		5,502
Prepaid Expenses		24,408
<i>Total Current Assets</i>		<u>82,290</u>

**Deposits Held in Trust-Funded**

Tenants Security Deposits		7,618
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**Restricted Deposits & Funded Reserves**

Mortgage Escrow		12,857
Cash in Operating Reserve		<u>100,436</u>
<i>Total Restricted Deposits &amp; Funded Reserves</i>		113,293

**Property & Equipment**

Land		134,445
Building & Improvements		5,149,888
Furniture, Fixtures & Equipment		187,829
Work In Progress		<u>14,396</u>
<i>Total Property &amp; Equipment</i>		5,486,558
Less: Accumulated Depreciation		<u>(954,087)</u>
<i>Net Property &amp; Equipment</i>		4,532,471

**Other Assets**

Utility Deposit		<u>13,635</u>
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<i>Total Assets</i>	\$	<u><u>4,749,307</u></u>
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The accompanying notes are an integral part of these financial statements.



**Balance Sheet (Cont.)**  
**March 31, 2017**

**LIABILITIES & MEMBERS' EQUITY**

<b>Current Liabilities</b>	
Accounts Payable - Operations	\$ 30,748
Deferred Marketing Fee	393
Accrued Expenses	3,506
Due To Affiliate	<u>11,952</u>
<i>Total Current Liabilities</i>	46,599
<b>Deposit and Prepayment Liabilities</b>	
Tenant Security Deposits (Contra)	<u>5,682</u>
<i>Total Deposit and Prepayment Liabilities</i>	5,682
<b>Long-term Liabilities</b>	
Mortgage Payable- CDBGR	700,000
Mortgage Payable- HOPWA	1,000,000
Mortgage Payable- NSP	<u>3,500,000</u>
<i>Total Long-term Liabilities</i>	5,200,000
<i>Total Liabilities</i>	5,252,281
<b>Members' Equity</b>	
Members' Equity	<u>(502,974)</u>
<i>Total Liabilities &amp; Members' Equity</i>	<u>\$ 4,749,307</u>

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

RESTORATION SERVICES, C  
A PROJECT NO. NSP 16214100

**Statement of Income**  
**For the Year Ended March 31, 2017**

**Revenue**

Rent, net	\$	403,664
Financial		356
Other		<u>(3,909)</u>
<b>Total Revenue</b>		<u>400,111</u>

**Expenses**

Administrative		103,109
Utilities		59,582
Operating & Maintenance		143,962
Taxes & Insurance		57,407
Financial		667
Depreciation		<u>156,018</u>
<b>Total Expenses</b>		<u>520,745</u>


**Net (Loss)** \$ (120,634)

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

  
**RESTORATION GARDENS, LLC**  
**DA PROJECT NO. NSP 166104300**  
**Statement of Changes in Members' Equity**  
**For the Year Ended March 31, 2017**

	<i>Homes for <u>America, Inc.</u></i>	<i>Empire Homes of <u>Maryland, Inc.</u></i>	<i><u>Total</u></i>
Members' Equity, April 1, 2016	\$ (298,994)	\$ (83,346)	\$ (382,340)
<i>Net (Loss) for the Year Ended March 31, 2017</i>	<u>(61,523)</u>	<u>(59,111)</u>	<u>(120,634)</u>
Members' Equity, March 31, 2017	<u>\$ (360,517)</u>	<u>\$ (142,457)</u>	<u>\$ (502,974)</u>
Members' Percentage of Loss	51%	49%	100%

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

  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2017**

***Cash Flows From Operating Activities***

Rent Receipts	\$	376,419
Financial		356
Other Operating Receipts		1,275
Total Receipts		378,050

Administrative		84,896
Utilities		70,557
Operating & Maintenance		133,423
Taxes & Insurance		56,493
Financial		667
Total Disbursements		346,036

*Net Cash Provided by Operating Activities* 32,014

***Cash Flows From Investing Activities***

Deposits to Mortgage Escrow		(27,348)
Payments from Mortgage Escrow		25,815
Deposits to Replacement Reserve		(41,867)
Withdrawals from Replacement Reserve		41,867
Withdrawals from Operating Reserve		28,612
Proceeds from the sale of Fixed Assets		34,093
Purchase of Fixed Assets		(39,512)

*Net Cash Provided by Investing Activities* 21,660

***Cash Flows From Financing Activities***

Net Repayment of Operating Advances from Affiliates		(9,601)
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*Net Cash Used by Financing Activities* (9,601)

