
Presbyterian Village of Holly Phase II d/b/a The
Village of Holly Woodlands
(a not-for-profit corporation)

HUD Project No. 044-EE035

Financial Report
with Supplemental Information
June 30, 2020

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Certificate of Officers

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-EE035, Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of June 30, 2020.

William W. Walters
Chair

September 17, 2020
Date

Pauline Kenner
Vice Chair

September 17, 2020
Date

ID# 38-3277536
Employer Identification Number

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Management Agent's Certification

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-EE035, Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of June 30, 2020.

Cheryl Carney
Management Agent Representative

September 17, 2020
Date

(248) 281-2020
Telephone Number

ID# 38-1387145
Management Company Employer Identification
Number

Deanna Coggins
Property Manager

Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands HUD Project No. 044-EE035

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Independent Auditor's Report

To the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

Report on the Financial Statements

We have audited the accompanying financial statements of Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands (the "Organization"), which comprise the balance sheet as of June 30, 2020 and 2019 and the related statements of activities, changes in deficiency in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands as of June 30, 2020 and 2019 and the results of its operations, changes in deficiency in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands' internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 17, 2020

By: Linda A. Yudasz, CPA
Engagement Partner
2601 Cambridge Court, Suite 500
Auburn Hills, MI 48326
Federal ID Number: 38-1357951
Phone Number: (248) 375-7100

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Balance Sheet

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash - Operations	\$ 2,583	\$ 39,615
Accounts receivable - HUD	15,998	441
Prepaid expenses	8,090	8,840
Total current assets	26,671	48,896
Deposits - Held in Trust		
Tenant deposits held in trust	21,504	20,780
Deposits - Funded		
Escrow deposits	70,583	64,147
Replacement reserve	141,875	79,567
Residual receipts reserve	22,702	15,202
Total deposits - Funded	235,160	158,916
Fixed Assets		
Land and land improvements	162,016	162,016
Buildings and building improvements	4,347,426	4,344,545
Building equipment (portable)	263,256	263,256
Furniture for project/tenant use	30,593	30,593
Office furniture and equipment	8,104	8,104
Maintenance equipment	24,496	24,496
Miscellaneous fixed assets	45,585	45,585
Total fixed assets	4,881,476	4,878,595
Accumulated depreciation	(2,945,409)	(2,759,741)
Net fixed assets	1,936,067	2,118,854
Total assets	\$ 2,219,402	\$ 2,347,446

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Balance Sheet (Continued)

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Deficiency in Net Assets		
Current Liabilities		
Accounts payable - Operations (Note 4)	\$ 17,611	\$ 28,769
Accrued wages payable	8,782	7,204
Accrued payroll taxes payable	263	437
Residual receipts liability	22,702	20,286
Prepaid revenue	342	-
Total current liabilities	<u>49,700</u>	<u>56,696</u>
Deposits - Held in Trust (Contra)		
Tenant deposits held in trust (contra)	19,093	19,342
Long-term Liabilities		
Capital advance (Note 3)	<u>3,660,900</u>	<u>3,660,900</u>
Total liabilities	3,729,693	3,736,938
Deficiency in Net Assets		
Without donor restrictions	<u>(1,510,291)</u>	<u>(1,389,492)</u>
Total deficiency in net assets	<u>(1,510,291)</u>	<u>(1,389,492)</u>
Total liabilities and deficiency in net assets	<u>\$ 2,219,402</u>	<u>\$ 2,347,446</u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Activities

