
Pontiac ILF Limited Dividend Housing Association
Limited Partnership
HUD Project No. 044-35621

Financial Report
with Supplemental Information
December 31, 2020

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Certificate of Partners

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-35621, Pontiac ILF Limited Dividend Housing Association Limited Partnership, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2020.

Brian W. Carnaghi
Presbyterian Villages of Michigan,
PV North LLC - Managing General Partner

February 26, 2021

Date

Jerome E. Finis
Pathway of Pontiac, Inc.
General Partner

February 26, 2021

Date

ID# 30-0099650

Employer Identification Number

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Management Agent's Certification

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-35621, Pontiac ILF Limited Dividend Housing Association Limited Partnership, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2020.

Cheryl Carney
Presbyterian Villages of Michigan
Vice President of Housing

February 26, 2021

Date

(248) 281-2057

Telephone Number

ID# 38-1387145

Management Company Employer Identification
Number

Presbyterian Villages of Michigan

Property Manager

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

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Independent Auditor's Report

To the Partners
Pontiac ILF Limited Dividend Housing
Association Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of HUD Project No. 044-35621, Pontiac ILF Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2020 and 2019 and the related statements of profit and loss, partners' equity (deficit), 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 HUD Project No. 044-35621, Pontiac ILF Limited Dividend Housing Association Limited Partnership, as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Partners
Pontiac ILF Limited Dividend Housing
Association Limited Partnership

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of Pontiac ILF Limited Dividend Housing Association Limited Partnership'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 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 Pontiac ILF Limited Dividend Housing Association Limited Partnership's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 26, 2021

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

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Balance Sheet

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash - Operations	\$ 769,702	\$ 651,187
Tenant accounts receivable	9,679	9,007
Allowance for doubtful accounts	-	(2,000)
Prepaid expenses	57,546	39,385
Total current assets	836,927	697,579
Deposits - Held in Trust		
Tenant deposits held in trust	54,050	58,485
Deposits - Funded		
Escrow deposits	65,616	74,767
Replacement reserve	176,403	152,473
Other reserves	120,711	174,068
Total deposits - Funded	362,730	401,308
Fixed Assets		
Land and land improvements	1,843,288	1,816,439
Buildings and building improvements	13,720,698	13,717,795
Building equipment (portable)	34,970	34,970
Furniture for project/tenant use	482,281	482,281
Furnishings	89,546	68,536
Miscellaneous fixed assets	23,936	23,936
Total fixed assets	16,194,719	16,143,957
Accumulated depreciation	(7,506,900)	(7,098,664)
Net fixed assets	8,687,819	9,045,293
Total assets	\$ 9,941,526	\$ 10,202,665

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Balance Sheet (Continued)

December 31, 2020 and 2019

	2020	2019
Liabilities and Partners' Equity		
Current Liabilities		
Accounts payable - Operations	\$ 31,956	\$ 20,358
Accounts payable - Entity (Note 5)	10,502	10,296
Accounts payable - HUD	-	1,418
Accrued wages payable (Note 5)	4,663	5,304
Accrued payroll taxes payable (Note 5)	357	236
Accrued interest payable - First mortgage	13,633	13,982
Accrued property taxes	63,524	53,816
Mortgage payable - First mortgage (Note 4)	116,123	111,856
Prepaid resident rent	10,416	2,982
Total current liabilities	251,174	220,248
Deposits - Held in Trust (Contra)		
Tenant deposits held in trust (contra)	52,556	52,815
Long-term Liabilities		
Mortgage payable - First mortgage net of debt issuance costs (Note 4)	4,218,661	4,332,088
Other loans and notes payable (Note 5)	-	116,085
Total long-term liabilities	4,218,661	4,448,173
Total liabilities	4,522,391	4,721,236
Partners' Equity		
Total liabilities and partners' equity	\$ 9,941,526	\$ 10,202,665

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Profit and Loss

Years Ended December 31, 2020 and 2019

	2020	2019
Rent Revenue		
Rent revenue - Gross potential	\$ 499,911	\$ 493,081
Tenant assistance payments	1,189,266	1,162,835
Miscellaneous rent revenue	1,176	5,297
Total rent revenue (potential at 100 percent occupancy)	1,690,353	1,661,213
Vacancies - Apartments	(29,207)	(41,193)
Net rent revenue (rent revenue less vacancies)	1,661,146	1,620,020
Financial Revenue		
Project operations	188	394
Investments - Replacement reserve	55	62
Investments - Miscellaneous	128	140
Total financial revenue	371	596
Other Revenue		
Laundry and vending revenue	491	-
Miscellaneous revenue	2,609	1,390
Total other revenue	3,100	1,390
Total revenue	1,664,617	1,622,006
Administrative Expenses		
Conventions and meetings	1,395	1,116
Advertising and marketing	1,490	1,595
Other renting expenses	805	2,149
Office salaries (Note 5)	67,191	80,448
Office expenses	26,008	30,772
Management fee (Note 5)	83,212	82,800
Manager or superintendent salaries (Note 5)	40,153	49,580
Legal expenses	741	1,421
Auditing expenses	8,600	21,950
Bad debts	609	4,158
Miscellaneous administrative expenses	2,140	3,863
Total administrative expenses	232,344	279,852
Utilities Expenses		
Electricity	18,215	28,008
Water	58,894	81,154
Gas	6,770	6,652
Total utilities expenses	83,879	115,814