***Net Increase in Cash*** 44,073

***Cash in Bank:***

<i>Beginning of Year</i>		1,528
<i>End of Year</i>	\$	45,601

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

RESTORATION GARDENS, LLC  
DA PROJECT NO. NSP 166101300

**Statement of Cash Flows (Cont'd)**  
**For the Year Ended March 31, 2017**

***Cash Flows from Operating Activities***

Net (Loss)	\$	(120,634)
<i>Adjustment to Reconcile Net Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation		156,018
Loss on Asset Disposal		6,127
Amortization of Deferred Marketing Fee		(943)
Bad Debt		21,814
<i>(Increase) / Decrease in Assets:</i>		
Tenant Accounts Receivable		(14,992)
Subsidy Accounts Receivable		(6,928)
Other Receivables		(5,502)
Prepaid Expenses		(8,611)
Tenant Security Deposits		770
<i>Increase / (Decrease) in Liabilities:</i>		
Accounts Payable - Operations		4,410
Accrued Expenses		1,078
Tenant Security Deposits		(593)
		<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$	<u>32,014</u>

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

**Notes to Financial Statements**  
**March 31, 2017**

**NOTE 1 – Description of Business and Summary of Significant Accounting Policies**

***Description of Business***

(the Organization) was formed as a limited liability company under the laws of the State of Maryland on April 28, 2009, for the purpose of acquiring, owning, developing, constructing, and operating a multifamily apartment building for low-income, homeless, and at risk youths aged 18 to 24 as defined by the Maryland Department of Housing and Community Development (DHCD). The Project consists of 44 units located in Baltimore, Maryland, and is currently operating under the name of

The multi-family apartment building was constructed under various mortgage agreements from governmental agencies in which repayment of principal and interest is only required if the Project fails to comply with the mortgage and regulatory agreements.

The Organization has two members, Homes for America, Inc. and Empire Homes of Maryland, Inc. Both of these members are managing members.

The major activities of the Organization are governed by the operating agreement and the regulatory agreement with DHCD.

By agreement, the Organization shall have a perpetual existence.

Generally, all profits and losses are allocated to the members, pro rata in accordance with their percentage interests: Homes for America, Inc., 51% and Empire Homes of Maryland, Inc., 49%. Cash flow, as defined by the operating agreement, generally is distributable to the members pro rata in accordance with their percentage interests. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Organization's assets will be specially allocated based on the respective members' equity capital account balances, as prioritized in the operating agreement. Additionally, the operating agreement provides for other instances in which a special allocation of profits and losses and distributions may be required.

***Basis of Accounting***

The Organization uses the accrual method of accounting whereby income is recognized when earned and expenses are recognized when incurred.

***Use of Estimates***

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

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with maturities of three months or less to be cash equivalents. Restricted deposits are not considered cash for the statement of cash flows.

***Accounts Receivable and Bad Debts***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Project provides for losses on tenants and subsidies receivable using the allowance method. The allowance is based on experience, individual account analysis, and other circumstances. It is the Project's policy to charge off accounts receivable when management determines the receivable will not be collected. An allowance for uncollectible accounts is established based on the results of this analysis.

***Accumulated Other Comprehensive Income***

The Organization has no accumulated other comprehensive income as of March 31, 2017. Comprehensive income is identical to net operating income for the year ended March 31, 2017.

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1 – Description of Business and Summary of Significant Accounting Policies (Cont'd)**

***Rental Requirements***

The Organization's regulatory agreement with DHCD requires that the units must be rented to households whose annual income does not exceed NSP income limits as defined in the agreement. Tenant and unit rents cannot exceed amounts specified in the agreement without prior DHCD approval.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and tenants of the property are operating leases whose terms range from monthly to a maximum of one year.

***Property and Equipment***

Property and equipment is stated at cost and depreciated for book and tax purposes using straight line and the modified accelerated cost recovery system, respectively, based on estimated useful lives of seven (7) years for furnishings and equipment and forty (40) years for buildings and improvements. All of the property and equipment serves as collateral on the three mortgages payable. Depreciation expense for the year ended March 31, 2017 amounts to \$156,018.

***Valuation of Long-Lived Assets***

The Organization reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated and any estimated proceeds from the eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. As of March 31, 2017, the Organization determined that none of its assets were impaired. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization has no assets intended for disposal as of March 31, 2017.

