

**Meadow Brook Apartments
(A Nonprofit Corporation)
HUD Project No. 115-HD033
San Antonio, Texas**

Financial Statements
and Supplemental Information

June 30, 2020



MADDOX & ASSOCIATES, APC

CERTIFIED PUBLIC ACCOUNTANTS

To the Department of Housing
and Urban Development

Attached is the financial report of Meadow Brook Apartments, (A Nonprofit Corporation), HUD Project No. 115-HD033 for the year ended June 30, 2020.

Audit Firm: Maddox & Associates, APC
Lead Auditor: Bryan Beale, CPA
Address: 5627 Bankers Avenue, Building 2
Baton Rouge, LA 70808
Telephone Number: 225-926-3360
Facsimile Number: 225-926-3361
Tax Identification Number: 72-1314069
Unique IPA Identifier: 58640
E-mail: auditors@maddoxassociates.com
Website: www.maddoxassociates.com

Maddox & Associates, APC

September 3, 2020

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

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June 30, 2020

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Independent Auditors' Report

To the Directors
Meadow Brook Apartments

Report on the Financial Statements

We have audited the accompanying financial statements of Meadow Brook Apartments, HUD Project No. 115-HD033, (the "Project"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Meadow Brook Apartments as of June 30, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 13 to 17 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of Meadow Brook Apartments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Meadow Brook Apartments' 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 Meadow Brook Apartments' internal control over financial reporting and compliance.

Maddox & Associates, APC

Baton Rouge, Louisiana
September 3, 2020

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Statement of Financial Position
June 30, 2020

ASSETS

CURRENT ASSETS

Cash-Operations	\$ 554
Tenant Accounts Receivable	3,330
Total Current Assets	<u>3,884</u>

DEPOSITS HELD IN TRUST-FUNDED

Tenant Security Deposits Held in Trust	4,378
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RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement Reserve	31,159
Residual Receipts Reserve	26
Total Restricted Deposits	<u>31,185</u>

FIXED ASSETS

Land	81,500
Buildings	1,412,226
Furniture for Project/Tenant Use	10,944
Motor Vehicles	25,494
Miscellaneous Fixed Assets	2,560
Total Fixed Assets	<u>1,532,724</u>
Less Accumulated Depreciation	<u>616,316</u>
Net Fixed Assets	<u>916,408</u>

TOTAL ASSETS	<u><u>\$ 955,855</u></u>
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Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Statement of Financial Position
June 30, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable-Operations	\$ 1,960
Accrued Management Fee Payable	620
Prepaid Revenue	33
Total Current Liabilities	<u>2,613</u>

DEPOSITS HELD IN TRUST-FUNDED

Tenant Security Deposits Held in Trust (contra)	<u>3,992</u>
Total Liabilities	6,605

NET ASSETS

Without Donor Restrictions	(449,750)
With Donor Restrictions	1,399,000
Total Net Assets	<u>949,250</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 955,855

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Statement of Activities
For the Year Ended June 30, 2020

REVENUES:

Rent	\$	154,885
Financial		13
Other		349
		<hr/>
Total Revenue		155,247

EXPENSES:

Project Services		
Administrative		50,914
Utilities		21,915
Operating and Maintenance		39,040
Taxes and Insurance		18,035
Depreciation		42,809
Total Project Service Expenses		<hr/> 172,713
Support Services-Management and General		
Administrative		18,024
Total Support Service Expenses		<hr/> 18,024
Total Expenses		<hr/> 190,737
Decrease in Net Assets Without Donor Restrictions		(35,490)
Net Assets, Beginning of Period		<hr/> 984,740
NET ASSETS, END OF PERIOD	\$	<hr/> <hr/> 949,250

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Rental Receipts	\$ 142,450
Interest Receipts	13
Other Receipts	349
Total Receipts	<u>142,812</u>
Administrative	(19,686)
Management Fees	(7,437)
Utilities	(21,628)
Salaries and Wages	(46,203)
Operating and Maintenance	(25,438)
Property Insurance	(6,864)
Miscellaneous Taxes and Insurance	(11,171)
Tenant Security Deposits	(125)
Total Disbursements	<u>(138,552)</u>
Net Cash Provided by Operating Activities	4,260

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Purchase of Fixed Assets	<u>(18,784)</u>
Net Cash Used in Investing Activities	(18,784)

CASH FLOWS FROM FINANCING ACTIVITIES:

	<u>0</u>
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(14,524)

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:

Beginning of Period	<u>50,641</u>
End of Period	<u><u>\$ 36,117</u></u>

(continued)

See accompanying notes to the financial statements.

