



**St. Joseph's Villa Housing Corp.
T/A Hollybrook Apartments
HUD Project No. 051-11263**

Financial Statements

Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
St. Joseph's Villa Housing Corp.
Richmond, Virginia

We have audited the accompanying statements of St. Joseph's Villa Housing Corp., (HUD Project No. 051-11263) which comprise the statement of financial position as of June 30, 2016 and the related statement of activities and change in net assets 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's Villa Housing Corp. as of June 30, 2016 and the change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of St. Joseph's Villa Housing Corp. as of June 30, 2015, were audited by other auditors whose report dated October 1, 2015, expressed an unmodified opinion on those statements.

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 13 - 22 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of St. Joseph's Villa Housing Corp.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 St. Joseph's Villa Housing Corp.'s internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Richmond, Virginia
September 28, 2016**

St. Joseph's Villa Housing Corp.

Statements of Financial Position

June 30, 2016 and 2015

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St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Current assets:		
Cash, operations	\$ 30,579	\$ 26,965
Tenant accounts receivable, net	687	211
Accounts receivable, HUD Subsidy	1,807	-
Accounts receivable, other	3,958	1,255
Prepaid expenses	<u>16,497</u>	<u>17,492</u>
Total current assets	<u>53,528</u>	<u>45,923</u>
Tenant security deposit, held in trust	<u>16,624</u>	<u>15,308</u>
Restricted deposits and funded reserves:		
Escrow deposits	17,462	37,955
Replacement reserve	305,246	300,973
Residual receipts	<u>15,019</u>	<u>15,014</u>
Total restricted deposits and funded reserves	<u>337,727</u>	<u>353,942</u>
Property and equipment:		
Land and land improvements	422,857	422,857
Buildings and building improvements	2,599,008	2,599,008
Building equipment - portable	<u>482,910</u>	<u>481,115</u>
	3,504,775	3,502,980
Accumulated depreciation	<u>(2,414,637)</u>	<u>(2,301,472)</u>
Total property and equipment, net	<u>1,090,138</u>	<u>1,201,508</u>
Deferred loan costs	<u>49,246</u>	<u>52,143</u>
Total assets	<u><u>\$ 1,547,263</u></u>	<u><u>\$ 1,668,824</u></u>

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable, operations	\$ 11,228	\$ 46,067
Mortgage current portion	129,998	126,073
Accrued expenses	11,637	7,630
Prepaid revenue	-	234
Due to related party	799	6,151
	<u>153,662</u>	<u>186,155</u>
Total current liabilities		
Tenant security deposits held in trust	<u>14,678</u>	<u>15,307</u>
Long-term liabilities		
Mortgage payable, less current portion	<u>2,726,288</u>	<u>2,856,286</u>
Total liabilities	<u>2,894,628</u>	<u>3,057,748</u>
Net assets:		
Unrestricted	<u>(1,347,365)</u>	<u>(1,388,924)</u>
Total liabilities and net assets	<u><u>\$ 1,547,263</u></u>	<u><u>\$ 1,668,824</u></u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Rent revenue	\$ 145,585	\$ 131,254
Tenant assistance payments	445,520	451,746
Vacancies	<u>(13,899)</u>	<u>(3,068)</u>
Net rental revenue	577,206	579,932
Financial revenue	116	196
Other revenue	<u>50,556</u>	<u>50,153</u>
Total revenue	<u>627,878</u>	<u>630,281</u>
Expenses:		
Administrative expenses	106,431	79,953
Utilities expenses	24,304	24,290
Operating and maintenance expenses	143,650	172,567
Taxes and insurance	49,988	24,798
Financial expenses	106,892	106,962
Other service expenses	38,993	47,512
Depreciation and amortization	<u>116,061</u>	<u>115,986</u>
Total expenses	<u>586,319</u>	<u>572,068</u>
Change in net assets	41,559	58,213
Net assets, beginning of year	<u>(1,388,924)</u>	<u>(1,447,137)</u>
Net assets, end of year	<u>\$ (1,347,365)</u>	<u>\$ (1,388,924)</u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts:		
Rental receipts	\$ 574,689	\$ 580,147
Interest receipts	116	196
Other receipts	42,161	50,153
	<u>616,966</u>	<u>630,496</u>
Expenditures:		
Administrative	112,410	36,060
Management fees	28,975	26,338
Utilities	23,472	24,290
Salaries and wages	45,843	89,998
Operating and maintenance	94,468	342,993
Taxes and insurance	10,579	42,051
Property insurance	23,252	-
Miscellaneous taxes and insurance	15,162	-
Mortgage insurance premium	16,805	13,674
Interest on mortgage	89,795	93,601
Tenant security deposits	1,945	(1,817)
Other service expenses	38,993	-
	<u>501,699</u>	<u>667,188</u>
Net cash provided by operating activities	<u>115,267</u>	<u>(36,692)</u>
Cash flows from investing activities:		
Net change in escrows	20,493	277,553
Net change in replacement reserve	(4,273)	(45,181)
Net change in residual receipts	(5)	(8)
Purchase of property and equipment	(1,795)	(80,915)
	<u>14,420</u>	<u>151,449</u>
Net cash used by investing activities	<u>14,420</u>	<u>151,449</u>
Cash flows from financing activities:		
Mortgage principal payments	(126,073)	(122,266)
	<u>(126,073)</u>	<u>(122,266)</u>
Net cash used by financing activities	<u>(126,073)</u>	<u>(122,266)</u>
Net increase (decrease) in cash	3,614	(7,509)
Cash, beginning of year	<u>26,965</u>	<u>34,474</u>
Cash, end of year	<u><u>30,579</u></u>	<u><u>26,965</u></u>