Years Ended June 30, 2020 and 2019

	2020	2019
Rent Revenue		
Rent revenue - Gross potential	\$ 200,134	\$ 196,585
Tenant assistance payments	255,008	273,947
Miscellaneous rent revenue	-	7,652
Total rent revenue (potential at 100% occupancy)	455,142	478,184
Vacancies		
Apartments	(1,292)	(2,571)
Residual receipts adjustment	(2,416)	-
Total vacancies	(3,708)	(2,571)
Net rent revenue (rent revenue less vacancies)	451,434	475,613
Financial Revenue		
Project operations	82	89
Investments - Residual receipts	20	14
Investments - Replacement reserve	110	64
Total financial revenue	212	167
Other Revenue		
Laundry and vending revenue	995	1,087
Tenant charges	-	456
Miscellaneous revenue	15,360	16,185
Total other revenue	16,355	17,728
Total revenue	468,001	493,508
Administrative Expenses		
Conventions and meetings	720	858
Management consultants	8,848	12,604
Advertising and marketing	998	1,285
Other renting expenses	120	254
Office salaries	23,621	26,032
Office expenses	20,372	21,363
Management fee (Note 4)	28,152	26,928
Manager or superintendent salaries	26,009	29,268
Legal expenses	-	215
Auditing expenses	7,547	6,800
Bookkeeping fees/accounting services (Note 4)	6,120	6,120
Bad debts	24	177
Miscellaneous administrative expenses	2,813	4,677
Total administrative expenses	125,344	136,581

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Activities (Continued)

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Utilities Expenses		
Electricity	\$ 35,191	\$ 34,693
Water	37,998	35,774
Gas	17,987	19,241
Sewer	<u>16,062</u>	<u>17,275</u>
Total utilities expenses	107,238	106,983
Operating and Maintenance Expenses		
Payroll	48,817	45,995
Supplies	5,146	14,526
Contracts	51,402	46,831
Garbage and trash removal	4,164	4,020
Snow removal	8,684	9,574
Vehicle and maintenance equipment operation and repairs	36	38
Miscellaneous operating and maintenance expenses	<u>7,657</u>	<u>6,942</u>
Total operating and maintenance expenses	125,906	127,926
Taxes and Insurance		
Payroll taxes (FICA)	6,809	7,120
Property and liability insurance (hazard)	25,164	22,856
Workers' compensation	2,367	2,376
Health insurance and other employee benefits	<u>10,270</u>	<u>7,833</u>
Total taxes and insurance	44,610	40,185
Financial Expenses		
Miscellaneous financial expenses	<u>34</u>	<u>81</u>
Total financial expenses	<u>34</u>	<u>81</u>
Total costs of operations before depreciation	<u>403,132</u>	<u>411,756</u>
Change in Net Assets before Depreciation	64,869	81,752
Depreciation Expense	<u>185,668</u>	<u>186,039</u>
Change in Total Net Assets	<u><u>\$ (120,799)</u></u>	<u><u>\$ (104,287)</u></u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Changes in Deficiency in Net Assets

