

1116 BROOKVIEW, INC.

PROJECT NO. 042-EE087

**FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
WITH AUDITORS' REPORTS AND MORTGAGOR'S
AND MANAGEMENT AGENT'S CERTIFICATIONS**

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Directors
1116 Brookview, Inc.
Toledo, Ohio

We have audited the accompanying statements of financial position of HUD Project No. 042-EE087, 1116 Brookview, Inc., an Ohio nonprofit corporation, as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of 1116 Brookview, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1116 Brookview, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 22, 2011, on our consideration of 1116 Brookview, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 20 to 25 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 is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 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.

Gilmore, Jason & Mahler, LTD

February 22, 2011



GILMORE, JASION & MAHLER, LTD

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash—operations	\$ 391	\$ 0
Housing assistance receivable	3,353	3,935
Tenant accounts receivable	54	0
	3,798	3,935
Deposits held in trust		
Tenant security deposits	2,660	2,980
Restricted deposits and funded reserves		
Reserve for replacements	21,808	18,011
Property and equipment		
Land	68,000	68,000
Building and building improvements	973,580	973,580
Building equipment—portable	15,644	15,644
Furnishings	2,147	2,147
	1,059,371	1,059,371
Less—accumulated depreciation	265,437	240,133
	793,934	819,238
Other assets		
Deposits	250	250
Total assets	\$ 822,450	\$ 844,414
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable—operations	\$ 16,872	\$ 11,559
Prepaid rents	3,353	3,593
Accrued management fees	7,000	5,940
	27,225	21,092
Deposit liabilities		
Tenant deposits held in trust	2,660	2,980
Long-term liabilities		
Accounts payable—affiliate	68,000	68,000
	97,885	92,072
Net assets		
Unrestricted	(157,835)	(130,058)
Temporarily restricted	882,400	882,400
	724,565	752,342
Total liabilities and net assets	\$ 822,450	\$ 844,414

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

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

	2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Tenant assistance	\$ 40,045	\$ 0	\$ 40,045
Rental income, less vacancy loss of \$4,705 in 2010 and \$1,315 in 2009	34,450		34,450
Interest income	9		9
Miscellaneous	197		197
Total support and revenues	<u>74,701</u>	<u>0</u>	<u>74,701</u>
Expenses			
Management fees	8,452		8,452
Office expense	2,386		2,386
Administrative	3,825		3,825
Professional fees	12,166		12,166
Utilities	18,030		18,030
Operating and maintenance	22,705		22,705
Taxes and insurance	9,610		9,610
Depreciation	25,304		25,304
Total expenses	<u>102,478</u>	<u>0</u>	<u>102,478</u>
Change in net assets	(27,777)	0	(27,777)
Net assets at beginning of year	<u>(130,058)</u>	<u>882,400</u>	<u>752,342</u>
Net assets at end of year	<u>\$ (157,835)</u>	<u>\$ 882,400</u>	<u>\$ 724,565</u>

2009		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 43,635	\$ 0	\$ 43,635
34,109		34,109
9		9
491		491
<u>78,244</u>	<u>0</u>	<u>78,244</u>
8,118		8,118
1,739		1,739
3,987		3,987
6,171		6,171
18,718		18,718
22,457		22,457
11,361		11,361
25,287		25,287
<u>97,838</u>	<u>0</u>	<u>97,838</u>
(19,594)	0	(19,594)
<u>(110,464)</u>	<u>882,400</u>	<u>771,936</u>
<u>\$ (130,058)</u>	<u>\$ 882,400</u>	<u>\$ 752,342</u>

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

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Rental receipts	\$ 74,783	\$ 77,460
Interest receipts	9	9
Other operating receipts	197	491
Tenant security and other deposit receipts	(320)	(92)
Total cash flows from operating activities	<u>74,669</u>	<u>77,868</u>
Administrative	(25,769)	(19,925)
Utilities	(18,030)	(18,718)
Operating and maintenance	(17,392)	(24,635)
Taxes and insurance	(9,610)	(11,361)
Tenant security and other deposits	320	92
Net cash provided by operating activities	<u>4,188</u>	<u>3,321</u>
Cash flows from investing activities		
Purchases of property and equipment	0	(3,850)
Change in reserve for replacements	(3,797)	53
Net cash used in investing activities	<u>(3,797)</u>	<u>(3,797)</u>
Net increase (decrease) in cash	391	(476)
Cash		
Cash at beginning of year	0	476
Cash at end of year	<u>\$ 391</u>	<u>\$ 0</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (27,777)	\$ (19,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,304	25,287
(Increase) decrease in operating assets:		
Housing assistance receivable	582	191
Tenant accounts receivable	(54)	58
Increase (decrease) in operating liabilities:		
Accounts payable - operations	5,313	(2,178)
Prepaid rents	(240)	(533)
Accrued management fee	1,060	90
Net cash provided by operating activities	<u>\$ 4,188</u>	<u>\$ 3,321</u>