Pontiac ILF Limited Dividend Housing Association Limited Partnership
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Statement of Profit and Loss (Continued)

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating and Maintenance Expenses		
Payroll (Note 5)	\$ 80,421	\$ 93,637
Supplies	32,349	42,003
Contracts	176,056	122,866
Garbage and trash removal	8,920	7,819
Security payroll/Contract	26,885	26,942
Snow removal	32,925	35,799
Vehicle and maintenance equipment operation and repairs	2,074	6,985
Miscellaneous operating and maintenance expenses	<u>34,935</u>	<u>35,111</u>
Total operating and maintenance expenses	394,565	371,162
Taxes and Insurance		
Real estate taxes	54,834	46,773
Payroll taxes (FICA) (Note 5)	13,207	13,702
Property and liability insurance (hazard)	62,899	54,459
Workers' compensation	2,444	2,422
Health insurance and other employee benefits	<u>8,835</u>	<u>12,573</u>
Total taxes and insurance	142,219	129,929
Financial Expenses		
Interest on first mortgage payable	168,226	172,349
Mortgage insurance premium/service charge	20,070	20,557
Miscellaneous financial expenses	<u>192</u>	<u>135</u>
Total financial expenses	<u>188,488</u>	<u>193,041</u>
Total costs of operations before depreciation	<u>1,041,495</u>	<u>1,089,798</u>
Profit before Depreciation	623,122	532,208
Depreciation Expense	<u>408,236</u>	<u>412,934</u>
Operating Profit	214,886	119,274
Corporate or Mortgageor Entity Expenses - Other expenses (Note 5)	<u>124,356</u>	<u>118,279</u>
Net Income	<u><u>\$ 90,530</u></u>	<u><u>\$ 995</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Partners' Equity (Deficit)

Years Ended December 31, 2020 and 2019

	General Partner	Managing General Partner	Limited Partner	Total
Balance - January 1, 2019	\$ (99,466)	\$ (80,073)	\$ 5,845,822	\$ 5,666,283
Net income (loss)	95,594	(49)	(94,550)	995
Distributions	<u>(17,302)</u>	<u>(18,009)</u>	<u>(150,538)</u>	<u>(185,849)</u>
Balance - December 31, 2019	(21,174)	(98,131)	5,600,734	5,481,429
Net income	14,265	39	76,226	90,530
Distributions	<u>(14,228)</u>	<u>(14,809)</u>	<u>(123,787)</u>	<u>(152,824)</u>
Balance - December 31, 2020	<u><u>\$ (21,137)</u></u>	<u><u>\$ (112,901)</u></u>	<u><u>\$ 5,553,173</u></u>	<u><u>\$ 5,419,135</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Receipts:		
Rental	\$ 1,665,299	\$ 1,621,414
Interest	371	596
Other cash receipts	3,100	1,390
Total receipts	<u>1,668,770</u>	<u>1,623,400</u>
Disbursements:		
Administrative	(30,793)	(62,349)
Management fee	(83,212)	(82,800)
Utilities	(83,879)	(115,814)
Salaries and wages	(188,406)	(224,485)
Operating and maintenance	(314,144)	(277,525)
Real estate taxes	(45,126)	(42,586)
Property insurance	(81,461)	(61,524)
Miscellaneous taxes and insurance	(24,365)	(29,276)
Tenant security deposits	(259)	1,382
Interest payments - First mortgage	(165,879)	(169,990)
Mortgage insurance premium	(19,669)	(20,156)
Miscellaneous financial	(192)	(135)
Entity/Construction disbursements	(124,356)	(117,879)
Total disbursements	<u>(1,161,741)</u>	<u>(1,203,137)</u>
Net cash and restricted cash provided by operating activities	507,029	420,263
Cash Flows from Investing Activities		
Net withdrawal from the mortgage escrow account	9,151	11,044
Net deposit to the reserve for replacement account	(23,930)	(18,455)
Net purchase of fixed assets	(50,762)	(191,951)
Net cash and restricted cash used in investing activities	<u>(65,541)</u>	<u>(199,362)</u>
Cash Flows from Financing Activities		
Principal payments - First mortgage	(111,856)	(107,745)
Payments on other loans payable	(116,085)	(35,000)
Distributions	(152,824)	(185,849)
Net cash and restricted cash used in financing activities	<u>(380,765)</u>	<u>(328,594)</u>
Net Increase (Decrease) in Cash and Restricted Cash	60,723	(107,693)
Cash and Restricted Cash - Beginning of year	<u>883,740</u>	<u>991,433</u>
Cash and Restricted Cash - End of year	<u><u>\$ 944,463</u></u>	<u><u>\$ 883,740</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
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Statement of Cash Flows (Continued)

Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Net Income to Net Cash and Restricted Cash Provided by Operating Activities		
Net income	\$ 90,530	\$ 995
Adjustments to reconcile net income to net cash and restricted cash from operating activities:		
Depreciation	408,236	412,934
Interest expense from deferred financing costs	2,696	2,696
(Increase) decrease in assets:		
Tenant accounts receivable	(3,281)	921
Prepaid expenses	(18,161)	(6,664)
Increase (decrease) in liabilities:		
Accounts payable - Operations	10,386	517
Accrued liabilities	9,188	2,788
Accrued interest payable	(349)	(337)
Tenant security deposits held in trust	(259)	1,382
Prepaid revenue	7,434	473
Other changes to reconcile net income to net cash and restricted cash provided by operating activities	609	4,158
Entity/Construction	-	400
	\$ 507,029	\$ 420,263
Classification of Cash and Restricted Cash		
Cash - Operations	\$ 769,702	\$ 651,187
Tenant deposits held in trust	54,050	58,485
Deposits - Funded -		
Other reserves	120,711	174,068
	\$ 944,463	\$ 883,740

Pontiac ILF Limited Dividend Housing Association Limited Partnership

HUD Project No. 044-35621

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of Business

Pontiac ILF Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed on June 30, 2001 under the Michigan Uniform Limited Partnership Act for the purpose of acquiring, owning, constructing, and operating a 150-unit apartment complex known as The Village of Oakland Woods (the "Project") located in Pontiac, Michigan, financed in part with the proceeds of a mortgage insured by the U.S. Department of Housing and Urban Development (HUD) under Sections 221(d)(4) and 223(a)(7) of the National Housing Act. The Partnership purchased the Project on September 20, 2002.

Operations of the Partnership are limited to the rental of apartment units owned by the Partnership. Under the terms of the Regulatory Agreement executed in connection with obtaining the mortgage loan, HUD regulates rents and distributions to partners. Of the 150 units of the Project, no fewer than 45 units will be leased to individuals whose income does not exceed 35 percent of the area median gross income, no fewer than 25 units will be leased to individuals whose income does not exceed 40 percent of the area median gross income, no fewer than 29 units will be leased to individuals whose income does not exceed 29 percent of the area median gross income, and 1 unit will be leased to tenants at the area market rate.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Partnership 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.

Accounts Receivable

Tenant accounts receivable are stated at net rent amounts. The subsidy receivable is stated at the invoiced amount. The Partnership believes all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts are determined to be uncollectible, they are charged to operations at that time. Bad debt expense for the years ended December 31, 2020 and 2019 is \$609 and \$4,158, respectively.

Fixed Assets

Land, buildings, and other depreciable assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of assets, ranging from 5 to 40 years. Depreciation expense was \$408,236 and \$412,934 for the years ended December 31, 2020 and 2019, respectively. For income tax purposes, accelerated lives and methods are used. 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 Partnership 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 Partnership's rental property has occurred.

Partner Contributions and Distributions

The Partnership has one general partner, Pathway of Pontiac, Inc. (the "General Partner"), with a 0.049 percent interest; one managing general partner, PV North LLC (the "Managing General Partner"), with a 0.051 percent interest (collectively with Pathway of Pontiac, Inc., the "General Partners"); and one limited partner, SunAmerica Housing Fund 1050 (the "Limited Partner"), with a 99.9 percent interest.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

The Limited Partner has made all required capital contributions, totaling \$9,742,732, as adjusted for additional tax credits and payment of legal fees. In accordance with the partnership agreement, the General Partners have contributed the required \$100 in capital.

Partner Allocation of Profits and Losses

Profits or losses from operations of the Partnership are allocated annually between the General Partners and the Limited Partner in the ratio of 0.1 percent and 99.9 percent, respectively. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Partnership's assets will be specially allocated, as prioritized in the partnership agreement. Additionally, the partnership agreement provides for other instances in which special allocation of profits, losses, and distributions may be required.

Net cash flows, as more completely described in the partnership agreement, are mainly composed of all cash received from rents, lease payments, and certain other sources, minus all cash expenditures; all expenses unpaid and properly accrued, which have been incurred in the operation of the Partnership's business; payments on loans; and payments to increase reserves.

Net cash flow, as defined by the partnership agreement and as amended by the fifth amendment dated January 27, 2011, is distributed as follows:

- (1) First, to the payment of any tax credit shortfall to the Limited Partner
- (2) Second, to the payment of the annual asset management fee to an affiliate of the Limited Partner
- (3) Third, to the payment of any outstanding excess Limited Partner loan amount and then to the payment of any remaining Limited Partner loans and General Partners loans pro rata
- (4) Fourth, until the development fee is paid in full, 70 percent to the developer as payment of development fee and 30 percent to the investment partnership as a cash distribution
- (5) Fifth, if any operating deficit loans from the General Partners exist, 70 percent to such General Partners with no interest accrual as repayment of such operating deficit loans and 30 percent to the investment partnership as a cash distribution
- (6) Sixth, out of a maximum of 63 percent of net cash flow, in the following priorities:
 - (a) First, to PV North LLC as repayment of the GP-AHP loan, an annual amount equal to 7 percent of the original principal balance of such GP-AHP loan, until such GP-AHP loan is repaid in full
 - (b) Second, to the repayment of the PVM loans until such PVM loans are repaid in full
 - (c) Third, to the General Partners as a distribution in an amount that will, with the distribution defined under Section 11.01(a)(vii) of the partnership agreement, fully repay the General Partners' capital accounts in the Partnership
 - (d) Fourth, to Pathway Senior Living of Michigan, LLC (aka Gibson Avenue, LLC) as an incentive management fee, an amount equal to 7 percent of gross income, with any such amounts payable to Pathway Senior Living of Michigan, LLC not paid in any year to cumulate and be payable solely from net cash flow in future years
- (7) Seventh, any remaining cash thereafter shall go (a) 9.69 percent to the repayment of the PVM loans until such loans are repaid in full and, thereafter, to PV North LLC; (b) 9.31 percent to the General Partner; and (c) 81 percent to the Limited Partner as a distribution. The General Partner shall be allocated an amount of gross income equal to the amount distributed to it under this Section 11.01(a)(vii).

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Debt Issuance Costs

Debt issuance costs were incurred by the Partnership in connection with obtaining the mortgage. These costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

Rental Income

The Partnership records apartment rentals at gross potential rent, as adjusted for vacancy loss. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Of the 150 units at the property, 149 units are designated for occupancy by eligible low-income tenants under a Section 8 housing assistance payments (HAP) contract. The contract requires 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 January 30, 2023. Approximately 72 percent of rental revenue was received pursuant to the HAP contracts for 2020 and 2019.

Income Taxes

No income tax provision has been recorded in the financial statements since income or loss of the Partnership is required to be reported by the respective partners on their individual income tax returns.

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.

Deposits - Funded

The funds held by the mortgagee represent escrows and restricted funds for taxes and insurance

and a replacement reserve. The taxes and insurance escrows and the replacement reserve consist of deposits by the Partnership to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. According to the Regulatory Agreement, the required monthly deposit to the replacement reserve is \$1,990, as authorized by HUD.

The partnership agreement requires an additional monthly contribution of \$1,894 to an additional partnership replacement reserve account. This reserve is reported as other reserves on the balance sheet.

Deposits Held in Trust

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

Regulatory Agreement

Regulatory Agreements with HUD and MSHDA were signed in connection with the HUD-insured mortgage note and the allocation of low-income housing tax credit by MSHDA. No violations were reported for the years ended December 31, 2020 and 2019.

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. This outbreak has impacted millions of individuals worldwide and continues to have global impact on businesses and the economy, and ultimate impact to the Partnership and its operations cannot be predicted. Management immediately responded to the outbreak with personal protective equipment purchases, additional sanitization procedures, limitations on visitors and outside contractors, and the postponing of certain capital projects. The Partnership has been able to maintain reasonably normal operating levels, and no permanent impairments have been recognized at December 31, 2020. The extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 26, 2021, which is the date the financial statements were available to be issued.

Note 3 - Cash and Short-term Investments

The Partnership maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. Management believes the Partnership is not exposed to any significant credit risk on cash. Operating cash as of December 31, 2020 and 2019 also includes approximately \$201,000 of operating reserves in a separate account held by the Partnership, as required by the partnership agreement. These reserves were funded at the time of the initial closing to cover operating deficits of the Partnership.

Note 4 - Mortgage Payable

The Partnership refinanced its HUD-insured commercial mortgage with Berkadia on January 27, 2011 in the amount of \$5,300,000. The mortgage note bears interest at 3.75 percent. Beginning on March 1, 2011 through maturity on September 1, 2044, the note is payable in monthly principal and interest installments of \$23,145. The mortgage is insured by HUD under Sections 221(d)(4) and 223(a)(7) under the National Housing Act. The note is collateralized by real estate held for lease and an assignment of rents and leases.

Mortgage costs of \$45,559 are shown net of the primary mortgage and amortized over the term of the mortgage loan using the effective interest method. Total accumulated amortization related to these costs is \$17,830 and \$15,134 at December 31, 2020 and 2019, respectively. Related amortization expense of \$2,696 for the years ended December 31, 2020 and 2019 is included in interest expense on the statement of profit and loss.

Minimum principal payments to maturity as of December 31, 2020 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 116,123
2022	120,553
2023	125,152
2024	129,927
2025	134,884
Thereafter	3,735,874
Unamortized debt discount	<u>(27,729)</u>
Total	<u>\$ 4,334,784</u>

December 31, 2020 and 2019

Note 5 - Related Party Transactions

Accounts and Notes Receivable/Payable - Operations

The salaries and wages and the related payroll taxes and benefits for the employees of the Partnership are paid by Presbyterian Villages of Michigan (PVM), as the management agent. The Partnership reimburses PVM for these expenses. During 2020 and 2019, the Partnership paid PVM \$178,729 and \$238,766, respectively, for reimbursable payroll costs. The management company utilizes a centralized disbursement subsidiary payroll account held to pay certain payroll-related costs. The balance in this account related to payroll costs and is reported in accrued wages and payroll taxes payable as \$5,020 and \$5,540 at December 31, 2020 and 2019, respectively.