***Income Taxes***

The Organization has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Organization's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Organization is not required to take any tax positions in order to qualify as a pass-through entity. The Organization is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. The Organization's federal tax returns for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

***Fair Value of Financial Instruments***

The Project's financial instruments consist principally of cash and cash equivalents, rent receivables, affiliate receivables, and trade receivables and payables. There are no significant differences between the carrying value and fair value of any of these financial instruments as of March 31, 2017.

***Distributions to Owners***


Distributions to owners are not allowed while the mortgages are outstanding, unless approved in writing by DHCD.

***Advertising Costs***

Non-direct response advertising costs are expensed as incurred. There were no direct response advertising costs for the year ended March 31, 2017.

***Subsequent Events***

The Organization evaluated for disclosure any subsequent events through June 16, 2017, the date the financial statements were available to be issued.

  
**Notes to Financial Statements**  
**March 31, 2017**

**NOTE 2 – Accounts Receivable**

Accounts Receivable consists of the following at March 31, 2017:

Tenant Rents	\$ 1,219
Tenant Assistance	2,372
Vacancy Claims	<u>3,188</u>
<b>Total Accounts Receivable</b>	<b>\$ <u>6,779</u></b>

All receivables are deemed fully collectible as of March 31, 2017.

**NOTE 3 – Other Receivables**

Other Receivables represents insurance monies receivable as of March 31, 2017 related to loss of rental revenues as a result of two units being vacant due to flood damage.

**NOTE 4 – Restricted Deposits and Reserves**

Under the terms of DHCD’s regulatory agreement, the Organization is required to place tenant deposits into a separate interest-bearing bank account. The balance in this account as of March 31, 2017 was \$7,618.

Pursuant to DHCD’s regulatory agreement, the Project is required to deposit \$1,075 monthly into a reserve for replacement account to cover future capital expenditures and repairs to and for the Project with an escrow agent. Interest income for all reserve accounts is credited to the Reserve for Replacement account which totaled \$355 for the year ended March 31, 2017. Due to a shortfall of funds in this account, additional funding of \$28,612 was transferred from the operating reserve during the year ended March 31, 2017. Withdrawals from this account are only permitted with the prior written approval of DHCD. There were \$41,867 in approved withdrawals by DHCD from this account during the year ended March 31, 2017. The reserve for replacement account has a balance of \$0 as of March 31, 2017.


In addition, surplus cash, as computed annually by the regulatory agreement, is required to be deposited into this account within 90 days of year end. There was no deposit required in fiscal year 2018 based on the surplus cash calculation for the year ended March 31, 2017.

The Organization is required to maintain an operating reserve account which is being held by an escrow agent appointed by DHCD. There were no deposits in 2017. The Organization transferred \$28,612 from this account to the replacement reserve to cover a deficit in funding during the year. Funds in this account may only be disbursed with the prior written approval of DHCD. The balance in this account as of March 31, 2017 is \$100,436. No further funding is required.

Restricted deposits and funded reserves are comprised of the following at March 31, 2017:

Tenant Security Deposits	\$ 7,618
Reserve for Replacement	0
Operating Reserve	100,436
Tax & Insurance Escrow	<u>12,857</u>
<b>Total Restricted Funds</b>	<b>\$ <u>120,911</u></b>

These funds are held in separate accounts and generally are not available for operating purposes.

  
**Notes to Financial Statements**  
**March 31, 2017**

**NOTE 5 – Mortgages Payable**

The Organization received a mortgage from DHCD pursuant to the Neighborhood Stabilization Program (NSP) (as set forth in Section 2031 of the Housing and Economic Recovery Act of 2008), in the amount of \$3,500,000. All available funds have been expended by the Organization as of March 31, 2017. The mortgage is secured by a first deed of trust on the rental property and matures on January 1, 2051. This is an interest-free loan and repayment of the loan shall be forgiven if the Project continues to be operated in accordance with the operating agreement and the Project leases 100% of the units to qualified individuals as defined pursuant to NSP guidelines.

The Organization also received a mortgage from the Baltimore City Mayor and City Council pursuant to the Housing Opportunities for Persons with AIDS Act (the “HOPWA Act”) in the amount of \$1,000,000. The mortgage is secured by a second deed of trust on the rental property and matures on January 1, 2021. In the event of a default, interest accrues on the outstanding principal balance from the date of default at the prime rate as published by The Wall Street Journal, plus 4 percent. Repayment of the principal and interest shall be forgiven if the Project continues to operate in accordance with the operating agreement and the Project leases 100% of the units to qualified individuals as defined pursuant to HOPWA Act guidelines.

