

BROOK VIEW GARDENS, INC.

PROJECT NO. 042-HD087

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

**WITH AUDITORS' REPORTS AND MORTGAGOR'S
AND MANAGEMENT AGENT'S CERTIFICATIONS**

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7 - 10
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	11
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	12
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13 - 14
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	15 - 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	17
SCHEDULE OF STATUS OF PRIOR YEAR (2009) AUDIT FINDINGS.....	18
HUD SUPPLEMENTARY INFORMATION:	
BALANCE SHEET	19
STATEMENT OF PROFIT AND LOSS.....	20 - 21
COMPUTATION OF SURPLUS CASH.....	22
SCHEDULE OF CHANGES IN FIXED ASSETS	23
OTHER SUPPLEMENTARY INFORMATION	24
MORTGAGOR'S CERTIFICATION.....	25
MANAGEMENT AGENT'S CERTIFICATION.....	26
GENERAL INFORMATION	27



GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Brook View Gardens, Inc.
Toledo, Ohio

We have audited the accompanying statements of financial position of Project No. 042-HD087, Brook View Gardens, Inc. (Brook View), 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 Brook View'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 Brook View 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 Brook View'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 19 through 24 is presented for purposes 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 basic 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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

		<u>2010</u>	<u>2009</u>
ASSETS			
Current assets			
Cash		\$ 1,354	\$ 92
Tenant accounts receivable		69	0
Accounts receivable from affiliates		85,500	85,500
Housing assistance receivable		4,994	8,341
Prepaid expenses and other		0	750
	Total current assets	<u>91,917</u>	<u>94,683</u>
Deposits held in trust			
Tenant security deposits		4,169	4,177
Restricted deposits and funded reserves			
Reserve for replacements		35,520	39,059
Property and equipment			
Land		79,720	79,720
Building and building improvements		1,762,388	1,756,338
	Total property and equipment	<u>1,842,108</u>	<u>1,836,058</u>
Less accumulated depreciation		355,187	290,251
	Net property and equipment	<u>1,486,921</u>	<u>1,545,807</u>
	Total assets	<u>\$ 1,618,527</u>	<u>\$ 1,683,726</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 1,957	\$ 1,452
Prepaid rents		4,994	5,141
Payable to affiliate		43,829	45,701
	Total current liabilities	<u>50,780</u>	<u>52,294</u>
Deposit liabilities			
Tenant security deposits		4,169	4,177
	Total liabilities	<u>54,949</u>	<u>56,471</u>
Unrestricted net assets			
Unrestricted		(241,922)	(178,245)
Temporarily restricted		1,805,500	1,805,500
	Total net assets	<u>1,563,578</u>	<u>1,627,255</u>
	Total liabilities and net assets	<u>\$ 1,618,527</u>	<u>\$ 1,683,726</u>

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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Tenant assistance	\$ 62,514	\$ 0	\$ 62,514
Rental income, less vacancy loss of \$1,845 in 2010 and \$4,115 in 2009	42,201		42,201
Miscellaneous income	0		0
Interest income	19		19
	<hr/>	<hr/>	<hr/>
Total support and revenues	104,734	0	104,734
Expenses			
Management fees	11,512		11,512
Office expenses	2,906		2,906
Professional fees	6,735		6,735
Utilities	30,380		30,380
Operating and maintenance	33,150		33,150
Taxes and insurance	12,111		12,111
Other administrative expenses	6,681		6,681
Depreciation	64,936		64,936
Loss on sale of land	0		0
	<hr/>	<hr/>	<hr/>
Total expenses	168,411	0	168,411
Change in net assets	(63,677)	0	(63,677)
Net assets at beginning of year	(178,245)	1,805,500	1,627,255
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ (241,922)</u>	<u>\$ 1,805,500</u>	<u>\$ 1,563,578</u>