Years Ended June 30, 2020 and 2019

Deficiency in Net Assets - July 1, 2018	\$ (1,285,205)
Increase in deficiency in net assets	<u>(104,287)</u>
Deficiency in Net Assets - June 30, 2019	(1,389,492)
Increase in deficiency in net assets	<u>(120,799)</u>
Deficiency in Net Assets - June 30, 2020	<u>\$ (1,510,291)</u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Receipts:		
Rental	\$ 441,027	\$ 467,454
Interest	212	167
Other cash receipts	<u>16,355</u>	<u>17,728</u>
Total receipts	457,594	485,349
Disbursements:		
Administrative	(52,138)	(47,092)
Management fee	(28,152)	(26,928)
Utilities	(110,171)	(104,560)
Salaries and wages	(98,447)	(101,295)
Operating and maintenance	(80,565)	(78,921)
Property insurance	(25,819)	(22,296)
Miscellaneous taxes and insurance	(19,202)	(22,311)
Tenant security deposits	(249)	1,275
Miscellaneous financial	<u>(34)</u>	<u>(81)</u>
Total disbursements	<u>(414,777)</u>	<u>(402,209)</u>
Net cash and restricted cash provided by operating activities	42,817	83,140
Cash Flows Used in Investing Activities - Net purchase of capital assets	<u>(2,881)</u>	<u>(65,667)</u>
Net Increase in Cash and Restricted Cash	39,936	17,473
Cash and Restricted Cash - Beginning of year	<u>219,311</u>	<u>201,838</u>
Cash and Restricted Cash - End of year	<u><u>\$ 259,247</u></u>	<u><u>\$ 219,311</u></u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Deficiency in Net Assets to Net Cash and Restricted Cash Provided by Operating Activities		
Change in deficiency in net assets	\$ (120,799)	\$ (104,287)
Adjustments to reconcile change in deficiency in net assets to net cash and restricted cash from operating activities:		
Depreciation	185,668	186,039
(Increase) decrease in assets:		
Tenant accounts receivable	(24)	(177)
Accounts receivable - Other	(15,557)	(330)
Prepaid expenses	750	(5,407)
(Decrease) increase in liabilities:		
Accounts payable - Operations	(11,158)	9,681
Accrued liabilities	1,404	3,821
Tenant security deposits held in trust	(249)	1,275
Prepaid revenue	342	-
Other changes to reconcile change in deficiency in net assets to net cash and restricted cash provided by operating activities	<u>2,440</u>	<u>(7,475)</u>
Net cash and restricted cash provided by operating activities	<u><u>\$ 42,817</u></u>	<u><u>\$ 83,140</u></u>
Classification of Cash and Restricted Cash		
Cash - Operations	\$ 2,583	\$ 39,615
Tenant deposits held in trust	21,504	20,780
Deposits - Funded	<u>235,160</u>	<u>158,916</u>
Total cash and restricted cash	<u><u>\$ 259,247</u></u>	<u><u>\$ 219,311</u></u>

Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands HUD Project No. 044-EE035

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Business

Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands (the "Organization") is a not-for-profit corporation that owns and operates a 51-unit affordable housing rental project for elderly persons (the "Project"). The Project, located in Holly, Michigan, is operating under HUD Section 202 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.

The Organization is sponsored by Presbyterian Villages of Michigan (PVM). PVM is a comprehensive, diverse, and faith-based organization serving seniors in multiple settings since 1945. Its mission, guided by its Christian heritage, is to serve seniors of all faiths and to create new possibilities for quality living. PVM's tradition of social accountability and servant leadership is further reflected in its statement of beliefs and values and its various operational philosophies and practices.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Organization 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 Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands 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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Tenant Accounts Receivable

Accounts receivable represent amounts due from tenants. Tenant accounts generally are collectible as long as the tenant is occupying the unit. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit is charged to bad debt expense. There was no allowance for bad debts at June 30, 2020 and 2019.

Accounts Receivable - HUD

During the year ended June 30, 2020, there was a duplicate withdrawal from the residual receipts account. As a result, there is a receivable balance recorded for \$15,998 as of June 30, 2020 for amounts due back from HUD. There was no allowance for bad debts recorded on this receivable balance.

Deposits Funded

The funds controlled by the Organization represent a replacement reserve, a residual receipts reserve, and an insurance and painting escrow. Escrow deposits represent funds set aside by the Organization to offset painting and insurance expenditures. The replacement reserve consists of deposits by the Organization to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. Future monthly commitments for the funding of the replacement reserve account total \$4,079. The residual receipts reserve consists of surplus funds calculated based on a HUD-prescribed formula and can be disbursed only at HUD's discretion. Excess residual receipts are required to be remitted to HUD upon termination of the PRAC contract. Excess residual receipts that are deemed probable to be paid to or recaptured by HUD are recorded as a liability. The excess residual receipts liability was \$22,702 and \$20,286 at June 30, 2020 and 2019, respectively, and is included in current liabilities on the balance sheet. Each year, the liability is adjusted to reflect current year activity to the residual receipts, including required deposits, earned interest, approved withdrawals, and any adjustments to the amounts deemed probable to be paid to or recaptured by HUD.

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Deposits Held in Trust

In accordance with the Regulatory Agreement with HUD, the Organization 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.

Fixed Assets

Land, buildings, equipment, and furniture are recorded at cost when purchased or appraised value if donated. Depreciation is computed principally 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 or Disposal of Long-lived Assets

The Organization 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 Organization's rental property has occurred.