See accompanying notes.

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(Continued)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss	\$ 41,559	\$ 58,213
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	116,061	115,986
Bad debt expense	1,773	-
Change in assets and liabilities:		
Tenant accounts receivable	(476)	13
Accounts receivable, operations	(6,283)	2,976
Prepaid expenses	995	(17,253)
Cash restricted for tenant security deposits	(1,316)	830
Accounts payable	(34,839)	41,611
Accrued liabilities	4,331	-
Accrued interest	(323)	(313)
Due to related party	(5,352)	(239,944)
Tenant security deposits	(629)	987
Prepaid revenue	(234)	202
	<u>\$ 115,267</u>	<u>\$ (36,692)</u>

Notes to Financial Statements

1. Corporation and Nature of Business

St. Joseph's Villa Housing Corp. (the "Corporation"), was originally organized under Section 202 of the National Housing Act to acquire, renovate, own and operate a 60-unit apartment complex located in Richmond, Virginia and provide low cost housing for people with disabilities under the operating lease agreements. The Corporation is regulated by the United States Department of Housing and Urban Development ("HUD") as the rental rates and operating methods. The Corporation has a Section 8 Housing Assistance Payment agreement with HUD and a significant portion of the Corporation's rental income is received from HUD under this agreement. The Corporation holds a mortgage that is insured by HUD under section 207 of the National Housing Act pursuant to Section 223(f) of the National Housing Act.

2. Summary of Significant Accounting Policies

Accounting method

The financial statements of the Corporation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America; revenue and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of presentation

The financial statements report amounts separately by classes of net assets.

Unrestricted amounts are those currently available at the discretion of the Corporation's Board of Directors for use in operations and those resources invested in property and equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation currently has no temporarily restricted net assets.

Permanently restricted amounts are those restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Corporation currently has no permanently restricted net assets.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts receivable and bad debts

Accounts receivable are charged to an allowance when determined to be uncollectible. At June 30, 2016 and 2015, there was an allowance for uncollectible accounts in the amount of \$589 and \$0, respectively.

St. Joseph's Villa Housing Corp.
Notes to Financial Statements

Rental revenue

Rental income and tenant assistance revenue is recognized when earned. Service Coordinator assistance payments are recognized when due from HUD.

Impairment of long-lived assets

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2016 and 2015.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful life of each class of depreciable assets as follows:

Land improvements	15 years
Buildings and improvements	15 – 27.5 years
Building equipment - portable	10 years

Deferred financing costs

Deferred financing costs totaling \$57,937, incurred in connection with obtaining the mortgage note payable, were capitalized and are being amortized over the term of the note. Accumulated amortization was \$8,691 and \$5,794 as of June 30, 2016 and 2015, respectively. Amortization expense was \$2,897 for each of the years ended June 30, 2016 and 2015. Amortization expense for 2017 through 2021 is expected to be \$2,897 per year.

