

ACCESSIBLE COUNTRY TRAIL, INC.

PROJECT NO. 042-HD033

FINANCIAL STATEMENTS

JUNE 30, 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 Trustees
Accessible Country Trail, Inc.
Toledo, OH

We have audited the accompanying statements of financial position of Project No. 042-HD033, Accessible Country Trail, Inc. (ACT), an Ohio nonprofit corporation, as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ACT'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 ACT as of June 30, 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 September 15, 2010, on our consideration of ACT'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 18 through 23 is presented for the purpose of additional analysis and is not a required part of the basic 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 also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

September 15, 2010

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash	\$ 2,740	\$ 526
Tenant accounts receivable, net	3,716	637
Accounts receivable from affiliates	137	128
Housing assistance receivable	4,206	9,550
Prepaid expenses and other	0	75
Total current assets	10,799	10,916
Deposits held in trust		
Tenant security deposits	5,992	6,311
Restricted deposits and funded reserves		
Reserve for replacements	28,281	30,733
Property and equipment		
Land	164,000	164,000
Building and building improvements	1,545,061	1,539,061
Furniture and fixtures	3,347	3,347
Maintenance equipment	8,539	8,539
Total property and equipment	1,720,947	1,714,947
Less accumulated depreciation	540,096	496,437
Net property and equipment	1,180,851	1,218,510
Total assets	\$ 1,225,923	\$ 1,266,470
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,000	\$ 3,993
Prepaid rents	4,206	4,647
Payable to affiliate	15,846	24,696
Total current liabilities	25,052	33,336
Deposit liabilities		
Tenant security deposits	5,992	6,311
Total liabilities	31,044	39,647
Net assets		
Unrestricted	(431,821)	(399,877)
Temporarily restricted	1,626,700	1,626,700
Total net assets	1,194,879	1,226,823
Total liabilities and net assets	\$ 1,225,923	\$ 1,266,470

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

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009

	2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Tenant assistance	\$ 54,835	\$ 0	\$ 54,835
Rental income, less vacancy loss of \$1,282 in 2010 and \$1,077 in 2009	75,649		75,649
Miscellaneous	664		664
Interest income	13		13
Total support and revenues	<u>131,161</u>	<u>0</u>	<u>131,161</u>
Expenses			
Management fees	14,008		14,008
Office expenses	2,319		2,319
Professional fees	6,740		6,740
Utilities	42,054		42,054
Operating and maintenance	31,458		31,458
Taxes and insurance	9,233		9,233
Other administrative expenses	13,634		13,634
Depreciation	43,659		43,659
Total expenses	<u>163,105</u>	<u>0</u>	<u>163,105</u>
Change in net assets	(31,944)	0	(31,944)
Net assets at beginning of year	<u>(399,877)</u>	<u>1,626,700</u>	<u>1,226,823</u>
Net assets at end of year	<u>\$ (431,821)</u>	<u>\$ 1,626,700</u>	<u>\$ 1,194,879</u>

2009		
Unrestricted	Temporarily Restricted	Total
\$ 55,921	\$ 0	\$ 55,921
71,618		71,618
879		879
28		28
<u>128,446</u>	<u>0</u>	<u>128,446</u>
12,195		12,195
5,705		5,705
5,225		5,225
47,610		47,610
36,144		36,144
9,683		9,683
10,255		10,255
42,337		42,337
<u>169,154</u>	<u>0</u>	<u>169,154</u>
(40,708)	0	(40,708)
<u>(359,169)</u>	<u>1,626,700</u>	<u>1,267,531</u>
<u>\$ (399,877)</u>	<u>\$ 1,626,700</u>	<u>\$ 1,226,823</u>