The Organization has acquired a mortgage from the Baltimore City Mayor and City Council pursuant to the Community Development Block Grant Recovery (“CDBG”) in the amount of \$700,000. The mortgage is secured by a third deed of trust on the rental property and matures on January 1, 2031. In the event of a default, interest accrues on the outstanding principal balance from the date of default at the prime rate as published by The Wall Street Journal, plus 4 percent. Repayment of the principal and interest shall be forgiven if the Project continues to operate in accordance with the operating agreement and the Project complies with the terms of the loan agreement.

The liability of the Organization under the mortgages is limited to the underlying value of the real estate collateral.

Under agreements with the mortgage lenders and DHCD, the Organization is required to make monthly escrow deposits for taxes, insurance, and replacement of Project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to members.

Principal maturities of long-term mortgages payable for the next five years are as follows:

<b><u>March 31,</u></b>	
2018	\$ 0
2019	0
2020	0
2021	1,000,000
2022	0
Thereafter	<u>4,200,000</u>
<b>TOTAL</b>	<b><u>\$ 5,200,000</u></b>

**NOTE 6 – Deferred Marketing Fee**

In September 2010, the Organization entered into an installation and services agreement with a cable company in which the company will have the right to provide broadband communication services to the premises including voice, internet, and multi-channel video services in exchange for a fee of \$6,600, which equates to a per unit fee of \$150. The term of the agreement is seven years. The entire amount was recorded as deferred service revenue upon receipt of the revenue and is being recognized as income over seven years on the straight line basis. Revenue recognized under this agreement for the year ended March 31, 2017 totaled \$943.

**NOTE 7 – Related Party Transactions**

The Organization received \$5,910 in tenant assistance payments which passed through AIDS Interfaith Residential Services, Inc. (AIRS), an affiliated entity, during the year ended March 31, 2017.

Due to affiliates consists of operating expenses due to Empire Homes of Maryland, Inc. (EHM). The balance due to EHM totaled \$11,952 at March 31, 2017.

Per the amended management agreement effective January 1, 2016, the management agent, EHM, earns a noncumulative fee of 6% of gross tenant rental collections for services rendered with respect to the management and operation of the project. The agent compensation fee is payable from cash flows, as defined in the management agreement. The allowed management fee for the year ended March 31, 2017 totaled \$22,610. The agreement expires December 31, 2018.

In addition, the Minority Member, EHM, charged the Project \$132,055 in reimbursable personnel costs and \$6,000 in bookkeeping fees during the year ended March 31, 2017.

AIRS, an affiliate, provides supportive services to the residents of the Project. Services include case management, residential counseling, and activities coordination. For the year ended March 31, 2017, the total cost of these services provided but not allocated to the Project totaled \$81,766.

**NOTE 8 – Significant Concentrations**

The Project operates 44 units for low-income, homeless, and at-risk youths aged 18 to 24. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations for federal, state, and local regulatory agencies, including, but not limited to, HUD and DHCD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or DHCD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Project is concentrated in the low-income housing market located in Baltimore City and approximately 76% of rental income was derived from governmental subsidies during the year ended March 31, 2017.

**NOTE 9 – Housing Assistance Payment Contract**

The City of Baltimore has contracted with the Organization to make housing assistance payments on behalf of qualified tenants residing in 43 of 44 units of the Project. This contract is for a twelve month period and is subject to renewal on an annual basis.

**NOTE 10 – Surplus Cash**

Surplus cash, as defined in the regulatory agreement, shall be deposited into the Reserve for Replacement account within 90 days after the end of each fiscal year. The Organization was not required to remit a deposit for surplus cash for the year ended March 31, 2017.