Affordable Housing Program Loan (AHP Loan)

The Managing General Partner loaned the Partnership \$500,000 in 2002. The loan was funded from the proceeds of a grant from the Federal Home Loan Bank (FHLB) under the Affordable Housing Program. The loan balance was \$116,085 at December 31, 2019 and was paid in full during 2020.

Developer Fees

All developer fees were paid in full as of December 31, 2012.

Management Fees

The Partnership has contracted with PVM to provide management services to the Partnership. Effective July 1, 2014, the monthly management fee is not to exceed 5.18 percent of residential income collected. On July 1, 2020, the monthly management fee was amended to not exceed 5.07 percent of residential income collected. Management fees reported in 2020 and 2019 totaled \$83,212 and \$82,800, respectively.

Partnership Asset Management Fee

The Partnership incurs an annual asset management fee payable to an affiliate of the Limited Partner. The fee increases annually up to 2 percent. Partnership asset management fees of \$10,502 and \$10,296 were incurred and accrued as of and for the years ended December 31, 2020 and 2019.

Partnership Incentive Management Fee

The Partnership incurs an annual incentive management fee payable to Pathway Senior Living of Michigan, LLC (aka Gibson Avenue, LLC), an affiliate of one of the General Partners. The fee is equal to 7 percent of gross income per annum, limited to the net cash flow of the Partnership, and is payable on a cumulative basis to the extent that there is cash flow in an amount and in the priority set forth in the partnership agreement. Amounts incurred for the years ended December 31, 2020 and 2019 were \$113,854 and \$107,983, respectively.

Note 6 - Current Vulnerability Due to Certain Concentrations

The Partnership's sole asset is The Village of Oakland Woods. 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 additional administrative burden, to comply with a change.

December 31, 2020 and 2019

Note 7 - Contingencies

The Project's low-income housing tax credit is contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credit plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 8 - Property Purchase Price

Per the partnership agreement, PVM, as an affiliate of the Managing General Partner, has the right of first refusal (ROFR) upon a bona fide purchase offer and an option to purchase the Partnership's Project at a purchase price, as specifically defined in the partnership agreement, while protecting the Partnership's tax benefits from the Project. The term of this right of first refusal shall commence one day after the compliance period and shall terminate one year thereafter. The compliance period is defined under Section 42(i)(1) of the Internal Revenue Code as the period of 15 taxable years beginning with the first taxable year of the credit period with respect thereto. The Partnership's compliance period ended as of December 31, 2018, triggering the term of the right of first refusal on January 1, 2019. A purchase offer was received during 2019, which resulted in PVM attempting to exercise its right of first refusal; however, the Limited Partner has contested this offer and filed a complaint in the United States District Court for the Eastern District of Michigan. There is no impact to the Partnership and its ongoing operations as of December 31, 2020, and no modifications related to this matter have been reflected in the financial statements. Subsequent to year end, the court ruled in favor of the Limited Partner, finding that the ROFR was not triggered by the third-party purchase offer, granting summary judgment to the Limited Partner and denying summary judgment to the Managing General Partner. No further action has been determined at this time, and the Partnership will continue operations without interruption.

Note 9 - Low-income Housing Tax Credit (Unaudited)

The Partnership received an allocation of low-income housing tax credit in the total amount of \$12,187,230 to be claimed over a 10-year period. A prorated credit was claimed in 2003 as the year placed in service and in 2004 based on the lease-up period. In the years 2005 through 2012, the full annual allocation of \$1,218,723 was claimed. In 2013 and 2014, the prorated final amounts of credit were claimed. The final year of credit was claimed in 2014.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Partners
Pontiac ILF Limited Dividend Housing
Association Limited Partnership

We have audited the financial statements of HUD Project No. 044-35621, Pontiac ILF Limited Dividend Housing Association Limited Partnership, as of and for the year ended December 31, 2020 and have issued our report thereon dated February 26, 2021, which contained an unmodified opinion on those financial statements. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 18 through 29 is presented for the purpose of additional analysis 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 profit and loss, partners' equity (deficit), 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

February 26, 2021

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Balance Sheet Data

December 31, 2020

		Assets	
		Current Assets	
1120	Cash - Operations		\$ 769,702
1130	Tenant accounts receivable		9,679
1131	Allowance for doubtful accounts		-
1200	Prepaid expenses		<u>57,546</u>
1100T	Total current assets		836,927
		Deposits - Held in Trust	
1191	Tenant deposits held in trust		54,050
		Deposits - Funded	
1310	Escrow deposits		65,616
1320	Replacement reserve		176,403
1330	Other reserves		<u>120,711</u>
1300T	Total deposits - Funded		362,730
		Fixed Assets	
1410	Land and land improvements		1,843,288
1420	Buildings and building improvements		13,720,698
1440	Building equipment (portable)		34,970
1450	Furniture for project/tenant use		482,281
1460	Furnishings		89,546
1490	Miscellaneous fixed assets		<u>23,936</u>
1400T	Total fixed assets		16,194,719
1495	Accumulated depreciation		<u>(7,506,900)</u>
1400N	Net fixed assets		<u>8,687,819</u>
1000T	Total assets		<u><u>\$ 9,941,526</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Balance Sheet Data (Continued)