Classification of Net Assets

Deficiencies in net assets of the Organization are classified as net assets with donor restrictions or net assets without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. All net assets of the Organization at June 30, 2020 and 2019 are considered net assets without donor restrictions.

Income Taxes

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

Rental Income

Units that are designated for occupancy by eligible low-income tenants under a Section 202 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. Housing assistance payments are received for the balance of contract rent from HUD. The current contract expires on February 28, 2021. Management intends to renew the contract prior to the expiration date.

Regulatory Agreement

A Regulatory Agreement with HUD was signed in connection with the capital advance. No violations of this agreement were noted for the years ended June 30, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 17, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

As of July 1, 2019, the Organization adopted new guidance related to the presentation of restricted cash on the statement of cash flows. Under the new guidance, which was applied retrospectively to all years presented, transfers between restricted cash and unrestricted cash are no longer presented on the statement of cash flows. Additionally, the beginning and ending balances of cash on the statement of cash flows now include restricted cash balances.

Note 3 - Capital Advance

The Organization obtained a capital advance from HUD that was used to assist in financing the construction of the Project in accordance with the provisions of Section 202 of the Housing Act of 1959. The capital advance at June 30, 2020 and 2019 is \$3,660,900, 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, ending in August 2036. In addition, the Organization is subject to the additional requirements of the HUD Section 202 program. If default occurs, then HUD, at its option, may accelerate the entire principal balance and charge interest. It is the Organization's intent to comply with the time requirement and Section 202. Based on the time and provision requirements, the advance is recorded as a long-term liability. The capital advance is collateralized by the land and building of the Organization.

Note 4 - Related Party Transactions

Director appointments are approved by Presbyterian Villages of Michigan, a related not-for-profit organization that is also the HUD-approved management agent.

During the years ended June 30, 2020 and 2019, the PVM Foundation provided no contribution support through the allocation of funds raised by the Organization and matching grants from the PVM Foundation.

The property management agreement provides that a management fee in the amount of 6.30 percent and 6.025 percent of gross rents collected be paid to PVM, limited to \$46 per unit per month, for the years ended June 30, 2020, and 2019, respectively. In addition, the Organization pays accounting service fees to PVM, which are included in the annual budget. The Organization incurred management fees of \$28,152 and \$26,928 for the years ended June 30, 2020 and 2019, respectively. In addition, accounting service fees of \$6,120 were incurred to PVM for the years ended June 30, 2020 and 2019.

Note 5 - Current Vulnerability Due to Certain Concentrations

The Organization's sole asset is Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands. The Project's operations are concentrated in the senior housing 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 additional administrative burden, to comply with a change.

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Notes to Financial Statements

June 30, 2020 and 2019

Note 6 - Functional Expenses

For the year ended June 30, 2020, expenses are functionally allocated as follows:

	Program	Management and General	Total
Administrative expenses:			
Salaries and wages	\$ 20,807	\$ 5,202	\$ 26,009
Management fees	-	28,152	28,152
Other administrative expenses	49,511	21,672	71,183
Total administrative expenses	70,318	55,026	125,344
Utilities, operating, and maintenance	231,088	2,056	233,144
Taxes and insurance	40,609	4,001	44,610
Financial expenses	34	-	34
Depreciation	184,843	825	185,668
Total	<u>\$ 526,892</u>	<u>\$ 61,908</u>	<u>\$ 588,800</u>

For the year ended June 30, 2019, expenses are functionally allocated as follows:

	Program	Management and General	Total
Administrative expenses:			
Salaries and wages	\$ 23,414	\$ 5,854	\$ 29,268
Management fees	-	26,928	26,928
Other administrative expenses	57,017	23,368	80,385
Total administrative expenses	80,431	56,150	136,581
Utilities, operating, and maintenance	232,950	1,959	234,909
Taxes and insurance	36,617	3,568	40,185
Financial expenses	81	-	81
Depreciation	185,214	825	186,039
Total	<u>\$ 535,293</u>	<u>\$ 62,502</u>	<u>\$ 597,795</u>

Costs have been allocated between program services and management and general on several bases and estimates, including time and effort and square footage. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts. There were no fundraising expenses during 2020 and 2019.