**SUPPLEMENTARY INFORMATION**



**Supplementary Information Required by DHCD  
March 31, 2017**

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**Balance Sheet Data**  
**March 31, 2017**

**CURRENT ASSETS**

1120 Cash – Operations	\$ 45,601
1130 Tenant Accounts Receivable	1,219
1135 Subsidy Accounts Receivable	5,560
1140 Other Receivables	5,502
1290 Prepaid Expenses	<u>24,408</u>
<i>1100T Current Assets</i>	82,290

**DEPOSITS HELD IN TRUST- FUNDED**

1191 Tenant Security Deposits	<u>7,618</u>
<i>1200T Total Current Assets</i>	89,908

**FUNDED RESERVES**

1310 Mortgage Escrow Deposits	12,857
1365 Operating Reserve	<u>100,436</u>
<i>1300 Total Funded Reserves</i>	113,293

**FIXED ASSETS**

1410 Land	134,445
1420 Buildings	5,149,888
1460 Furniture, Fixtures & Equipment	187,829
1490 Work In Progress	<u>14,396</u>
<i>1400T Total Fixed Assets</i>	5,486,558
1495 Less: Accumulated Depreciation	<u>(954,087)</u>
<i>1400 Net Fixed Assets</i>	4,532,471

**OTHER ASSETS**

1590 Utilities Deposit	<u>13,635</u>
<i>1500T Total Other Assets</i>	13,635

***1000T TOTAL ASSETS*** **\$ 4,749,307**



**Balance Sheet Data (Cont.)**

**March 31, 2017**

**CURRENT LIABILITIES**

2110 Accounts Payable – Operations	\$ 30,748
2190 Deferred Marketing Fee	393
2190 Accrued Expenses	3,506
2190 Due to Affiliate	11,952
2191 Tenant Security Deposits Held In Trust (Contra)	<u>5,682</u>
<i>2100T Total Current Liabilities</i>	<u>52,281</u>

**LONG-TERM LIABILITIES**

2320 Mortgage Payable – NSP	3,500,000
2321 Mortgage Payable – HOPWA	1,000,000
2322 Mortgage Payable – CDBGR	<u>700,000</u>
<i>2300T Total Long-Term Liabilities</i>	<u>5,200,000</u>

**2000T TOTAL LIABILITIES** 5,252,281

**EQUITY**

3130 Members' Equity	<u>(502,974)</u>
<i>3100 Total Equity</i>	<u>(502,974)</u>

**4000T TOTAL LIABILITIES AND MEMBERS' EQUITY** \$ 4,749,307

**Statement of Income and Expense Data  
For the Year Ended March 31, 2017**

**RENTAL INCOME**

5120 Rent Revenue – Gross Potential	\$ 108,877
5121 Tenant Assistance Payments	<u>336,400</u>
<i>5100T Total Rent Revenue</i>	445,277
5220 Vacancies	<u>(41,613)</u>
<i>5152N Net Rent Revenue</i>	403,664

**FINANCIAL REVENUE**

5440 Revenue From Investments – Replacement Reserve	355
5490 Miscellaneous Interest Income	<u>1</u>
<i>5400T Total Financial Revenue</i>	356

**OTHER REVENUE**

5920 Tenant Charges	1,154
5991 Exclusive Marketing Revenue	943
5992 Loss on Disposal of Fixed Assets	(6,127)
5993 Miscellaneous Revenue	<u>121</u>
<i>5900T Total Other Revenue</i>	(3,909)

**5000T TOTAL REVENUE**

400,111

**ADMINISTRATIVE EXPENSES**

6210 Advertising and Marketing	-
6250 Other Renting Expenses	4,125
6310 Office Salaries	17,706
6311 Office Expenses	1,260
6320 Management Fee	22,610
6340 Legal Expense – Project	3,734
6350 Audit Expense	7,200
6351 Bookkeeping Fees/Accounting Services	6,000
6370 Bad Debts	21,814
6390 Professional Services	6,899
6391 Computer Supplies & Maintenance	1,740
6392 Internet/Cable	4,853
6393 Telephone	5,048
6394 Bank Service Charges	<u>120</u>
<i>6263T Total Administrative Expenses</i>	103,109

**UTILITIES EXPENSE**

6450 Gas & Electricity (Lights and Misc. Power)	44,520
6451 Water	<u>15,062</u>
<i>6400T Total Utilities Expense</i>	59,582

**OPERATING AND MAINTENANCE EXPENSE**

6510 Payroll	25,513
6515 Supplies	3,810
6520 Contracts	42,140
6525 Trash Removal	6,939
6530 Security Payroll/Contract	<u>65,560</u>
<i>6500T Total Operating and Maintenance Expense</i>	\$ 143,962

**Statement of Income and Expense Data (Cont.)  
For the Year Ended March 31, 2017**

**TAXES AND INSURANCE EXPENSE**

6710 Real Estate Taxes	\$ 8,820
6711 Payroll Taxes	16,091
6720 Property and Liability Insurance (Hazard)	17,227
6722 Workmen's Compensation	-
6723 Health Insurance and Other Employee Benefits	7,186
6790 Miscellaneous Taxes, Licenses, Permits, and Insurance	<u>8,083</u>
<b>6700T Total Taxes and Insurance Expense</b>	<u>57,407</u>

