

SWAN CREEK WEST

PROJECT NO. 042-HD055

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Swan Creek West
Toledo, OH

We have audited the accompanying statements of financial position of Project No. 042-HD055, Swan Creek West (Swan Creek), an Ohio nonprofit corporation incorporated as Accessible Country Trail II, 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 Swan Creek'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 Swan Creek 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 Swan Creek'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 the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

September 15, 2010

**SWAN CREEK WEST
PROJECT NO. 042-HD055
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009**

	2010	2009
ASSETS		
Current assets		
Cash	\$ 3,566	\$ 91
Tenant accounts receivable	354	190
Housing assistance receivable	2,476	2,771
Total current assets	6,396	3,052
Deposits held in trust		
Tenant security deposits	4,106	4,252
Restricted deposits and funded reserves		
Reserve for replacements	27,391	40,066
Property and equipment		
Land	126,000	126,000
Building and building improvements	1,356,232	1,353,882
Furniture and fixtures	4,999	4,999
Equipment	10,065	10,065
Total property and equipment	1,497,296	1,494,946
Less accumulated depreciation	351,465	315,596
Net property and equipment	1,145,831	1,179,350
Total assets	\$ 1,183,724	\$ 1,226,720
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,989	\$ 2,556
Prepaid rents	2,476	2,771
Payable to affiliate	0	4,092
Total current liabilities	6,465	9,419
Deposit liabilities		
Tenant security deposits	4,106	4,252
Total liabilities	10,571	13,671
Net assets		
Unrestricted	(15,214)	20,999
Temporarily restricted	1,188,367	1,192,050
Total net assets	1,173,153	1,213,049
Total liabilities and net assets	\$ 1,183,724	\$ 1,226,720

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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Tenant assistance	\$ 33,189	\$ 0	\$ 33,189
Rental income, less vacancy loss of \$1,262 in 2010 and \$32 in 2009	63,810		63,810
Miscellaneous income	630		630
Interest income	14		14
	<hr/>	<hr/>	<hr/>
Total support and revenues	97,643	0	97,643
Expenses			
Professional fees	6,255		6,255
Office expenses	2,820		2,820
Management fees	11,063		11,063
Other administrative expenses	6,681		6,681
Utilities	25,525		25,525
Operating and maintenance	41,538		41,538
Taxes and insurance	7,788		7,788
Depreciation	35,869		35,869
	<hr/>	<hr/>	<hr/>
Total expenses	137,539	0	137,539
Satisfaction of donor restrictions	3,683	(3,683)	0
Change in net assets	(36,213)	(3,683)	(39,896)
Net assets at beginning of year	20,999	1,192,050	1,213,049
Net assets at end of year	<u>\$ (15,214)</u>	<u>\$ 1,188,367</u>	<u>\$ 1,173,153</u>

2009		
Unrestricted	Temporarily Restricted	Total
\$ 33,212	\$ 0	\$ 33,212
54,500		54,500
258		258
30		30
88,000	0	88,000
5,225		5,225
3,534		3,534
8,448		8,448
6,693		6,693
29,202		29,202
22,466		22,466
8,214		8,214
38,258		38,258
122,040	0	122,040
3,683	(3,683)	0
(30,357)	(3,683)	(34,040)
51,356	1,195,733	1,247,089
\$ 20,999	\$ 1,192,050	\$ 1,213,049

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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009**

	2010	2009
Cash flows from operating activities		
Rental receipts	\$ 96,835	\$ 87,742
Interest receipts	14	30
Other operating receipts	630	258
Total cash flows from operating activities	97,479	88,030
Administrative	(15,756)	(15,452)
Management fee	(12,471)	(9,152)
Utilities	(25,525)	(29,202)
Operating and maintenance	(42,789)	(23,910)
Real estate taxes and escrow deposits	(7,788)	(8,214)
Net cash provided by (used in) operating activities	(6,850)	2,100
Cash flows from investing activities		
Purchases of property and equipment	(2,350)	0
Change in reserve for replacements	12,675	(3,862)
Net cash provided by (used in) investing activities	10,325	(3,862)
Net increase (decrease) in cash	3,475	(1,762)
Cash		
Cash at beginning of year	91	1,853
Cash at end of year	\$ 3,566	\$ 91
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (39,896)	\$ (34,040)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,869	38,258
(Increase) decrease in tenant accounts receivable	(164)	30
(Increase) decrease in housing assistance receivable	295	(32)
Increase in accounts payable	1,433	1,620
Increase (decrease) in prepaid rents	(295)	32
Decrease in payable to affiliate	(4,092)	(3,768)
Net cash provided by (used in) operating activities	\$ (6,850)	\$ 2,100

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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009**

Note 1–Nature of business

Swan Creek West, (Swan Creek), incorporated as Accessible Country Trail II, was organized to provide living facilities for residents with physical and mental disabilities who are referred from Preferred Properties, Inc. (Corporation). Swan Creek 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. Swan Creek is under the control of the Corporation's Board of Trustees and management.