Note 7 - Liquidity and Availability of Resources

The Organization has \$18,581 and \$40,056 of financial assets available within one year of June 30, 2020 and 2019 to meet cash needs for general expenditure consisting of cash of \$2,583 and \$39,615 and accounts receivable of \$15,998 and \$441, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization maintains financial assets on hand to meet 30 days of normal operating expenses. In addition, the Organization maintains funds in a reserve for replacement and a residual receipts reserve. These funds are used for the benefit of the tenants and/or the Project and are required by HUD. The funds may be withdrawn only with the approval of HUD.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

We have audited the financial statements of Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands as of and for the year ended June 30, 2020 and have issued our report thereon dated September 17, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on those financial statements 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 Uniform Guidance, and is not a required part of the financial statements. For the purpose of electronic submission to the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), the supplemental information is also deemed to include the financial data template information presented in the balance sheet and the statements of activities, changes in deficiency in net assets, and cash flows. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 17, 2020

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Balance Sheet Data

June 30, 2020

		Assets	
Current Assets			
1120	Cash - Operations		\$ 2,583
1135	Accounts receivable - HUD		15,998
1200	Prepaid expenses		<u>8,090</u>
1100T	Total current assets		26,671
Deposits - Held in Trust			
1191	Tenant deposits held in trust		21,504
Deposits - Funded			
1310	Escrow deposits		70,583
1320	Replacement reserve		141,875
1340	Residual receipts reserve		<u>22,702</u>
1300T	Total deposits - Funded		235,160
Fixed Assets			
1410	Land and land improvements		162,016
1420	Buildings and building improvements		4,347,426
1440	Building equipment (portable)		263,256
1450	Furniture for project/tenant use		30,593
1465	Office furniture and equipment		8,104
1470	Maintenance equipment		24,496
1490	Miscellaneous fixed assets		<u>45,585</u>
1400T	Total fixed assets		4,881,476
1495	Accumulated depreciation		<u>(2,945,409)</u>
1400N	Net fixed assets		<u>1,936,067</u>
1000T	Total assets		<u><u>\$ 2,219,402</u></u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Balance Sheet Data (Continued)

June 30, 2020

Liabilities and Deficiency in Net Assets		
Current Liabilities		
2110	Accounts payable - Operations	\$ 17,611
2120	Accrued wages payable	8,782
2121	Accrued payroll taxes payable	263
2190	Residual receipts liability	22,702
2210	Prepaid revenue	342
2122T	Total current liabilities	49,700
Deposits - Held in Trust (Contra)		
2191	Tenant deposits held in trust (contra)	19,093
Long-term Liabilities		
2310	Capital advance	3,660,900
2300T	Total long-term liabilities	3,660,900
2000T	Total liabilities	3,729,693
Deficiency in Net Assets		
3131	Without donor restrictions	(1,510,291)
3130	Total deficiency in net assets	(1,510,291)
2033T	Total liabilities and deficiency in net assets	\$ 2,219,402