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Statement of Cash Flows (continued)
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets	\$ (35,490)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	42,809
Decrease (Increase) in:	
Tenant Accounts Receivable	(3,327)
Increase (Decrease) in:	
Accounts Payable	369
Tenants Security Deposits Held in Trust	(125)
Prepaid Revenue	24
	<hr/>
Net Cash Provided by Operating Activities	<u><u>\$ 4,260</u></u>

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Notes to the Financial Statements
June 30, 2020

1. Organization and Summary of Significant Accounting Policies

The Project is a 17-unit apartment project for adults with developmental (intellectual) disabilities located in San Antonio, Texas. The Project is a non-profit corporation organized on December 22, 2000 under the laws of the State of Texas. Construction of the Project was completed on October 24, 2003 and it began collecting rents the date construction was completed. The Project is operated under Section 811 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

Meadow Brook Apartments, a corporation sponsored by Mission Road Developmental Center, holds legal title to the Project. The accompanying financial statements include only the assets and related liabilities of Meadow Brook Apartments.

The Project also is subject to Project Rental Assistance Contracts (PRAC) with the U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project's rental income is received from HUD. The Project has two units under the PRAC that HUD is allowing two tenants to occupy at the same time.

The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers and directors.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting, which is in accordance with generally accepted accounting principles.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including September 3, 2020, which is the date the financial statements were issued.

Revenue Recognition: Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants are operating leases. Rental income is recorded net of vacancies. Under the Regulatory Agreement, the Project may not increase rents charged to tenants without HUD approval.

Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among project services and supporting services. Expenses allocated to supporting services include conventions and meetings, management fee, audit expense, and bookkeeping fees. All supporting service expenses were allocated at 100%.

Cash, Cash Equivalents, and Restricted Cash: For the purposes of the Statement of Cash Flows, the Project considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk: The project maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The project has not experienced any losses in such accounts.

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Notes to the Financial Statements (continued)
June 30, 2020

Allowance for Uncollectible Receivables: Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Depreciation: The Project's land, building, improvements, and personal property are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided by the straight-line method over the estimated useful life of the asset.

Building and Improvements	15-40 years
Furniture, Fixtures, and Equipment	5-7 years
Motor Vehicles	5 years

Impairment of Long-Lived Assets: The Project reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There is no impairment loss recognized for the period ending June 30, 2020.

Other Liabilities: Accrued expenses for compensated absences, vacations, and sick pay are not shown due to the fact that amount of the liability cannot be reasonably estimated. It is the Project's policy to expense these items when they are incurred.

Interest Expense: There is no interest expense.

Income Taxes: Neither the Project nor its nonprofit corporate owner is subject to federal income taxes under IRC 501(C)(3). The Project files information returns in the U.S. federal jurisdiction. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. There are no interest and penalties related to income taxes recognized in the statement of activities. The Project has not taken any tax positions that would significantly increase or decrease any unrecognized tax benefit within twelve months of the reporting date.

Estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain 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.

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Notes to the Financial Statements (continued)
June 30, 2020

Economic Concentrations: The Project's primary asset is its 17-unit apartment project. The Project's operations are concentrated in the multifamily housing real estate market. In addition, the Project operates in a regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

2. Financing

Section 811 of the National Housing Act authorized HUD to provide funds as capital advances to nonprofit owners for new construction or acquisition/rehabilitation of supportive housing facilities. This capital advance note shall bear no interest and repayment is not required so long as the housing remains available for very low-income persons with intellectual disabilities for at least 40 years in accordance with Section 811 of the National Housing Act, the Regulatory Agreement and HUD Regulations. Failure to keep the housing available for intellectually disabled persons would result in HUD's billing the owner for the entire capital advance of \$1,399,000 plus 5.375% interest since the date of the first advance. The capital advance is classified in the statement of financial position as net assets with donor restrictions. The maturity date of the capital advance is September 1, 2043.

3. Related Party-Identity of Interest

Related Party: Mission Road Developmental Center
Relationship: Sponsor
Transactions: Property, Liability, and Automobile Insurance
Amount paid for services: \$8,658
Amount payable at June 30, 2020: None

4. Management Fee

The Project has contracted with Suzanne Smith Management Company to provide management services. The charges for these services are based upon a management agreement. The charges are \$35.33 per unit, per month. For the period ended June 30, 2020, management fees charged amounted to \$7,437. The balance owed Suzanne Smith Management Company at June 30, 2020 is \$620.

