

**Friends of Good Shepherd Manor Housing  
Organization, Inc.**  
**(a not-for-profit corporation)**  
**HUD Project No. 043-HH008-NP-WDD**

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**Financial Report  
with Supplemental Information  
December 31, 2009**

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Certificate of Officers**

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 043-HH008-NP-WDD, Friends of Good Shepherd Manor Housing Organization, Inc., and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2009.

\_\_\_\_\_  
Jackie Bowling  
Executive Director

\_\_\_\_\_  
September 29, 2010  
Date

\_\_\_\_\_  
ID# 31-1315438  
Employer Identification Number

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Management Agent's Certification**

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 043-HH008-NP-WDD, Friends of Good Shepherd Manor Housing Organization, Inc., and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2009.

\_\_\_\_\_  
Lewis S. Ellis, Executive Director of  
Preferred Properties, Inc. as  
Management Agent

\_\_\_\_\_  
Beverly A. Zadiraka , Finance  
Manager

\_\_\_\_\_  
September 29, 2010  
Date

\_\_\_\_\_  
(419) 244-9609  
Telephone Number

\_\_\_\_\_  
ID# 34-1715222  
Management Company Employer  
Identification Number

\_\_\_\_\_  
Scott Richards  
Property Manager

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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Independent Auditor's Report

To the Board of Directors  
Friends of Good Shepherd Manor Housing  
Organization, Inc.

We have audited the accompanying balance sheet of HUD Project No. 043-HH008-NP-WDD, Friends of Good Shepherd Manor Housing Organization, Inc. (the "Corporation"), as of December 31, 2009 and the related statements of activities, changes in deficiency in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides 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 HUD Project No. 043-HH008-NP-WDD, Friends of Good Shepherd Manor Housing Organization, Inc., as of December 31, 2009 and the results of its operations, changes in deficiency in net assets, and cash flows for the year 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 a report dated September 29, 2010 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of 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 audit.

*Plante & Moran, PLLC*

September 29, 2010

By: Jason Giha  
Engagement Partner  
65 East State Street, Suite 600  
Columbus, Ohio 43215-4227  
Federal ID Number: 38-1357951  
Phone Number: (614) 849-3000

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Balance Sheet  
December 31, 2009**

**Assets**

**Current Assets**

Cash - Operations	\$ 428
Tenant accounts receivable	234
Accounts receivable - HUD	<u>1,964</u>
Total current assets	2,626

**Deposits - Held in Trust**

Tenant deposits held in trust	4,305
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**Deposits - Funded**

Replacement reserve	33,064
Residual receipts reserve	<u>23,840</u>
Total deposits - Funded	56,904

**Fixed Assets**

Land and land improvements	69,527
Buildings and building improvements	597,925
Building equipment (portable)	<u>3,199</u>

Total fixed assets	670,651
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Accumulated depreciation	<u>(227,426)</u>
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Net fixed assets	<u>443,225</u>
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Total assets	<u><u>\$ 507,060</u></u>
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**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Balance Sheet (Continued)  
December 31, 2009**

**Liabilities and Deficiency in Net Assets**

**Current Liabilities**

Accounts payable - Operations	\$	4,236
Accrued management fee payable (Notes 3 & 4)		9,271
Accrued property taxes		6,906
Accounts payable to related party (Note 3)		<u>91,908</u>
Total current liabilities		112,321
Tenant deposits held in trust (contra)		4,211

**Long-term Liabilities**

Capital advance (Note 2)		<u>668,800</u>
Total liabilities		785,332

**Deficiency in Net Assets**

Deficiency in unrestricted net assets		<u>(278,272)</u>
Total deficiency in net assets		<u>(278,272)</u>
Total liabilities and deficiency in net assets	\$	<u><u>507,060</u></u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Activities  
Year Ended December 31, 2009**