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Activities Data

Year Ended June 30, 2020

	Rent Revenue	
5120	Rent revenue - Gross potential	\$ 200,134
5121	Tenant assistance payments	<u>255,008</u>
5100T	Total rent revenue (potential at 100% occupancy)	455,142
	Vacancies	
5220	Apartments	(1,292)
5290	Miscellaneous	<u>(2,416)</u>
5200T	Total vacancies	<u>(3,708)</u>
5152N	Net rent revenue (rent revenue less vacancies)	451,434
	Financial Revenue	
5410	Project operations	82
5430	Investments - Residual receipts	20
5440	Investments - Replacement reserve	<u>110</u>
5400T	Total financial revenue	212
	Other Revenue	
5910	Laundry and vending revenue	995
5990	Miscellaneous revenue	<u>15,360</u>
5900T	Total other revenue	<u>16,355</u>
5000T	Total revenue	468,001
	Administrative Expenses	
6203	Conventions and meetings	720
6204	Management consultants	8,848
6210	Advertising and marketing	998
6250	Other renting expenses	120
6310	Office salaries	23,621
6311	Office expenses	20,372
6320	Management fee	28,152
6330	Manager or superintendent salaries	26,009
6350	Auditing expenses	7,547
6351	Bookkeeping fees/accounting services	6,120
6370	Bad debts	24
6390	Miscellaneous administrative expenses	<u>2,813</u>
6263T	Total administrative expenses	125,344
	Utilities Expenses	
6450	Electricity	35,191
6451	Water	37,998
6452	Gas	17,987
6453	Sewer	<u>16,062</u>
6400T	Total utilities expenses	107,238

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Activities Data (Continued)

Year Ended June 30, 2020

	Operating and Maintenance Expenses	
6510	Payroll	\$ 48,817
6515	Supplies	5,146
6520	Contracts	51,402
6525	Garbage and trash removal	4,164
6548	Snow removal	8,684
6570	Vehicle and maintenance equipment operation and repairs	36
6590	Miscellaneous operating and maintenance expenses	<u>7,657</u>
6500T	Total operating and maintenance expenses	125,906
	Taxes and Insurance	
6711	Payroll taxes (FICA)	6,809
6720	Property and liability insurance (hazard)	25,164
6722	Workers' compensation	2,367
6723	Health insurance and other employee benefits	<u>10,270</u>
6700T	Total taxes and insurance	44,610
	Financial Expenses	
6890	Miscellaneous financial expenses	<u>34</u>
6800T	Total financial expenses	<u>34</u>
6000T	Total costs of operations before depreciation	<u>403,132</u>
5060T	Change in Net Assets before Depreciation	64,869
6600	Depreciation Expense	<u>185,668</u>
3250	Change in Total Net Assets	<u><u>\$ (120,799)</u></u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Activities Data (Continued)

**Supplemental Information
Year Ended June 30, 2020**

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	\$	0
S1000-020	2	Replacement reserve deposits required by the Regulatory Agreement or amendments thereto, even if payments may be temporarily suspended or waived		48,948
S1000-030	3	Replacement reserve or residual receipt releases that are included as expense items on this profit and loss statement		0
S1000-040	4	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement		0

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Changes in Deficiency in Net Assets Data

Year Ended June 30, 2020

S1100-050	Deficiency in Net Assets - July 1, 2019	\$ (1,389,492)
3250	Increase in deficiency in net assets	<u>(120,799)</u>
3130	Deficiency in Net Assets - June 30, 2020	<u>\$ (1,510,291)</u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Cash Flows Data

Year Ended June 30, 2020

Cash Flows from Operating Activities		
	Receipts:	
S1200-010	Rental	\$ 441,027
S1200-020	Interest	212
S1200-030	Other cash receipts	16,355
		<hr/>
S1200-040	Total receipts	457,594
	Disbursements:	
S1200-050	Administrative	(52,138)
S1200-070	Management fee	(28,152)
S1200-090	Utilities	(110,171)
S1200-100	Salaries and wages	(98,447)
S1200-110	Operating and maintenance	(80,565)
S1200-140	Property insurance	(25,819)
S1200-150	Miscellaneous taxes and insurance	(19,202)
S1200-160	Tenant security deposits	(973)
S1200-220	Miscellaneous financial	(34)
		<hr/>
S1200-230	Total disbursements	(415,501)
S1200-240	Net cash provided by operating activities	42,093
	Cash Flows from Investing Activities	
S1200-250	Net deposit to the reserve for replacement account	(62,308)
S1200-255	Net deposit to the other reserve	(6,436)
S1200-260	Net deposit to the residual receipts account	(7,500)
S1200-330	Net purchase of fixed assets	(2,881)
		<hr/>
S1200-350	Net cash used in investing activities	(79,125)
S1200-470	Net Decrease in Cash	(37,032)
S1200-480	Cash - Beginning of year	39,615
		<hr/>
S1200T	Cash - End of year	\$ 2,583
		<hr/> <hr/>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Statement of Cash Flows Data (Continued)