2009		
Unrestricted	Temporarily Restricted	Total
\$ 52,736	\$ 0	\$ 52,736
43,309		43,309
140		140
27		27
<hr/> 96,212	<hr/> 0	<hr/> 96,212
8,317		8,317
2,597		2,597
5,654		5,654
29,967		29,967
32,985		32,985
10,802		10,802
6,693		6,693
64,125		64,125
16,780		16,780
<hr/> 177,920	<hr/> 0	<hr/> 177,920
(81,708)	0	(81,708)
<hr/> (96,537)	<hr/> 1,805,500	<hr/> 1,708,963
<u><u>\$ (178,245)</u></u>	<u><u>\$ 1,805,500</u></u>	<u><u>\$ 1,627,255</u></u>

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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Rental receipts	\$ 107,846	\$ 92,845
Interest receipts	19	27
Other operating receipts	0	140
Total cash flows from operating activities	<u>107,865</u>	<u>93,012</u>
Administrative	(16,322)	(14,944)
Management fees	(11,512)	(8,317)
Utilities	(30,380)	(29,967)
Operating and maintenance	(34,517)	(23,172)
Real estate taxes and escrow deposits	(11,361)	(10,802)
Net cash provided by operating activities	<u>3,773</u>	<u>5,810</u>
Cash flows from investing activities		
Purchases of property and equipment	(6,050)	0
Change in reserve for replacements	3,539	(12,984)
Reduction in minimum capital investment	0	6,417
Net cash used in investing activities	<u>(2,511)</u>	<u>(6,567)</u>
Net increase (decrease) in cash	1,262	(757)
Cash		
Cash at beginning of year	92	849
Cash at end of year	<u>\$ 1,354</u>	<u>\$ 92</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (63,677)	\$ (81,708)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,936	64,125
Loss on sale of land	0	16,780
Increase in tenant accounts receivable	(69)	0
(Increase) decrease in housing assistance receivable	3,347	(3,530)
Decrease in prepaid expenses	750	0
Increase in accounts payable	505	1,074
Increase (decrease) in prepaid rents	(147)	330
Increase (decrease) in payable to affiliate	(1,872)	8,739
Net cash provided by operating activities	<u>\$ 3,773</u>	<u>\$ 5,810</u>
Non-cash investing and financing activities		
Sale of land	<u>\$ 0</u>	<u>\$ 85,500</u>

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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1—Nature of business

Brook View Gardens, Inc. (Brook View) was organized to provide living facilities for residents with physical and mental disabilities who are referred from Preferred Properties, Inc. (Corporation). Brook View 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. Brook View is under the control of the Corporation's Board of Trustees and management.

The operations of Brook View 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). Brook View is required to comply with the terms of the Regulatory Agreement.

Construction of the project was completed and operations for Brook View commenced on August 18, 2004.

Note 2—Summary of significant accounting and reporting policies

Basis of accounting

The financial statements of Brook View 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, Brook View 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. See Note 3 for a detail of temporarily restricted net assets at June 30, 2010 and 2009.

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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010

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

Accounts receivable

Tenant accounts receivable consists of rent due from tenants. The July 2010 and 2009 housing assistance payments due from HUD are classified as housing assistance receivable. Accounts receivable are considered fully collectible at June 30, 2010 and 2009. Accordingly, no allowance for uncollectible accounts is required.

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. Brook View 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

Brook View 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..

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010

Note 3—Temporarily restricted net assets

Temporarily restricted net assets consist of a capital advance from HUD in the amount of \$1,233,500 and grants from the City of Toledo HOME Investment Partnership Program (HOME funds), the State of Ohio Housing Development Assistance Program (State of Ohio) and the Federal Home Loan Bank of Cincinnati (Bank of Cincinnati) in the amounts of \$300,000, \$160,000 and \$112,000, respectively. 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. The HOME funds grant requires the housing to remain available to very low-income-eligible persons for a period of 20 years; the State of Ohio grant requires the housing remain available to very low-income-eligible persons for a period of 30 years; and the Bank of Cincinnati grant requires the housing remain available to very low-income-eligible persons for a period of 40 years. Management believes the likelihood of required repayment is remote.