**6010T Total Operating Expenses** 364,060

**NOI Net Operating Income** 36,051

**FINANCIAL EXPENSES**

6890 Miscellaneous Financial Expenses	<u>667</u>
<b>6800T Total Financial Expenses</b>	667

**6000T TOTAL COST BEFORE DEPRECIATION** 364,727

**5060T Income BEFORE DEPRECIATION** 35,384

**DEPRECIATION AND AMORTIZATION EXPENSE**

6600 Depreciation Expense	<u>156,018</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	156,018

**5060N OPERATING (LOSS)** \$ (120,634)

S1000-010 Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage. \$ -

S1000-020 Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived. \$ 12,900

S1000-030 Replacement or Painting reserve releases which are included as expense items on this Profit and Loss Statement. \$ -

S1000-040 Project Improvement Reserve Releases under the Flexible Subsidy Program that is included as expense items on this Profit and Loss Statement. \$ -

**RECREATION SERVICES**  
**STATE OF TEXAS**  
**STATE PROJECT NO. NSP 166114**  
**Statement of Cash Flows Data**  
**For the Year Ended March 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

S1200-010 Rental Receipts	376,419
S1200-020 Interest Receipts	356
S1200-030 Other Operating Receipts	1,275
<i>S1200-040 Total Receipts</i>	378,050
S1200-050 Administrative	(44,580)
S1200-070 Management Fee	(22,610)
S1200-090 Utilities	(70,557)
S1200-100 Salaries and Wages	(108,778)
S1200-110 Operating and Maintenance	(42,350)
S1200-120 Real Estate Taxes	(8,601)
S1200-140 Property Insurance	(18,684)
S1200-150 Miscellaneous Taxes and Insurance	(29,209)
S1200-220 Miscellaneous Financial	(667)
<i>S1200-230 Total Disbursements</i>	(346,036)
<i>S1200-240 Net Cash Provided by Operating Activities</i>	32,014

**CASH FLOWS FROM INVESTING ACTIVITIES:**

S1200-245 Net Deposits to the Mortgage Escrow Account	(1,533)
S1200-255 Net Withdrawals from the Operating Reserve Account	28,612
S1200-330 Net Purchase of Fixed Assets	(5,419)
<i>S1200-350 Net Cash Provided by Investing Activities</i>	21,660

**CASH FLOWS FROM FINANCING ACTIVITIES:**

S1200-450 Net Decrease in Operating Advances from Affiliates	(9,601)
<i>S1200-460 Net Cash Used by Financing Activities</i>	(9,601)
S1200-470 Net Increase in Cash and Cash Equivalents	44,073
S1200-480 Beginning of Period Cash	1,528
S1200T End of Period Cash	45,601


**Reconciliation of Net Profit to Net Cash Provided by Operating Activities:**

3250 Net Loss	(120,634)
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**Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:**

6370 Bad Debt	21,814
6600 Depreciation	156,018
6610 Amortization of Deferred Marketing Fee	(943)
S1200-030 Loss on Asset Disposal	6,127
S1200-490 Increase in Tenant Accounts Receivable	(14,992)
S1200-500 Increase in Subsidy Accounts Receivable	(6,928)
S1200-500 Increase in Other Receivables	(5,502)
S1200-520 Increase in Prepaid Expenses	(8,611)
S1200-530 Decrease in Cash Restricted for Tenant Security Deposits	770
S1200-540 Increase in Accounts Payable	4,410
S1200-560 Increase in Accrued Liabilities	1,078
S1200-560 Decrease in Tenant Security Deposits	(593)

<i>S1200-610 Net Cash Provided by Operating Activities</i>	32,014
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**Supplementary Information Required by DHCD**  
**March 31, 2017**