<b>Rent Revenue</b>	
Rent revenue - Gross potential	\$ 57,241
Tenant assistance payments	3,419
	<hr/>
Total rent revenue (potential at 100% occupancy)	60,660
	<hr/>
Net rent revenue (rent revenue less vacancies)	60,660
<b>Financial Revenue</b>	
Investments - Residual receipts	4
Investments - Replacement reserve	9
	<hr/>
Total financial revenue	13
	<hr/>
Total revenue	60,673
<b>Administrative Expenses</b>	
Office expenses	6,809
Management fee (Note 4)	6,672
Auditing expenses	4,400
Bookkeeping fees/Accounting services (Note 4)	3,010
	<hr/>
Total administrative expenses	20,891
<b>Utilities Expense</b>	
Electricity	6,671
Water	4,958
Gas	4,056
	<hr/>
Total utilities expense	15,685
<b>Operating and Maintenance Expenses</b>	
Payroll	7,764
Supplies	877
Contracts	4,631
Security payroll/contract	211
Snow removal	913
	<hr/>
Total operating and maintenance expenses	14,396
<b>Taxes and Insurance</b>	
Real estate taxes	6,945
Property and liability insurance (hazard)	2,334
	<hr/>
Total taxes and insurance	9,279
	<hr/>
<b>Total Costs of Operations Before Depreciation</b>	<b>60,251</b>
	<hr/>
<b>Change in Net Assets Before Depreciation</b>	<b>422</b>
	<hr/>
<b>Depreciation Expense</b>	<b>14,948</b>
	<hr/>
<b>Change in Total Net Assets</b>	<b>\$ (14,526)</b>
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**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Statement of Changes in Deficiency in Net Assets  
Year Ended December 31, 2009**

Deficiency in Net Assets - January 1, 2009	\$ (263,746)
Increase in deficiency in net assets	<u>(14,526)</u>
Deficiency in Net Assets - December 31, 2009	<u>\$ (278,272)</u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Cash Flows  
Year Ended December 31, 2009**

**Cash Flows from Operating Activities**

Receipts:

Rental	\$ 58,462
Interest	13

Total receipts	<u>58,475</u>
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Disbursements:

Administrative	(9,985)
Management fee	(3,336)
Utilities	(15,685)
Salaries and wages	(7,764)
Operating and maintenance	(6,632)
Real estate taxes	(6,768)
Property insurance	<u>(1,508)</u>

Total disbursements	<u>(51,678)</u>
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Net cash provided by operating activities	6,797
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**Cash Flows from Investing Activities**

Net deposit to the reserve for replacement account	(1,117)
Net deposit to the residual receipts account	<u>(10,596)</u>

Net cash used in investing activities	(11,713)
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**Cash Flows from Financing Activities**

Related party advance	<u>647</u>
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Net cash provided by financing activities	<u>647</u>
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<b>Net Decrease in Cash</b>	(4,269)
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<b>Cash - Beginning of year</b>	<u>4,697</u>
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<b>Cash - End of year</b>	<u><u>\$ 428</u></u>
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**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Cash Flows (Continued)  
Year Ended December 31, 2009**

A reconciliation of change in net assets to net cash from operating activities is as follows:

Change in net assets	\$	(14,526)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation		14,948
(Increase) decrease in assets:		
Tenant accounts receivable		(234)
Accounts receivable - Other		(1,964)
Prepaid expenses		826
Cash restricted for tenant security deposits		(221)
Increase in liabilities:		
Accounts payable - Operations		4,234
Accrued liabilities		3,513
Tenant security deposits held in trust		221
Net cash provided by operating activities	\$	<u>6,797</u>

# Friends of Good Shepherd Manor Housing Organization, Inc.

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## Notes to Financial Statements December 31, 2009

### Note 1 - Organization and Significant Accounting Policies

**Nature of Business** - Friends of Good Shepherd Manor Housing Organization, Inc. (the "Corporation") is incorporated as a nonstock, nonprofit charitable corporation. The Corporation was formed for the purpose of operating three separate four-unit apartment complexes (a total of 15 non-employee tenants) located throughout Pike County, Ohio for low-rent housing, particularly for the handicapped.

The Corporation is operated under Section 811 of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

**Basis of Accounting** - The Corporation maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the same basis of accounting as the financial statements. 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.

**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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Deposits Held in Trust** - In accordance with the Regulatory Agreement with HUD, the Corporation is required to maintain a tenant security deposit trust account. The amount must at all times be equal to or exceed the aggregate of all outstanding obligations to tenants for refundable security deposits. The tenant security deposits fund consists of cash.

**Deposits Funded** - The funds held by the Corporation represent restricted funds for a replacement reserve and a residual receipts reserve. The replacement reserve consists of deposits by the Corporation to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. Any surplus cash is deposited to the residual receipts reserve annually and can only be withdrawn with HUD's approval.