Income taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Corporation has no significant financial statement exposure to uncertain income tax positions at June 30, 2016 and 2015. The Corporation's income tax returns for the years since 2013 remain open to examination by tax authorities. The Corporation is not currently under audit by any tax jurisdiction.

Functional allocation of expenses

Expenditures incurred in connection with project operations and expenditures made for corporate purposes have been summarized on a functional basis in the statements of activities.

Advertising costs

The Corporation expenses advertising costs as they are incurred. Advertising expense was \$454 and \$0 for the years ended June 30, 2016 and 2015.

Concentration of credit risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of temporary cash investments, restricted deposits and funded reserves held by the mortgagee and management agent. The Corporation places its temporary cash investments with high credit quality financial institutions. There were no amounts in excess of FDIC limits as of June 30, 2016 and 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

Subsequent events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 28, 2016, the date the financial statements were available to be issued.

3. Assets Limited as to Use

Tenant security deposits held in trust

This account is made up of required deposits collected from each tenant when entering the apartment facilities. These deposits are refunded to the tenant when they terminate their rental agreement. The deposits are recorded on the balance sheet at fair value and the corresponding liability is recorded as funded tenant security deposits liability.

Reserves and residual receipts

Under provisions of the regulatory agreement and the mortgage loan agreement, the Corporation is required to fund a replacement reserve account. The funds in this restricted deposit are to be used for the repair and replacement of property and equipment and to cover the expected needs of the facilities at some undetermined future date, as approved by HUD.

St. Joseph's Villa Housing Corp.
Notes to Financial Statements

In accordance with the provisions of the HUD regulatory agreement, the Corporation was required to deposit a monthly amount of \$2,000 into the replacement reserve through July 2014. Beginning August 2014, the Corporation is required to deposit a monthly amount of \$2,044. During 2015, the Corporation made a deposit of \$20,545 in addition to monthly deposits. The corporation made total deposits of \$24,528 and \$45,029 during 2016 and 2015. Activity for the account during 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance as of beginning of year	\$ 300,973	\$ 255,792
Deposits	24,528	45,029
Interest	95	152
Withdrawals	<u>(20,350)</u>	<u>-</u>
Balance as of end of year	<u>\$ 305,246</u>	<u>\$ 300,973</u>

Also, under provisions of the regulatory agreement, the Corporation is required to maintain a residual receipts account to which they must annually transfer surplus cash, as defined by HUD, within 60 days of year-end. Funds held in the residual receipts account require advance approval from HUD prior to being released for funding operating deficits or expenses not covered by rental receipts. For the years ended June 30, 2016 and 2015 there was \$0 in surplus cash generated. Activity for the account during 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance as of beginning of year	\$ 15,014	\$ 15,006
Deposits	-	-
Interest	5	8
Withdrawals	<u>-</u>	<u>-</u>
Balance as of end of year	<u>\$ 15,019</u>	<u>\$ 15,014</u>

The Corporation is required to make monthly deposits into a mortgage insurance premium escrow and insurance escrow for estimated future property insurance premiums. The mortgage insurance premium escrow and insurance escrow account totaled \$17,462 and \$18,623 as of June 30, 2016 and 2015, respectively.

In addition, the Corporation had a construction repair reserve as of June 30, 2016 and 2015, totaling \$0 and \$19,332, respectively.