Note 4—Rental revenue

Brook View is a 16-unit housing development, which receives monthly rentals as approved by HUD. The tenants are charged rental amounts based on a percentage of their income, and HUD subsidizes the remainder. HUD approved rentals per unit are \$555 effective March 1, 2009 through June 30, 2010 and \$505 per month from July 1, 2008 through February 28, 2009. The rent subsidy contract with HUD expires August 2010.

Note 5—Transactions with affiliate

The minimum capital investment escrow was set up during the construction phase to fund unexpected costs. HUD requires one-half of one percent of the total HUD-approved capital advance be escrowed at initial closing as a minimal capital investment that must be maintained in escrow for a period of three years. Preferred Properties, Inc. funded this account for the Project in the amount of \$6,168. During fiscal year 2009, HUD approved the release of the minimum capital investment into the replacement reserve for use in the replacement of property. The minimum capital investment is recorded as part of accounts payable to affiliate.

During fiscal year 2009, a related party, Woodside Village Inc. purchased land from the Project in the amount of \$85,500 which is recorded as accounts receivable from affiliate at June 30, 2010 and 2009, respectively.

Preferred Properties, Inc. paid on behalf of the Project certain amounts for start-up costs. The payable to affiliate balances at June 30, 2010 and 2009 are comprised of \$43,829 and \$45,701, respectively, for other operating costs and the minimum capital investment as referred to above.

In 2010 and 2009, Preferred Properties, Inc. charged Brook View a management fee equal to 10.45% of residential income collected. Management fees charged in 2010 and 2009 amounted to \$11,512 and \$8,317, respectively.

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010

Note 5—Transactions with affiliate—continued

The Preferred Properties, Inc. also charges Brook View a portion of payroll expenses for a maintenance employee, accounting services, office services and vehicle maintenance. Payroll expenses charged were \$14,352 and \$14,352 for the years ended June 30, 2010 and 2009, respectively.

Note 6—Commitments

HUD requires that Brook View 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 60 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 \$545 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. During the year ended June 30, 2009, the minimum capital investment account was released into the replacement reserve account in the amount of \$6,417. At June 30, 2010 and 2009 the replacement reserve balance was \$35,520 and \$39,059, respectively. HUD-approved withdrawals amounted to \$10,098 and \$0 in 2010 and 2009, respectively.

Note 7—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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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	\$ 62,514
Supportive Housing for Persons with Disabilities Capital Advance	14.181	<u>1,233,500</u>
	Total expenditures of federal awards	<u>\$ 1,296,014</u>

The accompanying note is an integral part of this schedule.

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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 Brook View Gardens, 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 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
Brook View Gardens, Inc.
Toledo, Ohio

We have audited the financial statements of Brook View Gardens, Inc. (Brook View) 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 Brook View'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 Brook View's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brook View'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 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 Brook View'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 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 ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Brook View Gardens, Inc.
Toledo, Ohio

Compliance

We have audited the compliance of Brook View Gardens, Inc. (Brook View) 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. Brook View'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 Brook View's management. Our responsibility is to express an opinion on Brook View'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 Brook View'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 Brook View's compliance with those requirements.

In our opinion, Brook View 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

Management of Brook View 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 Brook View'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 Brook View'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 those specified parties.

Gilmore, Jason & Mahler, LTD

September 15, 2010



BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
BALANCE SHEET
June 30, 2010

ASSETS

Current assets

1120	Cash—operations	\$	1,354
1130	Tenant accounts receivable		69
1135	Housing assistance receivable		4,994
1140	Accounts receivable from affiliate		85,500
Total current assets			91,917

Deposits held in trust

1191	Tenant security deposits		4,169
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Restricted deposits and funded reserves

1320	Reserve for replacements		35,520
			35,520

Property and equipment

1410	Land		79,720
1420	Building		1,762,388
Total property and equipment			1,842,108
1495	Less accumulated depreciation		355,187
Net property and equipment			1,486,921