# Friends of Good Shepherd Manor Housing Organization, Inc.

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## Notes to Financial Statements December 31, 2009

### Note 1 - Organization and Significant Accounting Policies (Continued)

**Land, Buildings, Equipment, and Furniture** - Land, buildings, equipment, and furniture are recorded at cost when purchased or appraised value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. Maintenance, repairs, and renewals that do not involve any substantial betterments are charged to expense when incurred. Expenditures that increase the useful life of the property are capitalized.

**Impairment of Assets** - The Corporation recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment of the Corporation's rental property has occurred.

**Classification of Net Assets** - Net assets of the Corporation are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Corporation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. All net assets of the Corporation at December 31, 2009 are considered unrestricted.

**Rental Income** - The Corporation records apartment rentals at gross potential rent as prescribed by HUD. Rental value of vacancies is stated separately to present net rental income on the accrual basis.

Units that are designated for occupancy by eligible low-income tenants under a project rental assistance contract require tenants to contribute a portion of the contract rent based on formulas prescribed by the U.S. Department of Housing and Urban Development. Rental assistance payments are received for the balance of contract rent from HUD. The current contract expires during January 2015.

**Federal Income Taxes** - No provision for income taxes has been included in the financial statements since the Corporation is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code.

**Regulatory Agreement** - A Regulatory Agreement with HUD was signed in connection with the capital advance.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including September 29, 2010, which is the date the financial statements were available to be issued.

# **Friends of Good Shepherd Manor Housing Organization, Inc.**

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## **Notes to Financial Statements December 31, 2009**

### **Note 2 - Capital Advance**

The Corporation obtained a capital advance from HUD which was used to assist in financing the construction of the project in accordance with the provisions of Section 811 of the Housing Act of 1959. The capital advance at December 31, 2009 is \$668,800, bears no interest, and is not required to be repaid as long as the housing remains available to very low income households and the aged and/or handicapped for a period of 40 years until May 2033. In addition, the Corporation is subject to the additional requirements of the HUD Section 811 program. The capital advance is collateralized by the land and building of the Corporation. If default occurs, then HUD, at its option, may accelerate the entire principal balance.

### **Note 3 - Related Party Transactions**

**Related Party Payables** - Related party payables consist of advances made by Friends of Good Shepherd Manor, Inc. (which has the same board of directors as the Corporation), hereby referred to as "Manor", to cover expenses incurred by the Corporation when the need arises due to lags in cash receipts. The amount outstanding at December 31, 2009 was \$91,908.

**Management Fees** - The Manor was the management agent up through December 31, 2009. As of December 31, 2009, management fees totaling \$5,935 was due to Manor from prior years management fees.

### **Note 4 - Management Agent**

The property management agreement effective January 1, 2009 provides that a management fee in the amount of 11 percent of gross collections less vacancy per year, a bookkeeping fee of \$105 per month, and an office salaries accounting fee of \$420 per month be paid to Preferred Properties, Inc. Management fees for the year ended December 31, 2009 totaled \$6,672. Bookkeeping fees for the year ended December 31, 2009 totaled \$1,260 and have been included in bookkeeping fees/accounting services on the statement of activities. Office salaries accounting fees totaled \$5,040 for the year ended December 31, 2009 and are included in office expenses on the statement of activities. Management fees totaling \$3,336 are due to Preferred Properties, Inc. as of December 31, 2009.

# **Friends of Good Shepherd Manor Housing Organization, Inc.**

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**Notes to Financial Statements  
December 31, 2009**

## **Note 5 - Current Vulnerability Due to Certain Concentrations**

The Corporation's sole assets are the three group homes. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation 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 additional administrative burden, to comply with a change.

## **Supplemental Information**

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**Plante & Moran, PLLC**

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Columbus, OH 43215  
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Fax: 614.221.3535  
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To the Board of Directors  
Friends of Good Shepherd Manor Housing  
Organization, Inc.