4. Mortgage Payable and Related Escrow Deposits

In May 2013, the Corporation entered into a contract with HUD and St. Joseph's Villa Housing Corp II to consolidate two housing projects into one. A deed of gift was executed granting real estate held by St. Joseph's Villa Housing Corp II to the Corporation. All assets and debt held by St. Joseph's Villa Housing Corp II were subsequently transferred to the Corporation, including the mortgage liability. After the consolidation of entities was complete, the Corporation entered into a loan agreement with Red Mortgage Capital, LLC for the purpose of refinancing the Corporation's existing debt. The new mortgage is insured by The U.S. Department of Housing and Urban Development under Section 207 pursuant to section 223(f) of the National Housing Act and is therefore subject to provisions of the Regulatory Agreement. The Regulatory Agreement with HUD required compliance with various HUD requirements. The total amount of the mortgage evident by the deed of trust note is \$3,223,200, and is collateralized by deed of trust on the Corporation's land and building. The note bears interest of 3.07% per annum. Principal and interest are payable by the Corporation in monthly installments of \$17,989 from July 1, 2013 through maturity on June 1, 2033. The balance of the mortgage note was \$2,856,286 and \$2,982,359 as of June 30, 2016 and 2015, respectively.

St. Joseph's Villa Housing Corp.
Notes to Financial Statements

The aggregate estimated annual principal maturities for subsequent years ending June 30 are as follows:

2017	\$	129,998
2018		134,046
2019		138,220
2020		142,523
2021		146,961
Thereafter		<u>2,164,538</u>
	\$	<u>2,856,286</u>

5. Housing Assistance Payment Contract and Excess Funds Liability

The U. S. Department of Housing and Urban Development has contracted with the Corporation to make housing assistance payments on behalf of qualified tenants. The contract is subject to renewal, and if not renewed, could substantially impact the rental income of the Corporation. The current contract for the Corporation will expire May 2033. As of May 29, 2013, the Corporation also assumed the rights and obligations of the HAP contract for St. Joseph's Villa Housing Corp II. The current contract for St. Joseph's Villa Housing Corp II will expire in May 2033. For 2016 and 2015, the Corporation received \$445,520 and \$451,746, respectively, in assistance payments.

6. Management fee agreement

As of July 1, 2015, the Corporation entered into a management agreement with Community Housing Partners Corporation (CHPC), as approved by HUD, that provides for a management fee equal to 5.00% of gross rental income received during the accounting month. Total management fees paid in 2016 were \$28,975.

7. Related Party Transactions

The Corporation was managed by a related party, St. Joseph's Villa, during 2015, pursuant to a management agreement approved by HUD, which provides for the Corporation to pay a management fee. The management fee charged to operations was \$26,338 during 2015. A bookkeeping fee of \$11,340 was also charged to Corporation during 2015. Certain payroll and operating expenses were paid by St. Joseph's Villa prior to the management agreement with CHPC and are reimbursed by the Corporation. These expenses totaled \$92,021 during 2015. The Corporation also rents office space from St. Joseph's Villa. The Corporation owed St. Joseph's Villa \$799 and \$6,151 at June 30, 2016 and 2015, respectively.

During 2014, a building owned by the Corporation was damaged by a small fire that damaged several units. To finance the repairs of affected units, the Corporation was advanced funds from St. Joseph's Villa, which were reimbursed upon receipt of funds from the replacement reserve. The Corporation repaid all of the advances owed during 2015.

During 2014, the Corporation undertook non-critical repairs throughout its building in accordance with its mortgage note agreement. To finance the repairs of affected units, the Corporation was advanced funds from St. Joseph's Villa, which were reimbursed upon receipt of funds from completion repair reserve. The Corporation repaid all of the advances owed during 2015.

During 2015, the Corporation paid \$74,683 in developer's fees pursuant to its mortgage note agreement.

St. Joseph's Villa Housing Corp.
Supplementary Schedules and Supporting Data
Year Ended June 30, 2016

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Financial Position
Year Ended June 30, 2016

Assets

Current assets

1120	Cash, operations	\$	30,579
1130	Tenant accounts receivable, net		687
1135	Account receivable, HUD subsidy		1,807
1140	Accounts receivable, other		3,958
1200	Prepaid expenses		16,497
1100T	Total current assets		<u>53,528</u>

Deposit held in trust, funded

1191	Tenant deposits held in trust		<u>16,624</u>
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Restricted deposits and funded reserves

1310	Escrow deposits		17,462
1320	Replacement reserve		305,246
1340	Residual receipts		15,019
1300T	Total restricted deposits and funded reserves		<u>337,727</u>