5. Restricted Funds

Under the Regulatory Agreement, the Project is required to establish and maintain a replacement reserve account for the replacement of property and other project expenditures as approved by HUD. The Project is also required to complete a computation of surplus cash. Surplus cash is the cash remaining after all expenses of the project are paid less current obligations of the current reporting period. If surplus cash exists, the Project is required to deposit surplus cash into a residual receipts account within 90 days of the Project's year-end. Restricted funds are held in separate accounts and generally are not available for operating purposes.

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Notes to the Financial Statements (continued)
June 30, 2020

6. Cash, Cash Equivalents, and Restricted Cash

During the period, the Project adopted Accounting Standards Update (ASU) 2016-18, "Restricted Cash", which changes the presentation of restricted cash on the statement of cash flows. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows:

	Beginning of Period	End of Period
Cash-Operations	\$ 15,604	\$ 554
Tenant Security Deposits Held in Trust	4,584	4,378
Replacement Reserve	30,372	31,159
Residual Receipts Reserve	81	26
	<u>\$ 50,641</u>	<u>\$ 36,117</u>

7. Net Assets

The Project classifies net assets into two categories: without donor restrictions and with donor restrictions. Donor-imposed restrictions include that the project provide affordable housing as indicated in the regulatory agreement. Net assets released from donor restrictions are indicated on the Statement of Activities. There are no self-imposed limits on net assets without donor restrictions.

8. Liquidity and Availability

The Project's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consists of operating cash and accounts receivable. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Project manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are comprised mostly of rent and subsidy receipts. Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows. In addition, the Organization maintains funds in a reserve for replacement for planned property improvements and may be used only with the approval of HUD.

9. Residual Receipts Contingency

Regulations require the return of residual receipts to HUD unless the funds are authorized by HUD to be retained by the Project for possible future uses. The use of these funds is contingent upon HUD's prior written approval. On June 19, 2015 HUD issued a directive that they will require the return of residual receipts balances in excess of \$250 per unit ("retained balance"), upon expiration of the Project Rental Assistance Contract, subject to certain conditions. The expiration date of the Project Rental Assistance Contract is September 30, 2020. There is no excess at June 30, 2020.

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Notes to the Financial Statements (continued)
June 30, 2020

10. Subsequent Event

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Project's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants' ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

SUPPLEMENTAL INFORMATION

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Supplementary Information Required by HUD
June 30, 2020

Financial Statement Data:

		Assets	
<u>Account</u>	<u>Description</u>		<u>Value</u>
1120	Cash-Operations		554
1130	Tenant Accounts Receivable		3,330
1100T	Total Current Assets		3,884
1191	Tenant Security Deposits Held in Trust		4,378
1320	Replacement Reserve		31,159
1340	Residual Receipts Reserve		26
1300T	Total Deposits		31,185
1410	Land		81,500
1420	Buildings		1,412,226
1450	Furniture for Project/Tenant Use		10,944
1480	Motor Vehicles		25,494
1490	Miscellaneous Fixed Assets		2,560
1400T	Total Fixed Assets		1,532,724
1495	Less Accumulated Depreciation		616,316
1400N	Net Fixed Assets		916,408
1000T	Total Assets		955,855

		Liabilities	
<u>Account</u>	<u>Description</u>		<u>Value</u>
2110	Accounts Payable-Operations		1,960
2123	Accrued Management Fee Payable		620
2210	Prepaid Revenue		33
2122T	Total Current Liabilities		2,613
2191	Tenant Security Deposits Held in Trust (contra)		3,992
2000T	Total Liabilities		6,605

		Net Assets	
<u>Account</u>	<u>Description</u>		<u>Value</u>
3131	Without Donor Restrictions		(449,750)
3133	With Donor Restrictions		1,399,000
3130	Total Net Assets		949,250
2033T	Total Liabilities and Equity/Net Assets		955,855

		Rent Revenue	
<u>Account</u>	<u>Description</u>		<u>Value</u>
5120	Rent Revenue-Gross Potential		80,782
5121	Tenant Assistance Payments		74,294
5100T	Total Rent Revenue		155,076

		Vacancies	
<u>Account</u>	<u>Description</u>		<u>Value</u>
5220	Apartments		191
5200T	Total Vacancies		191
5152N	Net Rental Revenue		154,885

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Supplementary Data Required by HUD (continued)
June 30, 2020

Financial Revenue		
<u>Account</u>	<u>Description</u>	<u>Value</u>
5410	Financial Revenue-Project Operations	1
5440	Revenue from Investments-Replacement Reserve	12
5400T	Total Financial Revenue	13