We have audited the financial statements of HUD Project No. 043-HH008-NP-WDD, Friends of Good Shepherd Manor Housing Organization, Inc., for the year ended December 31, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements of Friends of Good Shepherd Manor Housing Organization, Inc. taken as a whole. The accompanying supplemental information, including the schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by HUD and the 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 financial statements. Such information utilizes the same basis of accounting as the financial statements and has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Plante & Moran, PLLC*

September 29, 2010

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Balance Sheet Data  
December 31, 2009**

		<b>Assets</b>	
<b>Current Assets</b>			
1120	Cash - Operations	\$	428
1130	Tenant accounts receivable		234
1135	Accounts receivable - HUD		<u>1,964</u>
1100T	Total current assets		2,626
<b>Deposits - Held in Trust</b>			
1191	Tenant deposits held in trust		4,305
<b>Deposits - Funded</b>			
1320	Replacement reserve		33,064
1340	Residual receipts reserve		<u>23,840</u>
1300T	Total deposits - Funded		56,904
<b>Fixed Assets</b>			
1410	Land and land improvements		69,527
1420	Buildings and building improvements		597,925
1440	Building equipment (portable)		<u>3,199</u>
1400T	Total fixed assets		670,651
1495	Accumulated depreciation		<u>(227,426)</u>
1400N	Net fixed assets		<u>443,225</u>
1000T	Total assets	<b>\$</b>	<b><u>507,060</u></b>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Balance Sheet Data (Continued)  
December 31, 2009**

**Liabilities and Deficiency in Net Assets**

**Current Liabilities**

2110	Accounts payable - Operations	\$	4,236
2123	Accrued management fee payable		9,271
2150	Accrued property taxes		6,906
2190	Accounts payable to related party		<u>91,908</u>
2122T	Total current liabilities		112,321
2191	Tenant deposits held in trust (contra)		4,211

**Long-term Liabilities**

2320	Capital advance		<u>668,800</u>
2000T	Total liabilities		785,332

**Deficiency in Net Assets**

3130	Deficiency in unrestricted net assets		<u>(278,272)</u>
3130	Total deficiency in net assets		<u>(278,272)</u>
2033T	Total liabilities and deficiency in net assets	\$	<u><u>507,060</u></u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Activities Data  
Year Ended December 31, 2009**

<b>Rent Revenue</b>		
5120	Rent revenue - Gross potential	\$ 57,241
5121	Tenant assistance payments	3,419
		<hr/>
5100T	Total rent revenue (potential at 100% occupancy)	60,660
		<hr/>
5152N	Net rental revenue (rent revenue less vacancies)	60,660
<b>Financial Revenue</b>		
5430	Investments - Residual receipts	4
5440	Investments - Replacement reserve	9
		<hr/>
5400T	Total financial revenue	13
		<hr/>
5000T	Total revenue	60,673
<b>Administrative Expenses</b>		
6311	Office expenses	6,809
6320	Management fee	6,672
6350	Auditing expenses	4,400
6351	Bookkeeping fees/Accounting services	3,010
		<hr/>
6263T	Total administrative expenses	20,891
<b>Utilities Expense</b>		
6450	Electricity	6,671
6451	Water	4,958
6452	Gas	4,056
		<hr/>
6400T	Total utilities expense	15,685
<b>Operations and Maintenance Expenses</b>		
6510	Payroll	7,764
6515	Supplies	877
6520	Contracts	4,631
6530	Security payroll/contract	211
6548	Snow removal	913
		<hr/>
6500T	Total operations and maintenance expenses	14,396
<b>Taxes and Insurance</b>		
6710	Real estate taxes	6,945
6720	Property and liability insurance (hazard)	2,334
		<hr/>
6700T	Total taxes and insurance	9,279
		<hr/>
6000T	<b>Total Costs of Operations Before Depreciation</b>	<b>60,251</b>
		<hr/>
5060T	<b>Change in Net Assets Before Depreciation</b>	<b>422</b>
		<hr/>
6600	<b>Depreciation Expense</b>	<b>14,948</b>
		<hr/>
3250	<b>Change in Total Net Assets</b>	<b>\$ (14,526)</b>
		<hr/> <hr/>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Statement of Activities Data (Continued)  
Supplemental Information  
Year Ended December 31, 2009**

S1000-010	1	Total principal required under the mortgage, even if payments under a workout agreement are less or more than those required under the mortgage	\$	-
S1000-020	2	Replacement reserve deposits required by the Regulatory Agreement or amendments thereto, even if payments may be temporarily suspended or waived		2,104
S1000-030	3	Replacement reserve or residual receipt releases that are included as expense items on this profit and loss statement		1,171
S1000-040	4	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement		-