Property and equipment

1410	Land		422,857
1420	Buildings and improvements		2,599,008
1440	Building equipment, portable		482,910
1400T	Total property and equipment		<u>3,504,775</u>
1495	Accumulated depreciation		<u>(2,414,637)</u>
1400N	Net fixed assets		<u>1,090,138</u>

Other Assets

1520	Deferred financing costs, net		<u>49,246</u>
1000T	Total assets	\$	<u><u>1,547,263</u></u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Financial Position
Year Ended June 30, 2016

(Continued)

Liabilities and Net Assets

Current liabilities

2110	Accounts payable, operations	\$ 11,228
2120	Accrued wages payable	1,785
2131	Accrued interest payable	7,307
2170	Mortgage current portion	129,998
2190	Miscellaneous current liabilities	2,545
2390	Due to related party	799
2122T	Total current liabilities	<u>153,662</u>

Deposit liabilities

2191	Tenant deposits held in trust	14,678
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Long-term liabilities

2320	Mortgage payable, less current portion	<u>2,726,288</u>
2000T	Total liabilities	<u>2,894,628</u>

Net assets

4030	Accumulated deficit	(1,458,045)
4070	Paid in surplus	<u>110,680</u>
3130	Total net assets	<u>(1,347,365)</u>
2033T	Total liabilities and net assets	<u><u>\$ 1,547,263</u></u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Activities
Year Ended June 30, 2016

Revenue

Service income

5120	Rent revenue, gross potential	\$ 145,585
5121	Tenant assistance payments	445,520
5190	Vacancies	(13,899)
5152N	Net rental revenue	<u>577,206</u>

Financial revenue

5430	Revenue from investments, residual	5
5440	Revenue from investments, replacement	95
5490	Financial revenue, miscellaneous	16
5400T	Total financial revenue	<u>116</u>

Other revenue

5910	Laundry and vending revenue	3,004
5920	Tenant charges	2,656
5990	Miscellaneous revenue	3
5390	Service coordinator reimbursement	44,893
5900T	Total other revenue	<u>50,556</u>

5000T	Total revenue	<u>627,878</u>
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Expenses

Administrative expenses

6210	Advertising and marketing	454
6310	Office salaries	1,164
6311	Office expenses	9,262
6312	Office or model apartment rent	9,590
6320	Management fees	28,975
6330	Manager or superintendent salaries	36,162
6340	Legal expense, project	1,290
6350	Audit expense	14,515
6370	Bad debts	1,773
6390	Miscellaneous administrative expenses	3,246
6263T	Total administrative expenses	<u>106,431</u>

Utilities expenses

6450	Electricity	6,507
6451	Water	7,483
6452	Gas	2,060
6453	Sewer	8,254
6400T	Total utilities expenses	<u>24,304</u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Activities
Year Ended June 30, 2016

(Continued)

Operating and maintenance expenses

6510	Payroll	45,843
6515	Supplies	9,903
6520	Contracts	37,933
6525	Garbage and trash removal	3,869
6546	Heating/cooling repairs and maintenance	260
6548	Snow removal	2,282
6590	Miscellaneous operating and maintenance expense	43,560
6500T	Total operating and maintenance expenses	<u>143,650</u>

Taxes and insurance

6711	Payroll taxes (project's share)	10,579
6720	Property and liability insurance (hazard)	24,247
6722	Workmen's Compensation insurance	1,246
6723	Health insurance/other employee benefits	13,891
6790	Miscellaneous taxes, license, permits and insurance	25
6700T	Total taxes and insurance	<u>49,988</u>

Financial expenses

6820	Interest on mortgage payable	89,472
6850	Mortgage insurance premium	16,805
6890	Miscellaneous financial expenses	615
6800T	Total financial expenses	<u>106,892</u>

Other elderly care expenses

6990	Other service expenses	<u>38,993</u>
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6000T	Total cost of operations before depreciation	<u>470,258</u>
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5060T	Change in net assets before depreciation	<u>157,620</u>
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6600	Depreciation and amortization expense	<u>116,061</u>
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3250	Change in net assets	<u>\$ 41,559</u>
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S1000-010	Total mortgage principal payments required during the year.	<u>\$ 126,073</u>
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S1000-020	Total monthly deposits during the year into the replacements reserve account, as required by the regulatory agreement.	<u>\$ 24,528</u>
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S1000-030	Replacements reserve or residual receipts releases which are included as expense items on this profit and loss statement.	<u>\$ 20,350</u>
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St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Change in Net Assets
Year Ended June 30, 2016