Year Ended June 30, 2020

Reconciliation of Change in Deficiency in Net Assets to Net Cash Provided by Operating Activities		
3250	Change in deficiency in net assets	\$ (120,799)
	Adjustments to reconcile change in deficiency in net assets to net cash from operating activities:	
6600	Depreciation	185,668
	(Increase) decrease in assets:	
S1200-490	Tenant accounts receivable	(24)
S1200-500	Accounts receivable - Other	(15,557)
S1200-520	Prepaid expenses	750
S1200-530	Cash restricted for tenant security deposits	(724)
	(Decrease) increase in liabilities:	
S1200-540	Accounts payable - Operations	(11,158)
S1200-560	Accrued liabilities	1,404
S1200-580	Tenant security deposits held in trust	(249)
S1200-590	Prepaid revenue	342
S1200-600	Other changes to reconcile change in deficiency in net assets to net cash provided by operating activities	<u>2,440</u>
S1200-610	Net cash provided by operating activities	<u>\$ 42,093</u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Supplemental Information

Year Ended June 30, 2020

1. Schedule of Reserve for Replacements

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

1320P	Balance - July 1, 2019	\$ 79,567
1320DT	Monthly deposits (\$4,079.00 x 12)	48,948
1320ODT	Other deposits	13,250
1320INT	Interest	110
1320	Balance - June 30, 2020	<u><u>\$ 141,875</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 Huntington Bank to be used for any project purpose with the approval of HUD as follows:

1340P	Balance - July 1, 2019	\$ 15,202
1340DT	Deposit of surplus cash	5,084
1340ODT	Other deposits	17,834
1340INT	Interest	20
1340WT	Approved withdrawals	(15,438)
1340	Balance - June 30, 2020	<u><u>\$ 22,702</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	Residual receipts liability	<u><u>\$ 22,702</u></u>
5290	Residual receipts liability adjustment	<u><u>\$ (2,416)</u></u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
 HUD Project No. 044-EE035**

Supplemental Information (Continued)

Year Ended June 30, 2020

8. Detail of Accounts (Continued):

5990	Cable/Satellite TV	\$	14,320
	Beauty shop		700
	Miscellaneous revenue		340
	Total	\$	15,360
6890	Interest on tenant security deposits	\$	34
S1200-600	Residual receipts liability adjustment	\$	2,416
	Bad debt expense		24
	Total	\$	2,440
1340ODT	Duplicate withdrawal adjustment	\$	12,750
	Duplicate deposit of surplus cash		5,084
	Total	\$	17,834
1320ODT	Duplicate withdrawal adjustment	\$	13,250

Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035

Schedule of Changes in Fixed Asset Accounts

Year Ended June 30, 2020

	Assets				Accumulated Depreciation				Net Book Value June 30, 2020
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Balance July 1, 2019	Current Provision	Deductions	Balance June 30, 2020	
	1410 Land and land improvements	\$ 162,016	\$ -	\$ -	\$ 162,016	\$ 38,081	\$ 8,840	\$ -	
1420 Buildings and building improvements	4,344,545	2,881	-	4,347,426	2,434,218	151,948	-	2,586,166	1,761,260
1440 Building equipment (portable)	263,256	-	-	263,256	199,220	21,114	-	220,334	42,922
1450 Furniture for project/tenant use	30,593	-	-	30,593	25,929	1,239	-	27,168	3,425
1465 Office furniture and equipment	8,104	-	-	8,104	8,104	-	-	8,104	-
1470 Maintenance equipment	24,496	-	-	24,496	24,422	-	-	24,422	74
1490 Miscellaneous fixed assets	45,585	-	-	45,585	29,767	2,527	-	32,294	13,291
Total	\$ 4,878,595	\$ 2,881	\$ -	\$ 4,881,476	\$ 2,759,741	\$ 185,668	\$ -	\$ 2,945,409	\$ 1,936,067