December 31, 2020

Liabilities and Partners' Equity		
Current Liabilities		
2110	Accounts payable - Operations	\$ 31,956
2113	Accounts payable - Entity	10,502
2120	Accrued wages payable	4,663
2121	Accrued payroll taxes payable	357
2131	Accrued interest payable - First mortgage	13,633
2150	Accrued property taxes	63,524
2170	Mortgage payable - First mortgage	116,123
2210	Prepaid resident rent	<u>10,416</u>
2122T	Total current liabilities	251,174
Deposits - Held in Trust (Contra)		
2191	Tenant deposits held in trust (contra)	52,556
Long-term Liabilities		
2320	Mortgage payable - First mortgage net of debt issuance costs	<u>4,218,661</u>
2300T	Total long-term liabilities	<u>4,218,661</u>
2000T	Total liabilities	4,522,391
3130	Partners' Equity	<u>5,419,135</u>
2033T	Total liabilities and partners' equity	<u><u>\$ 9,941,526</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Profit and Loss Data

Year Ended December 31, 2020

	Rent Revenue	
5120	Rent revenue - Gross potential	\$ 499,911
5121	Tenant assistance payments	1,189,266
5190	Miscellaneous rent revenue	<u>1,176</u>
5100T	Total rent revenue (potential at 100 percent occupancy)	1,690,353
	Vacancies	
5220	Apartments	<u>(29,207)</u>
5200T	Total vacancies	<u>(29,207)</u>
5152N	Net rent revenue (rent revenue less vacancies)	1,661,146
	Financial Revenue	
5410	Project operations	188
5440	Investments - Replacement reserve	55
5490	Investments - Miscellaneous	<u>128</u>
5400T	Total financial revenue	371
	Other Revenue	
5910	Laundry and vending revenue	491
5990	Miscellaneous revenue	<u>2,609</u>
5900T	Total other revenue	<u>3,100</u>
5000T	Total revenue	1,664,617
	Administrative Expenses	
6203	Conventions and meetings	1,395
6210	Advertising and marketing	1,490
6250	Other renting expenses	805
6310	Office salaries	67,191
6311	Office expenses	26,008
6320	Management fee	83,212
6330	Manager or superintendent salaries	40,153
6340	Legal expenses	741
6350	Auditing expenses	8,600
6370	Bad debts	609
6390	Miscellaneous administrative expenses	<u>2,140</u>
6263T	Total administrative expenses	232,344
	Utilities Expenses	
6450	Electricity	18,215
6451	Water	58,894
6452	Gas	<u>6,770</u>
6400T	Total utilities expenses	83,879

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Profit and Loss Data (Continued)

Year Ended December 31, 2020

	Operating and Maintenance Expenses	
6510	Payroll	\$ 80,421
6515	Supplies	32,349
6520	Contracts	176,056
6525	Garbage and trash removal	8,920
6530	Security payroll/Contract	26,885
6548	Snow removal	32,925
6570	Vehicle and maintenance equipment operation and repairs	2,074
6590	Miscellaneous operating and maintenance expenses	<u>34,935</u>
6500T	Total operating and maintenance expenses	394,565
	Taxes and Insurance	
6710	Real estate taxes	54,834
6711	Payroll taxes (FICA)	13,207
6720	Property and liability insurance (hazard)	62,899
6722	Workers' compensation	2,444
6723	Health insurance and other employee benefits	<u>8,835</u>
6700T	Total taxes and insurance	142,219
	Financial Expenses	
6820	Interest on first mortgage payable	168,226
6850	Mortgage insurance premium/service charge	20,070
6890	Miscellaneous financial expenses	<u>192</u>
6800T	Total financial expenses	<u>188,488</u>
6000T	Total costs of operations before depreciation	<u>1,041,495</u>
5060T	Profit before Depreciation	623,122
6600	Depreciation Expense	<u>408,236</u>
5060N	Operating Profit	214,886
	Corporate or Mortgagor Entity Expenses	
7190	Other expenses	<u>124,356</u>
7100T	Net entity expenses	<u>124,356</u>
3250	Net Income	<u><u>\$ 90,530</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Profit and Loss Data (Continued)

Supplemental Information
Year Ended December 31, 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	\$	111,856
S1000-020	2	Replacement reserve deposits required by the Regulatory Agreement or amendments thereto, even if payments may be temporarily suspended or waived		23,875
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

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Partners' Equity (Deficit) Data

		Year Ended December 31, 2020		
		General Partners	Limited Partner	Total
S1100-010	Balance - December 31, 2019	\$ (119,305)	\$ 5,600,734	\$ 5,481,429
3250	Net income	14,304	76,226	90,530
S1200-420	Distributions	(29,037)	(123,787)	(152,824)
3130	Balance - December 31, 2020	\$ (134,038)	\$ 5,553,173	\$ 5,419,135