S1100-050	Net assets, beginning of year	\$ (1,388,924)
3250	Change in net assets	<u>41,559</u>
3130	Net assets, end of year	<u><u>\$ (1,347,365)</u></u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities

Receipts

S1200-010	Rental receipts	\$ 574,689
S1200-020	Interest receipts	116
S1200-030	Other receipts	42,161
S1200-040	Total receipts	<u>616,966</u>

Expenditures

S1200-050	Administrative	112,410
S1200-070	Management fees	28,975
S1200-090	Utilities	23,472
S1200-100	Salaries and wages	45,843
S1200-110	Operating and maintenance	94,468
S1200-120	Taxes and insurance	10,579
S1200-140	Property insurance	23,252
S1200-150	Miscellaneous taxes and insurance	15,162
S1200-160	Tenant security deposits	1,945
S1200-170	Other service expenses	38,993
S1200-210	Mortgage insurance premium	16,805
S1200-180	Interest on mortgage	89,795
S1200-058	Total disbursements	<u>501,699</u>

S1200-240	Net cash provided by operating activities	<u>115,267</u>
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Cash flows from investing activities

S1200-245	Net change in mortgage escrow account	20,493
S1200-250	Net change in replacement reserve	(4,273)
S1200-280	Net change in residual receipts	(5)
S1200-330	Purchase of fixed assets	(1,795)
S1200-350	Net cash provided by investing activities	<u>14,420</u>

Cash flows from financing activities

S1200-360	Mortgage principal payments	<u>(126,073)</u>
S1200-460	Net cash used by financing activities	<u>(126,073)</u>

S1200-470	Net increase in cash	3,614
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S1200-480	Cash, beginning of year	<u>26,965</u>
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S1200T	Cash, end of year	<u><u>\$ 30,579</u></u>
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St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Statement of Cash Flows
Year Ended June 30, 2016

(Continued)

Cash flows from operating activities

3250 Change in net assets	\$	41,559
Adjustments to reconcile change in net assets to net cash from operating activities:		
6600 Depreciation and amortization		116,061
6370 Bad debt expense		1,773
Change in assets and liabilities:		
S1200-490 Tenant accounts receivable		(476)
S1200-500 Accounts receivable, operations		(6,283)
S1200-520 Prepaid expenses		995
S1200-530 Cash restricted for tenant security deposits		(1,316)
S1200-540 Accounts payable		(34,839)
S1200-560 Accrued liabilities		4,331
S1200-570 Accrued interest		(323)
S1200-580 Tenant security deposits		(629)
S1200-590 Prepaid revenue		(234)
S1200-600 Due to related party		<u>(5,352)</u>
S1200-610 Net cash provided by operating activities	\$	<u><u>115,267</u></u>

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Supplementary Schedules and Supporting Data
Year Ended June 30, 2016

Replacement Reserve

In accordance with the provisions of the regulatory agreement, restricted cash is held in a separate bank account, to be used for repairs and replacement of property with the approval of HUD, as follows:

1320P	Balance, July 1, 2015	\$ 300,973
1320DT	Add total monthly deposits	24,528
1320INT	interest earned	95
1320WT	Deduct withdrawals for replacement items approved by HUD	<u>(20,350)</u>
1320	Balance, June 30, 2016, confirmed by bank	<u>\$ 305,246</u>
1320R	Deposits suspended or waived indicator	No

Residual Receipts

1340P	Balance, July 1, 2015	\$ 15,014
1340INT	interest earned	<u>5</u>
1340	Balance, June 30, 2016, confirmed by bank	<u>\$ 15,019</u>

Miscellaneous operating and maintenance expenses - account 6590

Rehabilitation expenses	<u>\$ 43,560</u>
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Computation of surplus cash, distributions and residual receipts - Other

July 2016 principal payment	\$ 10,682
July 2016 replacement reserve deposit	<u>2,044</u>
	<u>\$ 12,726</u>