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

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 1—Nature of business

1116 Brookview, Inc. (Brookview) was organized to provide living facilities for elderly residents. Brookview is a separate legal entity located in Toledo, Ohio and is sponsored by St. Paul Senior Citizens Project, Inc. (Corporation), which is a nonprofit private corporation. The management agent for Brookview is Preferred Properties, Inc., which is a nonprofit private corporation.

The operations of Brookview are regulated by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD) under Section 202 of the Housing Act (Regulatory Agreement). Brookview is required to comply with the terms of the Regulatory Agreement.

Construction of the project was completed in December 2000.

Note 2—Summary of significant accounting and reporting policies

Basis of accounting

The financial statements of Brookview have been prepared on the accrual basis of accounting. The accrual basis of accounting provides for the recognition of revenues when earned and the recognition of expenses when incurred.

Financial statement presentation

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, Not for Profit Entities, Presentation of Financial Statements, to be in accordance with accounting principles generally accepted in the United States of America. Brookview is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Management is of the opinion that there were no permanently restricted net assets at December 31, 2010 and 2009.

Temporarily restricted net assets

Temporarily restricted net assets consist of a capital advance from HUD and a grant from the Ohio Department of Aging (ODOA). The capital advance does not bear interest and need not be repaid as long as the housing remains available to elderly persons for at least 40 years. Failure to comply with HUD requirements would result in HUD billing the owner for the entire capital advance outstanding plus interest since the date of the first advance. ODOA restrictions require the facility to be utilized as a multipurpose senior center for a period of twenty years. The grant is secured by Brookview's property and is subject to prorated repayment if the property is not used for the specific purposes. Management believes the likelihood of required repayment is remote.

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009

Note 2–Summary of significant accounting and reporting policies – continued

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 the purpose of the statement of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents. Brookview had no cash equivalents at December 31, 2010 and 2009.

Accounts receivable

Accounts receivable consists of amounts due from tenants and housing assistance payments due from HUD. The January 2011 and 2010 housing assistance payments due from HUD are classified as housing assistance receivables in 2010 and 2009, respectively. Tenant accounts receivable consists of amounts due from tenants for rent. Tenant accounts receivable is \$54 and \$0 at December 31, 2010 and 2009, respectively. The allowance for doubtful accounts is \$0 as of December 31, 2010 and 2009.

Property and equipment

The cost of the building and equipment will be depreciated over their estimated useful lives (ranging from 7 to 40 years), using the straight-line method. Brookview has a capitalization policy for expenditures over \$1,000.

Brookview 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 the real estate exceeds the fair value of such property. Management believes there were no impairment losses in 2010 or 2009.

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009

Note 2—Summary of significant accounting and reporting policies – continued

Income taxes

Brookview is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of Brookview is required to determine whether a tax position of Brookview is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management of Brookview is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Brookview's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Subsequent events

Brookview has evaluated all events subsequent to the statement of financial position date of December 31, 2010, through February 22, 2011, which is the date these financial statements were ready to be issued, and has determined that there are no subsequent events that require disclosure.

Note 3—Transactions with affiliates

The Corporation advanced Brookview certain amounts for construction. The accounts payable-affiliate balance at December 31, 2010 and 2009 is comprised of \$68,000 for the purchase of land.

Note 4—Commitments

HUD requires Brookview to fund the following reserves:

Residual receipts

Project funds in excess of funds needed for their intended purpose must be deposited with the mortgagee within 60 days after year-end. Withdrawals from this account can be made only with approval of HUD and for project purposes. Required funding of the residual receipts is \$0 as of December 31, 2010 and 2009.

Replacement reserve

In 2010 and 2009, monthly funding payments of \$315.66 were required. The funds are to be used for the replacement of property, with the approval of HUD. HUD approved withdrawals of \$0 and \$3,850 in 2010 and 2009, respectively.