**Schedule of Letters of Credit**

None

**Schedule of Mortgages Payable**

Creditors	Terms	Original Amount	Balance Due
Maryland Department of Housing and Community Development	Mortgage received from DHCD pursuant to Neighborhood Stabilization Program (NSP) as set forth in Section 2031 of the Housing & Economic Recovery Act of 2008. Mortgage is secured by first deed of trust on real property containing 43 units located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2051. This is an interest free loan and repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to NSP guidelines.	3,500,000	3,500,000
Mayor and City Council of Baltimore	Mortgage received from Mayor and City Council of Baltimore through DHCD pursuant to the Housing Opportunities for Persons With AIDS Act (HOPWA Act). The mortgage is secured by a second deed of trust on real estate located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2021. In the event of a default, interest accrues on the outstanding principal balance from the date of the default at the prime rate as published in the Wall Street Journal, plus 4 percent. Repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to HOPWA Act guidelines.	1,000,000	1,000,000
Mayor and City Council of Baltimore	Mortgage received from Mayor and City Council of Baltimore through DHCD pursuant to the Community Development Block Grant Recovery. The mortgage is secured by a third deed of trust on real estate located at 3701 Cottage Avenue in Baltimore City and matures on January 1, 2031. This is an interest free loan and repayment of the loan shall be forgiven if the project operates in accordance with the regulatory agreement and 100% of the units are leased to qualified individuals as defined pursuant to NSP guidelines.	700,000	700,000

  
**Supplementary Information Required by**  
**March 31, 2017**

**Schedule of Notes Payable**

None

**Schedule of Accounts and Notes Receivable (Other than from Regular Tenants)**

None

**Schedule of Identity of Interest**

AIDS Interfaith Residential Services, Inc.:

Pass-through of rental subsidy	\$ 5,910
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Empires Homes of Maryland, Inc.:

Payroll and related costs	\$ 132,055
Management fee	\$ 22,610
Bookkeeping fee	\$ 6,000

**Schedule of Reserves**

***Replacement Reserve***

In accordance with provisions of the Regulatory Agreement with DHCD, restricted cash must be used for replacement of property with approval from DHCD. The mortgagor is required to deposit a monthly sum of \$1,075 to such reserve fund commencing January 1, 2011.

Balance at April 1, 2016	\$ 0
Deposits per Regulatory Agreement	12,900
Surplus Cash Required Deposit	0
Interest Earned	355
Transfer from Operating Reserve	28,612
Withdrawals	<u>(41,867)</u>
Balance at March 31, 2017	\$ <u>0</u>

***Operating Reserve***

The Organization is required to maintain an operating reserve account which was being held by an escrow agent appointed by DHCD. Funds in this account may only be disbursed with the prior written approval of DHCD. The balance in this account as of March 31, 2017 is \$100,436. No further funding is required.

Balance at April 1, 2016	\$ 129,048
Deposits	0
Interest Earned	0
Authorized withdrawals to fund Replacement Reserve	<u>(28,612)</u>
Balance at March 31, 2017	\$ <u>100,436</u>

All reserve accounts are maintained with AmeriNat.

~~RESTORATION GARDENS, LLC~~  
**Supplementary Information Required by DHCD**  
**March 31, 2017**

**Schedule of Residual Receipts**

Not applicable to this Project.

**Schedule of Changes in Fixed Assets**

	Land	Building & Improvements	Work In Progress	Equipment & Furniture for Project	Totals
<b><i>FIXED ASSETS</i></b>					
Balance, 03/31/16	\$ 134,445	\$ 5,173,241	\$ 0	\$ 186,617	\$ 5,494,303
Additions	0	23,904	14,396	1,212	39,512
Disposals	0	(47,257)	0	0	(47,257)
Balance, 03/31/17	\$ 134,445	\$ 5,149,888	\$ 14,396	\$ 187,829	\$ 5,486,558
<b><i>ACCUMULATED DEPRECIATION</i></b>					
Balance, 03/31/16	\$ 0	\$ 672,193	\$ 0	\$ 132,913	\$ 805,106
Depreciation	0	129,143	0	26,875	156,018
Disposals	0	(7,037)	0	0	(7,037)
Balance, 03/31/17	\$ 0	\$ 794,299	\$ 0	\$ 159,788	\$ 954,087
<b><i>NET BOOK VALUE</i></b>	\$ 134,445	\$ 4,355,589	\$ 14,396	\$ 28,041	\$ 4,532,471

  
**Supplementary Information Required by**  
**March 31, 2017**

**Computation of Surplus Cash**

1. Cash (accounts 1120 and 1191)	\$ 53,219
2. Subsidy Accounts Receivable	5,560
(a) Total Cash	58,779
<b><i>Current Obligations:</i></b>	
3. Accrued mortgage interest payable	0
4. Delinquent mortgage principal payments	0
5. Delinquent deposits to reserve for replacements	0
6. Accounts payable (due within 30 days)	30,748
7. Loans and notes payable (due within 30 days)	0
8. Deficient tax, insurance, or MIP escrow deposits	0
9. Accrued expenses (not escrowed)	3,506
10. Prepaid rents	0
11. Tenant security deposits liability	5,682
12. Other - Pending Capital Improvements Payments to Contractors	28,678
(b) Less Total Current Obligations	68,614
(c) Surplus Cash	\$ (9,835)

The surplus cash total current obligations includes pending payments to contractors related to cash received in March, 2017 from insurance claim proceeds and the replacement reserve for which work commenced and was completed after March 31, 2017.