Independent Auditor

Gary E. Romer, CPA
Dixon Hughes Goodman LLP
One James Center
901 E. Cary Street, Suite 1000
Richmond, Virginia 23219
(804) 474-1233

Licensed in the Commonwealth of Virginia
Dixon Hughes Goodman LLP, Federal I.D. # 56-0747981

Computation of Surplus Cash, Distributions and Residual Receipts

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Project Name St. Joseph's Villa Housing Corp.		Fiscal Period Ended: June 30, 2016	Project Number 051-11263
Part A - Compute Surplus Cash			
Cash			
1.	Cash (Accounts 1110,1120, 1170, 1191)	\$	47,203
2.	Tenant subsidy vouchers due for period covered by financial statement	\$	1,807
3.	Other (Describe)	\$	-
(a) Total Cash (Add Lines 1,2, and 3)			\$ 49,010
Current Obligations			
4.	Accrued mortgage interest payable	\$	7,307
5.	Delinquent mortgage principal payments	\$	-
6.	Delinquent deposits to reserve for replacements	\$	-
7.	Accounts payable (due within 30 days)	\$	11,228
8.	Loans and notes payable (due within 30 days)	\$	-
9.	Deficient Tax Insurance or MIP Escrow deposits	\$	-
10.	Accrued expenses (not escrowed)	\$	4,330
11.	Prepaid rents (Account 2210)	\$	-
12.	Tenant security deposits liability (Account 2191)	\$	14,678
13.	Other (see supplementary schedules and supporting data)	\$	12,726
(b) Less Total Current Obligations (Add Lines 4 through 13)			\$ 50,269
(c) Surplus Cash (Deficiency)(Line (a) minus Line (b))			\$ (1,259)
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts			
1.	Surplus Cash (Deficiency)	\$	(1,259)
Limited Dividend Projects			
2. a.	Annual Distribution Earned During Fiscal Period Covered by the Statement	\$	-
2. b.	Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$	-
2. c.	Distributions Paid During Fiscal Period Covered by Statement	\$	-
3.	Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$	-
4.	Amount Available for distribution during next Fiscal Period	\$	NONE
5.	Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after the Fiscal Period ends)	\$	-
Loan Technician	Date	Loan Servicer	Date

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Schedule of Changes in Property and Equipment
Year Ended June 30, 2016

	Balance			Balance
	June 30, 2015	Additions	Deletions	June 30, 2016
1410 Land and improvements	\$ 422,857	\$ -	\$ -	\$ 422,857
1420 Buildings and improvements	2,599,008	-	-	2,599,008
1440 Building equipment, portable	481,115	1,795	-	482,910
	<u>3,502,980</u>	<u>1,795</u>	<u>-</u>	<u>3,504,775</u>
Accumulated depreciation	(2,301,472)	(113,165)	-	(2,414,637)
Net book value	<u>\$ 1,201,508</u>			<u>\$ 1,090,138</u>
1440 Additions to building equipment, portable				
Door replacement	<u>\$ 1,795</u>			

St. Joseph's Villa Housing Corp.
HUD Project No. 051-11263
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	
U.S. Department of Housing and Urban Development		
Section 8 Tenant Assistance Payments	14.856	\$ 445,520
Section 207 Insured Mortgage for Supportive Housing for the Elderly (loan balance as of June 30,2016)	14.134	2,856,286
Federally Assisted Low Income Housing Coordinator Grant	14.191	<u>45,730</u>
Total		<u><u>\$ 3,347,536</u></u>

Note to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of St. Joseph's Villa Housing Corp., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
St. Joseph's Villa Housing Corp.
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Joseph's Villa Housing Corp., which comprise the statement of financial position as of June 30, 2016, and the related statement of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph's Villa Housing Corp.'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 St. Joseph's Villa Housing Corp.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph's Villa Housing Corp.'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 St. Joseph's Villa Housing Corp.'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 St. Joseph's Villa Housing Corp.'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.

Dixon Hughes Goodman LLP

Richmond, Virginia
September 28, 2016

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
St. Joseph's Villa Housing Corp.
Richmond, Virginia

Report on Compliance for Major Federal Program

We have audited St. Joseph's Villa Housing Corp.'s compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on St. Joseph's Villa Housing Corp.'s major federal program for the year ended June 30, 2016. St. Joseph's Villa Housing Corp.'s major federal program is identified in the schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of St. Joseph's Villa Housing Corp.'s compliance.