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009

Note 5–Rental revenue

Brookview is a 12-unit housing development which receives monthly rentals for 11-units as approved by HUD. One unit is used to house a maintenance person. The tenants are charged rental amounts based on a percentage of their income, and HUD subsidizes the remainder. HUD approved rentals per unit were \$600 April 2009 through December 2010 and \$578 January 2009 through March 2009. The rent subsidy contract with HUD expired December 2010 and Brookview has applied for an extension with HUD. The subsidy contract must be renewed on an annual basis.

Note 6–Current vulnerability due to certain concentrations

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 of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Section 8 Housing Assistance Payments— Special Allocations	14.195	\$ 40,045
Supportive Housing for the Elderly (Section 202)	14.157	<u>832,400</u>
Total expenditures of federal awards		<u>\$ 872,445</u>

The accompanying note is an integral part of this schedule.

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of 1116 Brookview, Inc. is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNEMENT AUDITING STANDARDS*

Board of Directors
1116 Brookview, Inc.
Toledo, Ohio

We have audited the financial statements of 1116 Brookview, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated February 22, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 1116 Brookview, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 1116 Brookview, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 1116 Brookview, Inc.'s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 1116 Brookview, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

February 22, 2011



GILMORE, JASON & MAHLER, LTD



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Directors
1116 Brookview, Inc.
Toledo, Ohio

Compliance

We have audited 1116 Brookview, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of 1116 Brookview, Inc.'s major federal programs for the year ended December 31, 2010. 1116 Brookview, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 1116 Brookview, Inc.'s management. Our responsibility is to express an opinion on 1116 Brookview, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 1116 Brookview, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 1116 Brookview, Inc.'s compliance with those requirements.

In our opinion, 1116 Brookview, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of 1116 Brookview, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered 1116 Brookview, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 1116 Brookview, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the Department of Housing and Urban Development, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

February 22, 2011



**1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	Department of Housing and Urban Development
14.157	Supportive Housing for the Elderly (Section 202)
Dollar threshold used to distinguish between type A and type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
SCHEDULE OF STATUS OF PRIOR YEAR (2009) AUDIT FINDINGS
For the Year Ended December 31, 2010**

There were no reportable findings for the year ended December 31, 2009.

HUD SUPPLEMENTARY INFORMATION

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
BALANCE SHEET
December 31, 2010

ASSETS

Current assets			
1120	Cash—operations	\$	391
1130	Tenant accounts receivable		54
1135	Housing assistance receivable		3,353
			3,798
Restricted deposits and funded reserves			
1191	Tenant deposits held in trust		2,660
1320	Reserve for replacements		21,808
			24,468
Property and equipment			
1410	Land		68,000
1420	Building and building improvements		973,580
1440	Building equipment—portable		15,644
1460	Furnishings		2,147
			1,059,371
1495	Less accumulated depreciation		265,437
			793,934
Other assets			
1385	Miscellaneous other assets		250
			\$ 822,450

LIABILITIES AND NET ASSETS

Current liabilities			
2110	Accounts payable	\$	16,872
2123	Accrued management fee payable		7,000
2210	Prepaid revenues		3,353
			27,225
Long-term liabilities			
2191	Tenant deposits held in trust		2,660
2324	Other loans		68,000
			70,660
			97,885
Net assets			
3131	Unrestricted net assets		(157,835)
3132	Temporarily restricted net assets		882,400
			724,565
			\$ 822,450

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
STATEMENT OF PROFIT AND LOSS
For the Year Ended December 31, 2010

Rent revenue

5120	Rent revenue—gross potential	\$ 39,155	
5121	Tenant assistance payments	40,045	
		40,045	
	Total rent revenue	79,200	

Vacancies

5220	Vacancies—apartments	4,705	
		4,705	
	Total vacancies	4,705	
	Net rent revenue	74,495	

Financial revenue

5440	Revenue from investments—replacement reserve	9	
		9	
	Total financial revenue	9	

Other revenue

5910	Laundry revenue	111	
5920	Tenant changes	85	
5990	Miscellaneous revenue	1	
		1	
	Total other revenue	197	
	Total revenue	74,701	