The accompanying notes are an integral part of these financial statements

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Rental receipts	\$ 132,308	\$ 122,256
Interest receipts	13	28
Other operating receipts	664	879
Total cash flows provided by operating activities	132,985	123,163
Administrative	(22,702)	(19,936)
Management fees	(16,359)	(11,041)
Utilities	(42,054)	(47,610)
Operating and maintenance	(36,950)	(33,069)
Real estate taxes and escrow deposits	(9,158)	(9,672)
Net cash provided by operating activities	5,762	1,835
Cash flows from investing activities		
Purchases of property and equipment	(6,000)	(8,082)
Change in reserve for replacements	2,452	5,647
Net cash used in investing activities	(3,548)	(2,435)
Net increase (decrease) in cash	2,214	(600)
Cash		
Cash at beginning of year	526	1,126
Cash at end of year	\$ 2,740	\$ 526
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (31,944)	\$ (40,708)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,659	42,337
(Increase) decrease in accounts receivable from affiliate	(9)	1,249
Increase in tenant accounts receivable	(3,079)	(380)
(Increase) decrease in housing assistance receivable	5,344	(5,591)
Decrease in prepaid expenses and other	75	11
Increase in accounts payable	1,007	3,993
Increase (decrease) in prepaid rents	(441)	688
Increase (decrease) in payable to affiliate	(8,850)	236
Net cash provided by operating activities	\$ 5,762	\$ 1,835

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

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009

Note 1–Nature of business

Accessible Country Trail, Inc. (ACT) was organized to provide living facilities for residents with physical and mental disabilities who are referred from Preferred Properties, Inc. (Corporation). ACT is a separate legal entity that is sponsored and managed by the Corporation, which is a nonprofit private corporation that provides living facilities for residents with physical and mental disabilities in Lucas County, Ohio. ACT is under the control of the Corporation's Board of Trustees and management.

The operations of ACT are regulated by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD) under Section 811 of the National Housing Act, as amended (Regulatory Agreement). ACT is required to comply with the terms of the Regulatory Agreement.

Construction of the project was completed in January 1997, and operations commenced on March 1, 1997.

Note 2–Summary of significant accounting and reporting policies

Basis of accounting

The financial statements of ACT 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 related to Financial Statements of Not-for-Profit Organizations. Under the FASB ASC Topic related to Financial Statements of Not-for-Profit Organizations, ACT 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 June 30, 2010 and 2009, respectively.

Temporarily restricted net assets

Temporarily restricted net assets consist of a capital advance from HUD. The capital advance does not bear interest and need not be repaid as long as the housing remains available to very low-income-eligible persons, as approved by HUD, for no less than 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. Management believes the likelihood of repayment is remote.

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.

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009

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

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. ACT had no cash equivalents at June 30, 2010 and 2009.

Accounts receivable

Tenant accounts receivable consists of rent due from tenants. The July 2010 and July 2009 housing assistance payments due from HUD are classified as housing assistance receivable. The allowance for doubtful accounts is \$3,400 and \$0 at June 30, 2010 and 2009, respectively.

Property and equipment

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

The Project 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.

Income taxes

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

Effective July 1, 2009 the Project has adopted FASB's ASC Topic related to Uncertainty in Income Taxes which requires management of the Project to determine whether a tax position of the Project 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 the Project 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). The Project's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Subsequent events

The Project has evaluated all events subsequent to the statement of financial position date of June 30, 2010, through September 15, 2010, which is the date these financial statements were ready to be issued, and has determined that there are no subsequent events that require disclosure.

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009

Note 3—Rental revenue

ACT is a 24-unit housing development consisting of eight separate buildings, 23 units receive monthly rentals as approved by HUD while the other unit is utilized for office space. The tenants are charged rental amounts based on a percentage of their income, and HUD subsidizes the remainder. HUD approved rentals per unit are \$466 for the years ended June 30, 2010 and 2009. The rent subsidy contract with HUD expires in 2017.

Note 4—Transactions with affiliate

In 2010 and 2009, Preferred Properties, Inc. charged ACT a management fee equal to 11.00% and 9.82% of residential income collected, respectively. Management fees charged in 2010 and 2009 amounted to \$14,008 and \$12,195, respectively.

Preferred Properties, Inc. also charges ACT a portion of payroll expenses for a maintenance employee, accounting services, office services and vehicle maintenance. Payroll expenses charged were \$21,522 for the years ended June 30, 2010 and 2009, respectively.

Note 5—Commitments

HUD requires that ACT fund the following reserves:

Residual receipts reserve

Project funds in excess of funds needed for their intended purpose must be deposited with the mortgagee within 90 days after year-end. Withdrawals from this account can be made only with approval of HUD and only for project purposes. Funding of the residual receipts reserve was not required at June 30, 2010 and 2009 as no surplus cash existed.