The operations of Swan Creek 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). Swan Creek is required to comply with the terms of the Regulatory Agreement.

Construction of the project was completed in August 2000, and operations for Swan Creek commenced on September 5, 2000.

Note 2–Summary of significant accounting and reporting policies

Basis of accounting

The financial statements of Swan Creek 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 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, Swan Creek West 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.

Temporarily restricted net assets

Temporarily restricted net assets consist of a capital advance from HUD in the amount of \$1,114,700 and funds passed through Preferred Properties from the Ohio Department of Development (ODOD) for \$100,500 (See Note 4). 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.

**SWAN CREEK WEST
PROJECT NO. 042-HD055
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009**

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

Temporarily restricted net assets—continued

Preferred Properties, Inc. received funds in the amount of \$110,500 from ODOD for the sole purpose of providing for the performance of the Housing Development Assistance Program. The conditions required Preferred Properties, Inc. to expend the funds on the development of Swan Creek. Swan Creek received the funds and accordingly, recognized the revenue as temporarily restricted. Swan Creek releases the funds from restrictions, based on the schedule provided in the contract.

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 restricted investments with original maturities of three months or less are cash equivalents. Swan Creek had no cash equivalents at June 30, 2010 and 2009.

Accounts receivable

Tenant accounts receivable consists of rent due from tenants. The July 2010 and July 2009 housing assistance payments due from HUD are classified as housing assistance receivable. 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. Swan Creek 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.

**SWAN CREEK WEST
PROJECT NO. 042-HD055
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009**

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

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.

Income taxes

Swan Creek 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.

Note 3—Rental revenue

Swan Creek 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 \$498 effective March 1, 2009 through June 30, 2010 and \$457 from July 1, 2008 through February 28, 2009. The rent subsidy contract with HUD expires in 2010 and is renewed annually.

Note 4—Transactions with affiliate

In 2010 and 2009, Preferred Properties, Inc. charged Swan Creek a management fee equal to 11% and 9.63% of residential income collected, respectively. Management fees charged in 2010 and 2009 amounted to \$11,063 and \$8,448, respectively.

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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2010 and 2009**

Note 5—Commitments

HUD requires that Swan Creek fund the following reserves:

Residual receipts reserve

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

Replacement reserve

Monthly funding payments of \$417 to this reserve are required. The funds are to be used for replacement of property with the approval of HUD. The Capital Advance Program Regulatory Agreement requires that the mortgagor make monthly deposits to the replacement reserve account. At June 30, 2010 and 2009, the replacement reserve balance was \$27,391 and \$40,066 respectively. HUD-approved withdrawals in 2010 and 2009 amounted to \$17,698 and \$1,177, respectively.

Note 6—Current vulnerability due to certain concentrations

The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

**SWAN CREEK WEST
PROJECT NO. 042-HD055
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	\$ 33,189
Supportive Housing for Persons with Disabilities Capital Advance	14.181	<u>1,114,700</u>
	Total expenditures of federal awards	<u>\$ 1,147,889</u>

The accompanying note is an integral part of this schedule.

**SWAN CREEK WEST
PROJECT NO. 042-HD055
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of Accessible Country Trail, Inc. II, 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
Swan Creek West
Toledo, OH

We have audited the financial statements of Swan Creek West (Swan Creek) 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 Swan Creek'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 Swan Creek's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Swan Creek's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swan Creek's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Gilmore, Jason & Mahler, LTD

September 15, 2010



GILMORE, JASON & MAHLER, LTD



GILMORE, JASION & MAHLER, LTD

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

Board of Trustees
Swan Creek West
Toledo, OH

Compliance

We have audited the compliance of Swan Creek West (Swan Creek) 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. Swan Creek'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 Swan Creek's management. Our responsibility is to express an opinion on Swan Creek'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 Swan Creek'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 Swan Creek's compliance with those requirements.

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

Internal Control Over Compliance

The management of Swan Creek 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 Swan Creek's internal control over compliance with the 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 Swan Creek'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



**SWAN CREEK WEST
PROJECT NO. 042-HD055
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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
BALANCE SHEET
June 30, 2010**

ASSETS

Current assets

1120	Cash—operations	\$	3,566
1130	Tenant accounts receivable		354
1135	Housing assistance receivable		2,476
	Total current assets		6,396

Deposits held in trust

1191	Tenant security deposits		4,106
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Restricted deposits and funded reserves

1320	Reserve for replacements		27,391
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Property and equipment

1410	Land		126,000
1420	Building		1,356,232
1465	Furniture and fixtures		4,999
1470	Equipment		10,065

	Total property and equipment	1,497,296
	Less accumulated depreciation	351,465

	Net property and equipment	1,145,831
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	Total assets	\$ 1,183,724
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LIABILITIES AND NET ASSETS