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Statement of Changes in Deficiency in Net Assets Data  
Year Ended December 31, 2009**

S1100-060	<b>Deficiency in Net Assets</b> - January 1, 2009	\$ (263,746)
3250	Increase in deficiency in net assets	<u>(14,526)</u>
3130	<b>Deficiency in Net Assets</b> - December 31, 2009	<u><b>\$ (278,272)</b></u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Cash Flows Data  
Year Ended December 31, 2009**

<b>Cash Flows from Operating Activities</b>		
Receipts:		
S1200-010	Rental	\$ 58,462
S1200-020	Interest	13
S1200-040	Total receipts	<u>58,475</u>
Disbursements:		
S1200-050	Administrative	(9,985)
S1200-070	Management fee	(3,336)
S1200-090	Utilities	(15,685)
S1200-100	Salaries and wages	(7,764)
S1200-110	Operating and maintenance	(6,632)
S1200-120	Real estate taxes	(6,768)
S1200-140	Property insurance	<u>(1,508)</u>
S1200-230	Total disbursements	<u>(51,678)</u>
S1200-240	Net cash provided by operating activities	6,797
<b>Cash Flows from Investing Activities</b>		
S1200-250	Net deposit to the reserve for replacement account	(1,117)
S1200-260	Net deposit to the residual receipts account	<u>(10,596)</u>
S1200-350	Net cash used in investing activities	(11,713)
<b>Cash Flows from Financing Activities</b>		
S1200-450	Related party advance	<u>647</u>
S1200-460	Net cash provided by financing activities	<u>647</u>
S1200-470	<b>Net Decrease in Cash</b>	(4,269)
S1200-480	<b>Cash - Beginning of year</b>	<u>4,697</u>
S1200T	<b>Cash - End of year</b>	<u><u>\$ 428</u></u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Statement of Cash Flows Data (Continued)  
Year Ended December 31, 2009**

A reconciliation of change in net assets to net cash from operating activities is as follows:

3250	Change in net assets	\$	(14,526)
	Adjustments to reconcile change in net assets to net cash from operating activities:		
6600	Depreciation		14,948
	(Increase) decrease in assets:		
S1200-490	Tenant accounts receivable		(234)
S1200-500	Accounts receivable - Other		(1,964)
S1200-520	Prepaid expenses		826
S1200-530	Cash restricted for tenant security deposits		(221)
	Increase in liabilities:		
S1200-540	Accounts payable - Operations		4,234
S1200-560	Accrued liabilities		3,513
S1200-580	Tenant security deposits held in trust		221
S1200-610	Net cash provided by operating activities	<u>\$</u>	<u>6,797</u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Supplemental Information  
Year Ended December 31, 2009**

1. **Schedule of Reserve for Replacements** - In accordance with the provisions of the Regulatory Agreement, restricted cash is held by Fifth Third Bank to be used for replacement of property with the approval of HUD as follows:

1320P	<b>Balance</b> - January 1, 2009	\$ 31,947
1320DT	Monthly deposits (\$175.33 x 12)	2,104
1320ODT	Other deposits - Additional deposit	175
1320INT	Interest	9
1320WT	Approved withdrawals	<u>(1,171)</u>
1320	<b>Balance</b> - December 31, 2009	<u><u>\$ 33,064</u></u>

2. **Schedule of Residual Receipts** - In accordance with the provisions of the Regulatory Agreement, surplus cash is calculated per the HUD formula and deposited into the residual receipts account. Restricted cash is held by Fifth Third Bank to be used for any project purpose with the approval of HUD as follows:

1340P	<b>Balance</b> - January 1, 2009	\$ 13,244
1340DT	Deposit of 2007 surplus cash	10,592
1340INT	Interest	<u>4</u>
1340	<b>Balance</b> - December 31, 2009	<u><u>\$ 23,840</u></u>

3. **Computation of Surplus Cash - Form HUD 93486** - See attached

4. **Schedule of Changes in Fixed Asset Accounts** - See attached

5. **Schedule of 5300 Accounts** - N/A

6. **Schedule of 6900 Accounts** - N/A

7. **Nursing Home Data** - N/A

8. **Detail of Accounts:**

2190	Accounts payable to related party	<u><u>\$ 91,908</u></u>
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**Friends of Good Shepherd Manor Housing Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Changes in Fixed Asset Accounts  
Year Ended December 31, 2009**