Replacement reserve

Monthly funding payments of \$485 to this reserve are required. The funds are to be used for replacement of property with the approval of HUD. The Capital Advance Program Regulatory Agreement requires that the mortgagor make monthly deposits to the replacement reserve account. At June 30, 2010 and 2009, the replacement reserve balance was \$28,281 and \$30,733, respectively. HUD-approved withdrawals in 2010 and 2009 amounted to \$8,295 and \$11,505, respectively.

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

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Supportive Housing for Persons with Disabilities PRAC	14.181	\$ 54,835
Supportive Housing for Persons with Disabilities Capital Advance	14.181	<u>1,626,700</u>
	Total expenditures of federal awards	<u>\$ 1,681,535</u>

The accompanying note is an integral part of this schedule.

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of Accessible Country Trail, 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, or used, in the preparation of the financial statements.



GILMORE, JASION & MAHLER, LTD

**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***

Board of Trustees
Accessible Country Trail, Inc.
Toledo, OH

We have audited the financial statements of Accessible Country Trail, Inc. (ACT) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. 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 ACT'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 ACT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACT'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 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 would not necessarily 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 ACT'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, the Department of Housing and Urban Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

September 15, 2010





GILMORE, JASION & MAHLER, LTD

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Accessible Country Trail, Inc.
Toledo, OH

Compliance

We have audited the compliance of Accessible Country Trail, Inc. (ACT) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. ACT's major federal programs are identified in the summary of auditors' 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 ACT's management. Our responsibility is to express an opinion on ACT'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 ACT'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 of ACT's compliance with those requirements.

In our opinion, ACT complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of ACT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ACT's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 ACT'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.

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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

September 15, 2010



**ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 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>
14.181	Department of Housing and Urban Development Supportive Housing for Persons with Disabilities
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
SCHEDULE OF STATUS OF PRIOR YEAR (2009) AUDIT FINDINGS
For the Year Ended June 30, 2010

There were no reportable findings for the year ended June 30, 2009.

HUD SUPPLEMENTARY INFORMATION

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
BALANCE SHEET
June 30, 2010

ASSETS

Current assets

1120	Cash—operations	\$	2,740
1130	Tenant accounts receivable		7,116
1131	Allowance for doubtful accounts		(3,400)
1135	Housing assistance receivable		4,206
1140	Accounts receivable		137
Total current assets			10,799

Deposits held in trust

1191	Tenant security deposits		5,992
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Restricted deposits and funded reserves

1320	Reserve for replacements		28,281
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Property and equipment

1410	Land		164,000
1420	Building		1,545,061
	Furniture and fixtures		3,347
1470	Maintenance equipment		8,539
Total property and equipment			1,720,947
1495	Less accumulated depreciation		540,096
Net property and equipment			1,180,851

Total assets \$ 1,225,923

LIABILITIES AND NET ASSETS

Current liabilities

2110	Accounts payable	\$	15,091
2123	Accrued management fee payable		5,755
2210	Prepaid revenues		4,206
Total current liabilities			25,052

Deposit liabilities

2191	Tenant security deposits		5,992
Total liabilities			31,044

Net assets

3131	Unrestricted		(431,821)
3132	Temporarily Restricted		1,626,700
Total net assets			1,194,879

Total liabilities and net assets \$ 1,225,923

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
STATEMENT OF PROFIT AND LOSS
For the Year Ended June 30, 2010

Rent revenue

5120	Rent revenue—gross potential	\$ 76,931
5121	Tenant assistance payments	54,835
	Total revenue	131,766

Vacancies

5220	Vacancies—apartments	1,282
	Total vacancies	1,282
	Net rent revenue	130,484

Financial revenue

5440	Revenue from investments—replacement reserve	13
	Total financial revenue	13

Other revenue

5920	Tenant Charges	664
	Total other revenue	664
	Total revenue	131,161

Administrative expenses

6203	Conventions and meetings	230
6210	Advertising and marketing	482
6310	Office salaries	7,650
6311	Office expenses	2,319
6320	Management fees	14,008
6340	Legal expense	515
6350	Auditing expenses	6,225
6351	Bookkeeping	1,872
6370	Bad debt expense	3,400
	Total administrative expenses	36,701