Administrative expenses

6203	Conventions and meetings	115	
6310	Office salaries	3,825	
6311	Office expenses	2,271	
6320	Management fees	8,452	
6340	Legal fees	30	
6350	Audit expenses	11,200	
6351	Bookkeeping fees	936	
		936	
	Total administrative expenses	26,829	

Utilities expenses

6450	Electricity	8,649	
6451	Water	3,066	
6452	Gas	6,315	
		6,315	
	Total utilities expenses	18,030	

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
STATEMENT OF PROFIT AND LOSS – CONTINUED
For the Year Ended December 31, 2010

Operating and maintenance expenses

6510 Maintenance	4,860
6515 Supplies	1,485
6520 Contracts	12,731
6525 Garbage and trash removal	1,401
6546 Heating/cooling repairs and maintenance	1,185
6548 Snow removal	571
6570 Vehicle/maintenance equipment operations	101
6590 Miscellaneous operating and maintenance expense	371
Total operating and maintenance expenses	22,705

Taxes and insurance

6710 Real estate taxes	3,374
6720 Property and liability insurance	5,200
6790 Miscellaneous taxes, licenses, permits and insurance	1,036
Total taxes and insurance	9,610

	Total cost of operations before depreciation	77,174
Loss before depreciation		(2,473)
6600 Depreciation		25,304
	Net loss	\$ (27,777)

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
COMPUTATION OF SURPLUS CASH
For the Year Ended December 31, 2010

Current cash

Cash (accounts 1120 and 1191)		\$ 3,051
1135 Housing assistance receivable		3,353
	Total current cash	6,404

Current obligations

2110 Accounts payable—operations		16,872
2123 Accrued management fee		7,000
2191 Tenant deposits held in trust		2,660
2210 Prepaid revenue		3,353
	Total current obligations	29,885

Cash deficiency \$ (23,481)

Deposit due residual receipts \$ 0

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
SCHEDULE OF CHANGES IN FIXED ASSETS
For the Year Ended December 31, 2010

		Property and Equipment			
		Balance			Balance
		12/31/2009	Additions	Retirements	12/31/2010
1410	Land	\$ 68,000	\$ 0	\$ 0	\$ 68,000
1420	Building and building improvements	973,580			973,580
1440	Building equipment—portable	15,644			15,644
1460	Furnishings	2,147			2,147
		<u>\$ 1,059,371</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,059,371</u>

		Accumulated Depreciation				Net
		Balance	Current			Book Value
		12/31/09	Provisions	Retirements	Balance	12/31/2010
		12/31/09	12/31/2010	12/31/2010	12/31/2010	12/31/2010
	Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,000
1495	Accumulated depreciation	240,133	25,304		265,437	725,934
		<u>\$ 240,133</u>	<u>\$ 25,304</u>	<u>\$ 0</u>	<u>\$ 265,437</u>	<u>\$ 793,934</u>

1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2010

Replacement reserve

In accordance with the provisions of the Regulatory Agreement, restricted cash is held at the bank to be used for the replacement of property, with the approval of HUD, as follows:

Beginning balance, January 1, 2010	\$ 18,011
Monthly deposits (\$315.66 x 12)	3,788
Interest earned	9
Authorized withdrawals	0
Ending balance, December 31, 2010	<u>\$ 21,808</u>

Residual receipts

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the bank as follows:

Beginning balance, January 1, 2010	\$ 0
Additions	
Interest earned	
Authorized withdrawals	
Ending balance, December 31, 2010	<u>\$ 0</u>

**1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
MORTGAGOR'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of 1116 Brookview, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

By: *Signature on file*
Berene S. Miller
President

By: *Signature on file*
General Bobbitt
Treasurer

Federal Employer Identification
Number 31-1594013

**1116 BROOKVIEW, INC.
PROJECT NO. 042-EE087
GENERAL INFORMATION
For the Year Ended December 31, 2010**

Gilmore, Jasion & Mahler, LTD
1715 Indian Wood Circle, Suite 100
Maumee, Ohio 43537

Engagement Partner: Robert A. Bobek
Telephone Number: (419) 794-2000
Federal Employer I.D. Number: 34-1827159

The audit was performed between January 24, 2011 and January 26, 2011 at 1116 Brookview Inc.'s management facility.

Records for the accounting and administration of the Federal Financial Assistance programs, and administration for the mortgagor and the management agent are located at 5555 Airport Highway, Suite 220, Toledo, OH 43615, telephone number (419) 244-9609.