Opinion on Major Federal Program

In our opinion, St. Joseph's Villa Housing Corp. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Richmond, Virginia
September 28, 2016**

**St. Joseph's Villa Housing Corp.
Schedule of Findings and Questioned Costs**

1. Summary of Auditor's Results

Financial Statements

Report on the financial statements and on the Supplemental Schedule of Federal Awards:

S3400-020 Opinion

An unmodified opinion was issued on the financial statements.

Report on compliance and on internal control over financial reporting:

S3500-020 Significant Deficiency Indicator

There were no significant deficiencies identified.

S3500-030 Material Weakness Indicator

There were no material weaknesses identified.

S3500-040 Material Noncompliance Indicator

The audit did not disclose any instances of noncompliance material to the financial statements.

Federal Awards

Report on compliance applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance:

S3600-015 Opinion

An unmodified opinion was issued on compliance for major program.

Major program is the HUD Section 207 Pursuant to 223(f) Loan.

S3600-020 Significant Deficiency Indicator

There were no significant deficiencies identified.

S3600-030 Material Weakness Indicator

There were no material weaknesses identified.

S3700-020 Dollar Threshold used to Distinguish Between Type A and Type B Programs

\$750,000.

S3700-030 Low-risk Auditee Indicator

The auditee did not qualify as a low-risk auditee.

2. Findings Related to the Financial Statements Which Are Required to be Reported in Accordance with GAGAS

a. None

3. Findings and Questioned Costs for Federal Awards

a. None

**St. Joseph's Villa Housing Corp.
Schedule of Prior Audit Findings**

S3900-010 Previous Finding Reference Number

2015-01

S3900-020 Status Indicator

Cleared

S3900-030 Statement of Condition for Previous Finding

The Enterprise Income Verification (EIV) system was not used in its entirety within HUD mandated guidelines, including documenting appropriate support within tenant files.

S3900-050 Narrative

Corrective action was taken.

S3900-010 Previous Finding Reference Number

2015-02

S3900-020 Status Indicator

Cleared

S3900-030 Statement of Condition for Previous Finding

The move-in/move-out procedures are not being performed within HUD mandated guidelines.

S3900-050 Narrative

Corrective action was taken.



Independent Accountants' Report on Applying Agreed-Upon Procedure

To the Board of Directors
St. Joseph's Villa Housing Corp.
Richmond, Virginia

We have performed the procedure described in the second paragraph of this report, which was agreed to by St. Joseph's Villa Housing Corp. and the U.S. Department of Housing and Urban Development, Public and Indian Housing Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the Uniform Guidance reporting package. St. Joseph's Villa Housing Corp. is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, by St. Joseph's Villa Housing Corp. as of and for the year ended June 30, 2016, and have issued our reports thereon dated September 28, 2016. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated September 28, 2016, was expressed in relation to the basic financial statements of St. Joseph's Villa Housing Corp. taken as a whole.

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

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

Dixon Hughes Goodman LLP

**Richmond, Virginia
September 28, 2016**

**Attachment to Independent Accountants' Report on
Applying Agreed-Upon Procedure**

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditors' Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S3400-100)	Auditors' Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees

Auditor's Transmittal Letter

S3200-005 Audit Firm ID (UII)	21440
S3200-010 Audit Firm	Dixon Hughes Goodman LLP
S3200-020 Lead Auditor First Name	Gary
S3200-040 Lead Auditor Last Name	Romer
S3200-050 Auditor Street Address Line 1	One James Center
S3200-060 Auditor Street Address Line 2	901 E. Cary Street, Suite 1000
S3200-070 Auditor City	Richmond
S3200-080 Auditor State	Virginia
S3200-090 Auditor Zip Code	23219
S3200-100 Auditor Zip Code Extension	4037
S3200-110 Telephone Number	(804) 474-1233
S3200-120 Audit Firm TIN	56-0747981
S3200-130 Date of Independent Auditors' Report	September 28, 2016