Utilities expenses

6450	Electricity	24,436
6451	Water	6,952
6452	Gas	10,666
	Total utilities expenses	42,054

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
STATEMENT OF PROFIT AND LOSS-CONTINUED
For the Year Ended June 30, 2010

Operating and maintenance expenses

6510	Payroll	12,000
6515	Supplies	4,123
6520	Contracts	13,163
6546	Heating/cooling repairs and maintenance	906
6548	Snow removal	1,098
6570	Maintenance equipment operation and repairs	168
	Total operating and maintenance expenses	31,458

Taxes and insurance

6710	Real estate taxes	2,428
6720	Property and liability insurance	6,014
6790	Miscellaneous taxes, licenses, permits and insurance	791
	Total taxes and insurance	9,233

	Total cost of operations before depreciation	119,446
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Profit before depreciation	11,715
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6600	Depreciation	43,659
		43,659

	Net loss	\$ (31,944)
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ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
COMPUTATION OF SURPLUS CASH
For the Year Ended June 30, 2010

Current cash

	Cash (accounts 1120 and 1191)	\$	8,732
1135	Accounts receivable–HUD		4,206
	Total current cash		<u>12,938</u>

Current obligations

2110	Accounts payable–operations		15,091
2123	Accrued management fee payable		5,755
2191	Tenant deposits held in trust		5,992
2210	Prepaid revenues		<u>4,206</u>
	Total current obligations		<u>31,044</u>
		Deficiency	<u>\$ (18,106)</u>
		Deposit due receipts	<u>\$ 0</u>

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
SCHEDULE OF CHANGES IN FIXED ASSETS
For the Year Ended June 30, 2010

		Property and Equipment			
		Balance			Balance
		June 30, 2009	Additions	Retirements	June 30, 2010
1410	Land	\$ 164,000	\$ 0	\$ 0	\$ 164,000
1420	Building	1,539,061	6,000		1,545,061
1440	Furniture and fixtures	3,347			3,347
1470	Maintenance equipment	8,539			8,539
		<u>\$ 1,714,947</u>	<u>\$ 6,000</u>	<u>\$ 0</u>	<u>\$ 1,720,947</u>

		Accumulated Depreciation			Net
		Balance	Current	Balance	Book Value
		June 30, 2009	Provisions	June 30, 2010	June 30, 2010
	Land	\$ 0	\$ 0	\$ 0	\$ 164,000
1495	Accumulated depreciation	496,437	43,659	540,096	1,016,851
		<u>\$ 496,437</u>	<u>\$ 43,659</u>	<u>\$ 540,096</u>	<u>\$ 1,180,851</u>

ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

Replacement reserve

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

Beginning balance, July 1, 2009	\$ 30,733
Monthly deposits (\$485.83 x 12)	5,830
Interest earned	13
Authorized withdrawals	<u>(8,295)</u>
Ending balance, June 30, 2010	<u><u>\$ 28,281</u></u>

Residual receipts

In accordance with the provisions of the Regulatory Agreement, restricted cash is held at Fifth Third Bank to be used for the purposes determined to be necessary or appropriate by HUD.

Beginning balance, July 1, 2009	\$ 0
Additions	0
Interest earned	0
Authorized withdrawals	<u>0</u>
Ending balance, June 30, 2010	<u><u>\$ 0</u></u>

**ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
MORTGAGOR'S CERTIFICATION**

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

By: Signature on File
Lewis Ellis
Executive Director

By: Signature on File
Beverly A. Zadiraka
Finance Manager

Federal Employer Identification
Number 34-1786467

**ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
MANAGEMENT AGENT'S CERTIFICATION**

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

By: Signature on File
Lewis Ellis
Executive Director
Preferred Properties, Inc.

By: Signature on File
Beverly A. Zadiraka
Finance Manager
Preferred Properties, Inc.

Federal Employer Identification
Number 34-1715222

**ACCESSIBLE COUNTRY TRAIL, INC.
PROJECT NO. 042-HD033
GENERAL INFORMATION
For the Year Ended June 30, 2010**

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

Engagement Partner: Adele M. Jasion
Telephone Number: (419) 794-2000
Federal Employer I.D. Number: 34-1827159

The audit was performed between July 19 and July 22, 2010 at Accessible Country Trail, Inc.'s facility.

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