Fixed Asset Addition Detail:

Buildings and building improvements:	
Water pump	\$ 1,120
Carpet	1,761
Total	\$ 2,881

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

<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 the Elderly:		
Project Rental Assistance Contract	14.157	\$ 255,008
Capital Advance	14.157	<u>3,660,900</u>
Total federal awards		<u>\$ 3,915,908</u>

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Computation of Surplus Cash

		June 30, 2020
S1300-010	Cash	\$ 24,087
1135	Accounts receivable - HUD	<u>15,998</u>
S1300-040	Total cash	40,085
Current Obligations		
S1300-075	Accounts payable - 30 days	17,611
S1300-100	Accrued expenses (not escrowed)	9,045
2210	Prepaid revenue	342
2191	Tenant/Patient deposits held in trust (contra)	<u>19,093</u>
S1300-140	Total current obligations	<u>46,091</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ (6,006)</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*

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*

Independent Auditor's Report

To Management and the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

We have audited, 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, the financial statements of Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands (the "Organization"), which comprise the balance sheet as of June 30, 2020 and the related statements of activities, changes in deficiency in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2020-001 to be a material weakness.

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 material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

The Organization's Response to the Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To Management and the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 17, 2020

Report on Compliance for Each Major Federal
Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

Report on Compliance for Each Major Federal Program

We have audited Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands' (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization's internal control over compliance.

To the Board of Directors
Presbyterian Village of Holly Phase II
d/b/a The Village of Holly Woodlands

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

September 17, 2020

Schedule of Findings and Questioned Costs

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.157	Supportive Housing for the Elderly - Project Rental Assistance Contract and Capital Advance	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings

Reference Number	Finding	Questioned Costs
2020-001	<p>Finding Type - Material weakness in internal control over financial reporting</p> <p>Title - Segregation of duties</p> <p>Finding Resolution Status - Resolved</p> <p>Information on Universe and Population Size - N/A</p> <p>Sample Size Information - N/A</p> <p>Criteria - Adequate segregation of duties surrounding the online banking, cash disbursement, and journal entry processes is necessary to prevent the risk of material misstatement of the financial statements and/or misappropriation of assets.</p> <p>Statement of Condition - The Organization does not have the appropriate segregation of duties surrounding its online banking, check disbursement, and journal entry processes.</p> <p>Cause - In November 2019, the departure of the vice president of finance led to the shifting of responsibilities to other finance department staff and the lack of segregation of duties relative to the online banking, check disbursement, and journal entry processes.</p> <p>Effect or Potential Effect - The Organization is at greater risk for a material misstatement of its financial statements and/or misappropriation of assets.</p> <p>Auditor Noncompliance Code - S - Internal control deficiency</p> <p>Reporting Views of Responsible Officials - Management agrees with the finding and has put preventive controls in place starting in March 2020 to mitigate the risks identified in this finding. As a result, management does not believe this will be a finding going forward.</p> <p>Context - While dual approval is in place for initiating and approving wire transfers and ACH transactions, every individual within the Organization who was designated as an administrator on the bank profile prior to March 2020 had the ability to add and modify user rights without dual approval. This allowed for potential circumvention of the dual authorization control.</p> <p>Certain users within the finance department had incompatible rights within the accounting system prior to March 2020. Those rights included modifying user security rights, posting journal entries, modifying vendor information, and printing checks with an electronic signature. The member of management performing the review of all check runs prior to disbursement had unlimited access to the financial system.</p> <p>Recommendation - The Organization should improve the preventive controls surrounding segregation of duties related to online banking, financial system access, and the check disbursement process.</p> <p>Response Indicator - Agree</p>	None

**Presbyterian Village of Holly Phase II d/b/a The Village of Holly Woodlands
HUD Project No. 044-EE035**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
2020-001 (Cont.)	Completion Date - July 16, 2020	

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	