		Assets			Accumulated Depreciation			Net Book Value		
		Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009	Balance January 1, 2009	Current Provision	Deductions	Balance December 31, 2009	December 31, 2009
1410	Land and land improvements	\$ 69,527	\$ -	\$ -	\$ 69,527	\$ -	\$ -	\$ -	\$ -	\$ 69,527
1420	Buildings and building improvements	597,925	-	-	597,925	209,279	14,948	-	224,227	373,698
1440	Building equipment (portable)	3,199	-	-	3,199	3,199	-	-	3,199	-
Total		<b>\$ 670,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 670,651</b>	<b>\$ 212,478</b>	<b>\$ 14,948</b>	<b>\$ -</b>	<b>\$ 227,426</b>	<b>\$ 443,225</b>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2009**

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing for Persons with Disabilities (Section 811) - Capital Advance	14.181	\$ 668,800
Supportive Housing for Persons with Disabilities (Section 811) - Project Rental Assistance Payments	14.181	<u>3,419</u>
Total federal awards		<u><u>\$ 672,219</u></u>

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Computation of Surplus Cash  
Year Ended December 31, 2009**

SI300-010	Cash	\$ 4,733
1135	Accounts receivable - HUD	<u>1,964</u>
SI300-040	Total cash	6,697
<b>Current Obligations</b>		
SI300-075	Accounts payable - 30 days	4,236
SI300-100	Accrued expenses (not escrowed)	16,177
2191	Tenant deposits held in trust (contra)	<u>4,211</u>
SI300-140	Total current obligations	<u>24,624</u>
SI300-150	Surplus cash (deficiency)	<u>\$ (17,927)</u>
SI300-210	Deposit due residual receipts	<u>\$ -</u>

**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***

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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 *Government Auditing Standards*

To the Board of Directors  
Friends of Good Shepherd Manor  
Housing Organization, Inc.

We have audited the financial statements of Friends of Good Shepherd Manor Housing Organization, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated September 29, 2010. We have 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 Friends of Good Shepherd Manor Housing Organization, Inc.'s internal control over financial reporting (internal control) 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the findings described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-3 to be material weaknesses in internal controls over financial reporting.

To the Board of Directors  
Friends of Good Shepherd Manor Housing  
Organization, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Friends of Good Shepherd Manor Housing Organization, 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.

Friends of Good Shepherd Manor Housing Organization, Inc.'s written response to the findings identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Plante & Moran, PLLC*

September 29, 2010

**Report on Compliance with Requirements  
Applicable to Each Major Program and on  
Internal Control Over Compliance with  
OMB Circular A-133**

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## Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance with OMB Circular A-133

To the Board of Directors  
Friends of Good Shepherd Manor  
Housing Organization, Inc.

### Compliance

We have audited the compliance of Friends of Good Shepherd Manor Housing Organization, Inc. with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2009. Friends of Good Shepherd Manor Housing Organization, Inc.'s major federal program is 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 its major federal program is the responsibility of Friends of Good Shepherd Manor Housing Organization, Inc.'s management. Our responsibility is to express an opinion on Friends of Good Shepherd Manor Housing Organization, 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. 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 Friends of Good Shepherd Manor Housing Organization, 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 Friends of Good Shepherd Manor Housing Organization, Inc.'s compliance with those requirements.

In our opinion, Friends of Good Shepherd Manor Housing Organization, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2009.

To the Board of Directors  
Friends of Good Shepherd Manor Housing  
Organization, Inc.

### **Internal Control Over Compliance**

The management of Friends of Good Shepherd Manor Housing Organization, Inc. 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 Friends of Good Shepherd Manor Housing Organization, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program (internal control) as a basis for designing 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 the Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as described in the accompanying schedule of findings and questioned costs, we consider item 2009-2 to be a significant deficiency in internal controls over compliance. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Friends of Good Shepherd Manor Housing Organization, Inc.'s written response to the findings identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Plante & Moran, PLLC*

September 29, 2010

## **Schedule of Findings and Questioned Costs**

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**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2009**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No
- Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's 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 Circular A-133?  Yes  No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.181	U.S. Department of Housing and Urban Development - Supportive Housing for Persons with Disabilities	Unqualified

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section II - Financial Statement Audit Findings**