**Computation of Surplus Cash for the Purpose of Debt Repayment**

Not Applicable.

**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 Members of Restoration Gardens, LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of [REDACTED], which comprise the balance sheet as of March 31, 2017, and the related statements of income and expense, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2017.

**Internal Control over Financial Reporting**

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

[Redacted]  
[Redacted] P.C.  
[Redacted] Company, Inc.  
[Redacted]





**Other Matters**

We noted certain matters that we are required to report to management of [REDACTED] C in a separate written communication. These matters are described in our management letter dated June 16, 2017.

**Report on Internal Control over Compliance**

Management of R [REDACTED] 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 R [REDACTED] internal control over compliance with the requirements that could have a direct and material effect on its DHCD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its DHCD program and to test and report on internal control over compliance in accordance with the Guides, 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 [REDACTED]'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 compliance requirement of a DHCD 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 compliance requirement of a DHCD 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 compliance requirement of a DHCD 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 Guides. Accordingly, this report is not suitable for any other purpose.

*Lochte & Company, P.A.*

Lochte & Company, P.A.

Hunt Valley, Maryland  
June 16, 2017

**RESTORATION GARDENS LLC  
A PROJECT NO. NSP 166104**  
**Schedule of Findings, Questioned Costs, & Recommendations**  
**March 31, 2017**

Our audit disclosed no findings that are required to be reported herein under the *Consolidated Audit Guide for Audits of HUD Programs* and *The Guide*, issued by the Maryland Department of Housing & Community Development.

**[REDACTED]**  
**Comments on Audit Resolution Matters**  
**March 31, 2017**

There were no findings related to previous HUD and/or DHCD audits, program reviews, management reviews, or physical inspections which have not already been addressed.

**REDACTED**  
**CD - [REDACTED] - NSF 10010 1/17**

**Schedule of the Status of Prior Audit Findings, Questioned Costs, & Recommendations  
March 31, 2017**

There were no prior year audit findings and questioned costs.



**Certification of Members  
March 31, 2017**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Restoration Gardens, LLC, and, to the best of our knowledge and belief, the same are complete and accurate.

  
\_\_\_\_\_  
Signature of Member

Empire Homes of Maryland, Inc.

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Member

Homes for America, Inc.

  
\_\_\_\_\_  
Date

~~RESTORATION GARDENS, LLC~~  
~~MANAGEMENT AGENT'S CERTIFICATION~~  
Management Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplemental data of Restoration Gardens, LLC, and, to the best of our knowledge and belief, the same are complete and accurate.



Signature of Management Agent's Representative

Accounting Manager

Title

Surbhi Seth

Management Agent's Name

6/28/2017

Date

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

[REDACTED]

We have performed the procedure described in the second paragraph of this report, which was agreed to by [REDACTED] and the Maryland Department of Housing and Community Development (DHCD), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. [REDACTED] is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure 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. 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 associated findings from 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.

The agreed-upon procedure 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 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 *Consolidated Audit Guide for Audits of HUD Programs* and the *Audit Guide* issued by the Maryland Department of Housing and Community Development for [REDACTED] as of and for the year ended March 31, 2017, and have issued our reports thereon dated June 16, 2017. 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 June 16, 2017, was expressed in relation to the basic financial statements of [REDACTED] LLC taken as a whole.

A copy of the reporting package required by the *Audit Guide* issued by the Maryland Department of Housing and Community Development, which includes the auditor's reports, is available in its entirety from [REDACTED]. 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 Maryland Department of Housing and Community Development portal.



**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 S1200 series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S3100 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 the Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Compliance (account numbers S2100-020, S2300-020)	Auditor's Reports on the Financial Statements and Compliance	Agrees
Type of Opinion on Financial Data Templates (i.e., Supplementary Data) (account number S2100-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S2700 series of accounts)	Schedule of Findings and Questioned Costs	Agrees