Current liabilities

2110	Accounts payable	\$	3,989
2123	Accrued management fee payable		0
2210	Prepaid revenues		2,476
	Total current liabilities		6,465

Deposit liabilities

2191	Tenant security deposits		4,106
	Total liabilities		10,571

Net assets

3131	Unrestricted		(15,214)
3132	Temporarily restricted		1,188,367
	Total net assets		1,173,153

	Total liabilities and net assets	\$ 1,183,724
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**SWAN CREEK WEST
PROJECT NO. 042-HD055
STATEMENT OF PROFIT AND LOSS
For the Year Ended June 30, 2010**

Rent revenue

5120	Rent revenue—gross potential	\$ 65,072
5121	Tenant assistance payments	33,189
	Total revenue	<u>98,261</u>

Vacancies

5220	Vacancies—apartments	1,262
	Total vacancies	<u>1,262</u>
	Net rent revenue	<u>96,999</u>

Financial revenue

5440	Revenue from investments—replacement reserve	14
	Total financial revenue	<u>14</u>

Other revenue

5920	Tenant charges	630
	Total other revenue	<u>630</u>
	Total revenue	<u>97,643</u>

Administrative expenses

6203	Conventions and meetings	153
6210	Advertising	180
6310	Office salaries	5,100
6311	Office expenses	2,820
6320	Management fees	11,063
6340	Legal expenses	30
6350	Auditing expenses	6,225
6351	Accounting services	1,248
	Total administrative expenses	<u>26,819</u>

Utilities expenses

6450	Electricity	12,309
6451	Water	5,923
6452	Gas	7,293
	Total utilities expenses	<u>25,525</u>

**SWAN CREEK WEST
PROJECT NO. 042-HD055
STATEMENT OF PROFIT AND LOSS-CONTINUED
For the Year Ended June 30, 2010**

Operating and maintenance expenses		
6510	Payroll	8,004
6515	Supplies	1,934
6520	Contracts	27,415
6546	Heating/cooling repairs and maintenance	3,335
6548	Snow removal	742
6570	Vehicle/maintenance equipment	108
	Total operating and maintenance expenses	41,538
Taxes and insurance		
6710	Real estate taxes	1,532
6720	Property and liability insurance	5,516
6790	Miscellaneous taxes, licenses, permits and insurance	740
	Total taxes and insurance	7,788
	Total cost of operations before depreciation	101,670
Loss before depreciation		(4,027)
6600	Depreciation	35,869
	Net loss	\$ (39,896)

**SWAN CREEK WEST
PROJECT NO. 042-HD055
COMPUTATION OF SURPLUS CASH
For the Year Ended June 30, 2010**

Current cash

	Cash (accounts 1120 and 1191)	\$	7,672
1135	Accounts receivable–HUD		2,476
	Total current cash		<u>10,148</u>

Current obligations

	Accounts payable–operations		3,989
2191	Tenant deposits held in trust		4,106
2210	Prepaid revenues		<u>2,476</u>

Total current obligations 10,571

Deficiency \$ (423)

Deposit due receipts \$ 0

**SWAN CREEK WEST
PROJECT NO. 042-HD055
SCHEDULE OF CHANGES IN FIXED ASSETS
For the Year Ended June 30, 2010**

	Property and Equipment			
	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
1410 Land	\$ 126,000	\$ 0	\$ 0	\$ 126,000
1420 Building	1,353,882	2,350		1,356,232
1465 Furniture and fixtures	4,999			4,999
1470 Equipment	10,065			10,065
	<u>\$ 1,494,946</u>	<u>\$ 2,350</u>	<u>\$ 0</u>	<u>\$ 1,497,296</u>

	Accumulated Depreciation				Net Book Value June 30, 2010
	Balance June 30, 2009	Current Provision	Retirements	Balance June 30, 2010	
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,000
1495 Accumulated depreciation	315,596	35,869		351,465	1,019,831
	<u>\$ 315,596</u>	<u>\$ 35,869</u>	<u>\$ 0</u>	<u>\$ 351,465</u>	<u>\$ 1,145,831</u>

**SWAN CREEK WEST
PROJECT NO. 042-HD055
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	\$ 40,066
Monthly deposits (\$417.42 x 12)	5,009
Interest earned	14
Authorized withdrawals	<u>(17,698)</u>
Ending balance, June 30, 2010	<u>\$ 27,391</u>

Residual receipts

Funding of residual receipts was not required at June 30, 2010 as no surplus cash existed.

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

**SWAN CREEK WEST
PROJECT NO. 042-HD055
MORTGAGOR'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Accessible Country Trail, Inc. II 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 31-1522612

**SWAN CREEK WEST
PROJECT NO. 042-HD055
MANAGEMENT AGENT'S CERTIFICATION**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Accessible Country Trail, Inc. II 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

**SWAN CREEK WEST
PROJECT NO. 042-HD044
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 Swan Creek West'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.