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Cash Flows Data

Year Ended December 31, 2020

Cash Flows from Operating Activities		
Receipts:		
S1200-010	Rental	\$ 1,665,299
S1200-020	Interest	371
S1200-030	Other cash receipts	<u>3,100</u>
S1200-040	Total receipts	1,668,770
Disbursements:		
S1200-050	Administrative	(30,793)
S1200-070	Management fee	(83,212)
S1200-090	Utilities	(83,879)
S1200-100	Salaries and wages	(188,406)
S1200-110	Operating and maintenance	(314,144)
S1200-120	Real estate taxes	(45,126)
S1200-140	Property insurance	(81,461)
S1200-150	Miscellaneous taxes and insurance	(24,365)
S1200-160	Tenant security deposits	4,176
S1200-180	Interest payments - First mortgage	(165,879)
S1200-210	Mortgage insurance premium	(19,669)
S1200-220	Miscellaneous financial	(192)
S1200-225	Entity/Construction disbursements	<u>(124,356)</u>
S1200-230	Total disbursements	<u>(1,157,306)</u>
S1200-240	Net cash provided by operating activities	511,464
Cash Flows from Investing Activities		
S1200-245	Net withdrawal from the mortgage escrow account	9,151
S1200-250	Net deposit to the reserve for replacement account	(23,930)
S1200-255	Net withdrawal from the other reserve	53,357
S1200-330	Net purchase of fixed assets	<u>(50,762)</u>
S1200-350	Net cash used in investing activities	(12,184)
Cash Flows from Financing Activities		
S1200-360	Principal payments - First mortgage	(111,856)
S1200-370	Principal payments on loans or notes payable	(116,085)
S1200-420	Distributions	<u>(152,824)</u>
S1200-460	Net cash used in financing activities	<u>(380,765)</u>
S1200-470	Net Increase in Cash	118,515
S1200-480	Cash - Beginning of year	<u>651,187</u>
S1200T	Cash - End of year	<u><u>\$ 769,702</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Statement of Cash Flows Data (Continued)

Year Ended December 31, 2020

Reconciliation of Net Income to Net Cash Provided by Operating Activities		
3250	Net income	\$ 90,530
	Adjustments to reconcile net income to net cash from operating activities:	
6600	Depreciation	408,236
S1200-486	Amortization of debt issuance costs	2,696
	(Increase) decrease in assets:	
S1200-490	Tenant accounts receivable	(3,281)
S1200-520	Prepaid expenses	(18,161)
S1200-530	Cash restricted for tenant security deposits	4,435
	Increase (decrease) in liabilities:	
S1200-540	Accounts payable - Operations	10,386
S1200-560	Accrued liabilities	9,188
S1200-570	Accrued interest payable	(349)
S1200-580	Tenant security deposits held in trust	(259)
S1200-590	Prepaid revenue	7,434
S1200-600	Other changes to reconcile net income to net cash provided by operating activities	<u>609</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 511,464</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Supplemental Information

Year Ended December 31, 2020

1. Schedule of Reserve for Replacements

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

1320P	Balance - January 1, 2020	\$	152,473
1320DT	Monthly deposits (\$1,989.57 x 12)		23,875
1320INT	Interest		55
			<u>55</u>
1320	Balance - December 31, 2020	\$	<u>176,403</u>

2. Schedule of Residual Receipts - N/A

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:

1330	Partnership required operating reserve	\$	<u>120,711</u>
5490	Interest on other reserves and escrows	\$	<u>128</u>
5990	Damages	\$	<u>2,609</u>
7190	Partnership asset management fee	\$	10,502
	Incentive partnership management fee		113,854
	Total	\$	<u>124,356</u>
S1200-225	Partnership asset management fee	\$	(10,502)
	Incentive partnership management fee		(113,854)
	Total	\$	<u>(124,356)</u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Schedule of Changes in Fixed Asset Accounts

Year Ended December 31, 2020

		Assets			Accumulated Depreciation				Net Book Value	
		Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020	Balance January 1, 2020	Current Provision	Deductions	Balance December 31, 2020	December 31, 2020
1410	Land and land improvements	\$ 1,816,439	\$ 26,849	\$ -	\$ 1,843,288	\$ 826,040	\$ 25,061	\$ -	\$ 851,101	\$ 992,187
1420	Buildings and building improvements	13,717,795	2,903	-	13,720,698	5,716,341	370,269	-	6,086,610	7,634,088
1440	Building equipment (portable)	34,970	-	-	34,970	18,714	2,533	-	21,247	13,723
1450	Furniture for project/tenant use	482,281	-	-	482,281	479,969	1,542	-	481,511	770
1460	Furnishings	68,536	21,010	-	89,546	42,015	6,560	-	48,575	40,971
1490	Miscellaneous fixed assets	23,936	-	-	23,936	15,585	2,271	-	17,856	6,080
Total		\$ 16,143,957	\$ 50,762	\$ -	\$ 16,194,719	\$ 7,098,664	\$ 408,236	\$ -	\$ 7,506,900	\$ 8,687,819