Total assets **\$ 1,618,527**

LIABILITIES AND NET ASSETS

Current liabilities

2110	Accounts payable	\$	24,769
2111	Accounts payable - construction		6,417
2123	Accrued management fee payable		14,600
2210	Prepaid revenues		4,994
Total current liabilities			50,780

Deposit liabilities

2191	Tenant security deposits		4,169
Total liabilities			54,949

Net assets

3131	Unrestricted		(241,922)
3132	Temporarily restricted		1,805,500
Total net assets			1,563,578

Total liabilities and net assets **\$ 1,618,527**

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENT OF PROFIT AND LOSS
For the Year Ended June 30, 2010

Rent revenue

5120	Rent revenue—gross potential	\$ 44,046
5121	Tenant assistance payments	62,514
	Total revenue	106,560

Vacancies

5220	Vacancies—apartments	1,845
	Total vacancies	1,845
	Net rent revenue	104,715

Financial revenue

5440	Revenue from investments—replacement reserve	19
	Total financial revenue	19
	Total revenue	104,734

Administrative expenses

6203	Conventions and meetings	153
6210	Advertising	180
6310	Office salaries	5,100
6311	Office expenses	2,906
6320	Management fees	11,512
6340	Legal expenses	510
6350	Auditing expenses	6,225
6351	Bookkeeping	1,248
	Total administrative expenses	27,834

Utilities expenses

6450	Electricity	15,762
6451	Water	6,355
6452	Gas	8,263
	Total utilities expenses	30,380

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
STATEMENT OF PROFIT AND LOSS-CONTINUED
For the Year Ended June 30, 2010

Operating and maintenance expenses

6510	Payroll	8,004
6515	Supplies	2,043
6520	Contracts	16,265
6525	Garbage and trash removal	4,426
6546	Heating/cooling repairs and maintenance	749
6548	Snow removal	739
6570	Maintenance equipment operation and repairs	174
6590	Miscellaneous operating and maintenance expenses	750
	Total operating and maintenance expenses	33,150

Taxes and insurance

6710	Real estate taxes	1,041
6720	Property and liability insurance	9,565
6790	Miscellaneous taxes, licenses, permits and insurance	1,505
	Total taxes and insurance	12,111

	Total cost of operations before depreciation	103,475
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Profit before depreciation	1,259
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6600	Depreciation	64,936
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	Net loss	\$ (63,677)
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BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
COMPUTATION OF SURPLUS CASH
For the Year Ended June 30, 2010

Current cash

	Cash (accounts 1120 and 1191)	\$	5,523
1135	Accounts receivable–HUD		4,994
	Total current cash		<u>10,517</u>

Current obligations

2110	Accounts payable–operations		24,769
2123	Accrued management fee payable		14,600
2191	Tenant deposits held in trust		4,169
2210	Prepaid revenues		<u>4,994</u>

Total current obligations 48,532

Deficiency \$ (38,015)

Deposit due receipts \$ 0

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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	\$ 79,720	\$ 0	\$ 0	\$ 79,720
1420	Building	1,756,338	6,050		1,762,388
		\$ 1,836,058	\$ 6,050	\$ 0	\$ 1,842,108

		Accumulated Depreciation				Net
		Balance	Current			Book Value
		June 30, 2009	Provisions	Retirements	Balance	June 30, 2010
						June 30, 2010
	Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,720
1495	Accumulated depreciation	290,251	64,936		355,187	1,407,201
		\$ 290,251	\$ 64,936	\$ 0	\$ 355,187	\$ 1,486,921

BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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	\$	39,059
Monthly deposits (\$545 x 12)		6,540
Interest earned		19
Withdrawals		(10,098)
Ending balance, June 30, 2010	<u>\$</u>	<u>35,520</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		0
Ending balance, June 30, 2010	<u>\$</u>	<u>0</u>

**BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
MORTGAGOR'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Brook View Gardens, 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 34-1942463

**BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
MANAGEMENT AGENT'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Brook View Gardens, 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

**BROOK VIEW GARDENS, INC.
PROJECT NO. 042-HD087
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 Brook View Gardens, 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.