Reference Number	Finding	Questioned Costs
Current Year:		
2009-1	<p><b>Statement of Condition</b> - Material weakness in internal control over financial reporting - The Corporation did not maintain accurate accounting records and the internal controls over financial reporting were not operating effectively to prevent or detect financial statement misstatements which resulted in several adjusting journal entries being proposed during the course of the audit. Management reviewed and accepted the proposed adjustments.</p> <p><b>Criteria</b> - The Corporation is required to maintain effective internal controls over financial reporting and compliance in order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><b>Effect</b> - Material audit adjustments were identified and recorded during the course of the audit related to rental income, management fees, depreciation expense, payroll expenses, and real estate tax expense.</p> <p><b>Cause</b> - Due to turnover in accounting staff and lack of internal controls, the Corporation failed to maintain proper accounting records and adhere to internal controls over financial reporting and compliance.</p> <p><b>Recommendation</b> - The Corporation should continue to work with the management company that was hired effective January 1, 2009 to ensure accounting records are accurate and internal controls over financial reporting are designed appropriately and operating effectively to ensure financial statements are accurate.</p> <p><b>Auditor Noncompliance Code</b> - S - Internal control deficiencies</p>	None

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section II - Financial Statement Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
Current Year:		
2009-I (Cont'd)	<p><b>Auditor's Summary of Auditee's Comments on the Findings and Recommendations</b> - The Corporation will post all audit entries and is working with the management company to ensure accurate books and records.</p> <p><b>Response Indicator</b> - Agree</p> <p><b>Completion Date</b> - December 31, 2009</p> <p><b>Views of Responsible Officials and Planned Correction Actions</b> - Management acknowledges noncompliance in the current year and will work with the management company to ensure accurate books and records.</p> <p><b>Contact Person</b> - Jackie Bowling</p>	

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section II - Financial Statement Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
2009-3	<p><b>Statement of Condition</b> - Material weakness in internal control over financial reporting - Management lacked proper segregation of duties over the cash cycle for the period beginning January 1, 2009 through June 30, 2009.</p> <p><b>Criteria</b> - The Corporation should have adequate controls over the cash cycle in the business office.</p> <p><b>Effect</b> - There was a lack of segregation of duties over the cash cycle during the period beginning January 1, 2009 through June 30, 2009.</p> <p><b>Cause</b> - The business office manager has the ability to write checks, sign checks, make journal entries, and reconcile cash accounts.</p> <p><b>Recommendation</b> - The Corporation should implement additional controls to mitigate the risks associated with the lack of segregation of duties over cash.</p> <p><b>Auditor Noncompliance Code</b> - S - Internal control deficiencies</p> <p><b>Auditor's Summary of Auditee's Comments on the Findings and Recommendations</b> - The Corporation hired a management company effective January 1, 2009 to perform the accounting procedures required to ensure adequate internal controls over cash and financial reporting are in place. The management company took over responsibility of maintaining the books and records as of July 1, 2009.</p> <p><b>Response Indicator</b> - Agree</p> <p><b>Completion Date</b> - June 30, 2009</p> <p><b>Views of Responsible Officials and Planned Correction Actions</b> - Management acknowledges noncompliance in the current year and has contracted with a management company effective January 1, 2009 to correct the issue. The management company took over responsibility of maintaining the books and records as of July 1, 2009.</p> <p><b>Contact Person</b> - Jackie Bowling</p>	None

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section II - Financial Statement Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
Prior Year:  2008-I	<b>Status Indicator</b> - Outstanding  <b>Reporting Period</b> - December 31, 2008  <b>Statement of Condition</b> - Material weakness in internal control over financial reporting - The Corporation did not maintain proper accounting records or internal controls over financial reporting, which resulted in several adjustments being posted during the course of the audit.  <b>Previous Response for Finding</b> - Management acknowledged noncompliance in the prior year and is determined to establish internal controls to correct the issue in future periods.  <b>Narrative</b> - Management is still working with its management company to ensure the books are accurate; however, based on the number of entries required during December 31, 2009, this finding is still outstanding.	None