Fixed Asset Addition Detail:

Land and land improvements - Lighting fixtures	\$ 26,849
Buildings and building improvements - Carpet	2,903
Furnishings:	
Water heaters	9,317
Appliances	7,620
Server	2,585
HVAC	1,488
Total furnishings	21,010
Total	\$ 50,762

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Computation of Surplus Cash

December 31, 2020

S1300-010	Cash	\$	<u>823,752</u>
S1300-040	Total cash		823,752
	Current Obligations		
S1300-050	Accrued mortgage (or bond) interest payable		13,633
S1300-075	Accounts payable - 30 days		31,956
S1300-100	Accrued expenses (not escrowed)		5,020
2210	Prepaid revenue		10,416
2191	Tenant/Patient deposits held in trust (contra)		<u>52,556</u>
S1300-140	Total current obligations		<u>113,581</u>
S1300-150	Surplus cash	\$	<u><u>710,171</u></u>
S1300-200	Amount available for distribution during next fiscal period	\$	<u><u>710,171</u></u>

Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621

Schedule of Net Operating Cash Flows - Partnership

December 31, 2020

Cash Received: Net rental revenue	\$1,659,970
Other revenue	4,276
Adjustments for tenant and HUD receivables	<u>(672)</u>
Total cash received	1,663,574
Current Obligations	
Total expenses	1,574,087
Depreciation and amortization	(410,932)
Partnership fees	(124,356)
Bad debt	(609)
Principal payments	111,856
Beginning expense accruals	97,876
Ending expense accruals	(124,235)
Required deposits to reserves	<u>46,602</u>
Total cash expenditures	<u>1,170,289</u>
Net operating cash flows before fees, payments, and distributions	<u>\$ 493,285</u>
LP asset management fee	<u>\$ 10,502</u>
Payment of GP AHP Loan	<u>\$ -</u>
PVM North, LLC Return of capital	<u>\$ -</u>
Incentive management fee (7% of gross income)	<u>\$ 116,450</u>
Distribution - PVM North, LLC (9.69%)	<u>\$ 35,498</u>
Distribution - Pathway of Pontiac, Inc. (9.31%)	<u>\$ 34,106</u>
Distribution Limited Partner (81.00%)	<u>\$ 296,730</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 Partners
Pontiac ILF Limited Dividend
Housing Association Limited Partnership

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 Pontiac ILF Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2020 and the related statements of profit and loss, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing 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 Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership'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 Partnership'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership'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 financial statements. 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*.

To Management and the Partners
Pontiac ILF Limited Dividend
Housing Association Limited Partnership

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 Partnership'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 Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

February 26, 2021

Report on Compliance for Each Major HUD
Program and Report on Internal Control Over
Compliance Required by the *Consolidated Audit
Guide for Audits of HUD Programs*

Report on Compliance for Each Major HUD Program and Report on Internal Control Over Compliance Required
by the *Consolidated Audit Guide for Audits of HUD Programs*

Independent Auditor's Report

To the Partners
Pontiac ILF Limited Dividend
Housing Association Limited Partnership

Report on Compliance for Each Major HUD Program

We have audited Pontiac ILF Limited Dividend Housing Association Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "audit guide") that could have a direct and material effect on each The Partnership's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2020. The Partnership's major HUD programs are Section 223(a)(7) and housing assistance payments through Section 8.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Partnership's major HUD 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 guide. Those standards and the audit guide 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 HUD program occurred. An audit includes examining, on a test basis, evidence about the Partnership'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 HUD program. However, our audit does not provide a legal determination of the Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, the Partnership complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major HUD programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Partnership 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 Partnership's internal control over compliance with the types of requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the audit guide, 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 Partnership's internal control over compliance.

To the Partners
Pontiac ILF Limited Dividend Housing
Association Limited Partnership

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 HUD 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 HUD 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 HUD 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 audit guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

February 26, 2021

Schedule of Findings and Questioned Costs

**Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

1. Corrective Actions Not Started or in Progress

Reference Number	Finding	Questioned Costs
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Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* or the *Consolidated Audit Guide for Audits of HUD Programs*.

2. Corrective Actions Completed

Reference Number	Finding	Questioned Costs
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Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* or the *Consolidated Audit Guide for Audits of HUD Programs*.

Schedule of Status of Prior Audit Findings and Questioned Costs

**Pontiac ILF Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35621**

**Schedule of Status of Prior Audit Findings and Questioned
Costs**

Year Ended December 31, 2020

1. Findings Reported in Previous Audit Reports

Reference Number	Finding
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There were no findings reported in previous audit periods.

2. Findings from Audit, Attestation, or Other Studies Performed by HUD, Other Federal Agencies, or a Contract Administrator

Reference Number	Finding
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There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. Findings from Letters or Reports Issued by HUD Management

Reference Number	Finding
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There were no reports issued by HUD management during the period covered by this audit.