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
Current Year:  2009-2	<p><b>Statement of Condition</b> - Significant deficiency in internal controls over major programs - The Corporation failed to comply with the HUD compliance requirements specified in the Regulatory Agreement, by receiving an additional \$647 in related party (Friends of Good Shepherd Manor, Inc.) advances in the current year without prior written consent from HUD.</p> <p><b>Criteria</b> - HUD requires the Corporation to comply with the requirements specified in the Regulatory Agreement.</p> <p><b>Effect</b> - Advances from Manor have been made to the Corporation to pay for expenses related directly to the project, which has resulted in encumbering the Corporation through a liability back to Friends of Good Shepherd Manor, Inc.</p> <p><b>Cause</b> - The Project has a low operating cash balance and has not requested release of funds from reserves, which has resulted in the need for financing support from the sponsor.</p> <p><b>Recommendation</b> - The Project should obtain approval from HUD for the funds advanced already received from Friends of Good Shepherd Manor, Inc. to support the Project and should not request or receive any additional advances from Friends of Good Shepherd Manor, Inc. unless approval from HUD is received.</p> <p><b>Auditor Noncompliance Code</b> - F - Acquisition of liabilities (encumbering project assets)</p> <p><b>Auditor's Summary of Auditee's Comments on the Findings and Recommendations</b> - Advances from Manor have been made to the Project to fund past operating losses, which has resulted in encumbering the Project through a liability back to Manor. These advances were made to fund reasonable and necessary operating costs of the Project which were in excess of Project operating revenues.</p>	None

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section III - Federal Program Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
Current Year:  2009-2 (Cont'd)	<p><b>Response Indicator</b> - Agreed</p> <p><b>Completion Date</b> - December 31, 2010</p> <p><b>Response</b> - Management will contact their HUD representative to determine the appropriate course of action relative to obtaining HUD's approval for advanced funds made on a historical basis, and establish a protocol for any future advances.</p> <p><b>Contact Person</b> - Jackie Bowling</p>	

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section III - Federal Program Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
Prior Year:		
2008-2	<p><b>Status Indicator</b> - Outstanding</p> <p><b>Reporting Period</b> - December 31, 2008</p> <p><b>Statement of Condition</b> - Material weakness in internal control over major programs - The Corporation failed to comply with the HUD compliance requirements specified in the Regulatory Agreement, including the following:</p> <p>1) The Corporation failed to determine eligibility of the tenants for the year ended December 31, 2008.</p> <p>2) The Corporation has received an additional \$31,721 in related party advances during 2008 without prior written consent from HUD.</p> <p>3) The Corporation failed to make the required reserve for replacements deposits.</p> <p>4) The Corporation failed to maintain a wait list.</p> <p>5) The Corporation failed to submit the audited 2007 financial statements to REAC in a timely manner.</p> <p>6) The Corporation collected tenant security deposits in excess of the HUD contract rent amount.</p> <p>7) The Corporation failed to deposit December 31, 2007 surplus cash by the deadline as stated in the Real Estate Assessment Center's Summary of Financial Reporting and Auditing Guidance for HUD (FRAG Guide) under Section 2.8.</p>	None

**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2009**

**Section III - Federal Program Audit Findings (Continued)**

Reference Number	Finding	Questioned Costs
Prior Year:  2008-2 (Cont'd)	<p><b>Previous Response for Finding</b> - Management acknowledges noncompliance in the current year and has contracted with a management company effective January 1, 2009 to correct the issue in future periods. The management company took over responsibility of maintaining the books and records as of July 1, 2009.</p> <p><b>Narrative</b> - By contracting with a management company, management has corrected items (1), (3), (4), (5), (6) and (7). Item (2) is still outstanding as noted in finding 2009-2.</p>	

## **Corrective Action Plan**

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**Friends of Good Shepherd Manor Housing  
Organization, Inc.  
HUD Project No. 043-HH008-NP-WDD**

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**Corrective Action Plan  
Year Ended December 31, 2009**

- A. Comments on findings and recommendations - Management acknowledges noncompliance in the current year and is working with the management company to ensure compliance with HUD regulations and to maintain adequate internal controls.
- B. Actions taken or planned - We have contracted with a management company effective January 1, 2009 to ensure compliance with HUD regulations and adequate segregation of duties, and are working with the management company to ensure the books and records are adequately maintained.
- C. Status of corrective actions on prior findings - 2008-1: Management is still working with the management company to ensure the books are accurate and has recorded several audit adjustments for the year ended December 31, 2009.

2008-2: Management will contact their HUD representative to determine the appropriate course of action relative to obtaining HUD's approval for advanced funds made on a historical basis, and establish a protocol for any future advances.