Other Revenue		
<u>Account</u>	<u>Description</u>	<u>Value</u>
5910	Laundry and Vending Revenue	349
5900T	Total Other Revenue	349
5000T	Total Revenue	155,247

Administrative Expenses		
<u>Account</u>	<u>Description</u>	<u>Value</u>
6203	Conventions and Meetings	775
6310	Office Salaries	18,545
6311	Office Expense	7,990
6320	Management Fee	7,437
6330	Manager or Superintendent Salaries	14,173
6331	Administrative Rent Free Unit	9,132
6350	Audit Expense	5,402
6351	Bookkeeping Fees/Accounting Services	4,410
6390	Miscellaneous Administrative Expenses	1,074
6263T	Total Administrative Expenses	68,938

Utilities Expense		
<u>Account</u>	<u>Description</u>	<u>Value</u>
6450	Electricity	15,342
6451	Water	4,383
6453	Sewer	2,190
6400T	Total Utilities Expense	21,915

Operating & Maintenance Expenses		
<u>Account</u>	<u>Description</u>	<u>Value</u>
6510	Payroll	13,485
6515	Supplies	1,495
6520	Contracts	20,000
6525	Garbage and Trash Removal	1,835
6546	Heating/Cooling Repairs and Maintenance	1,319
6570	Vehicle and Maintenance Equipment Operations and Repairs	906
6500T	Total Operating and Maintenance Expenses	39,040

Taxes & Insurance		
<u>Account</u>	<u>Description</u>	<u>Value</u>
6711	Payroll Taxes	6,114
6720	Property and Liability Insurance	8,658
6722	Workmen's Compensation	1,197
6723	Health Insurance and Other Employee Benefits	2,066
6700T	Total Taxes and Insurance	18,035

Operating Results		
<u>Account</u>	<u>Description</u>	<u>Value</u>

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Supplementary Data Required by HUD (continued)
June 30, 2020

6000T	Total Cost of Operations Before Depreciation and Amortization	147,928
5060T	Profit (Loss) Before Depreciation and Amortization	7,319
6600	Depreciation Expenses	42,809
5060N	Operating Profit or (Loss)	(35,490)

Change in Net Assets from Operations

<u>Account</u>	<u>Description</u>	<u>Value</u>
3247	Change in Net Assets Without Donor Restrictions	(35,490)
3250	Change in Total Net Assets from Operations	(35,490)

Part II

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans and HUD-held and HUD-insured first mortgages.	0
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	6,720
S1000-030	Replacement Reserves or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.	5,945
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy program that are included as expense items on this Profit and Loss statement.	0

Equity Data

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1100-060	Previous Year Net Assets Without Donor Restrictions	(414,260)
3247	Change in Net Assets Without Donor Restrictions from Operations	(35,490)
3131	Net Assets Without Donor Restrictions	(449,750)
S1100-080	Previous Year Net Assets With Donor Restrictions	1,399,000
3133	Net Assets With Donor Restrictions	1,399,000
S1100-050	Previous Year Total Net Assets	984,740
3250	Change in Total Net Assets from Operations	(35,490)
3130	Total Net Assets	949,250

Cash Flow from Operating Activities

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1200-010	Rental Receipts	142,450
S1200-020	Interest Receipts	13
S1200-030	Other Receipts	349
S1200-040	Total Receipts	142,812
S1200-050	Administrative	(19,686)
S1200-070	Management Fees	(7,437)
S1200-090	Utilities	(21,628)
S1200-100	Salaries and Wages	(46,203)
S1200-110	Operating and Maintenance	(25,438)
S1200-140	Property Insurance	(6,864)
S1200-150	Miscellaneous Taxes and Insurance	(11,171)
S1200-160	Tenant Security Deposits	81
S1200-230	Total Disbursements	(138,346)
S1200-240	Net Cash Provided by (Used in) Operating Activities	4,466

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Supplementary Data Required by HUD (continued)
June 30, 2020

Cash Flow from Investing Activities

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1200-250	Net Deposits to the Replacement Reserve Account	(787)
S1200-260	Net Deposits to the Residual Receipts Account	55
S1200-330	Net Purchase of Fixed Assets	(18,784)
S1200-350	Net Cash Provided by (Used in) Investing Activities	(19,516)
S1200-470	Net Increase (Decrease) in Cash and Cash Equivalents	(15,050)

Cash and Cash Equivalents

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1200-480	Beginning of Period	15,604
S1200T	End of Period	554

Reserve for Replacements:

In accordance with the provisions of the Regulatory Agreement, restricted cash is to be used for replacement of property and various other uses, with the approval of HUD as follows:

Balance, June 30, 2019	\$	30,372
Total Monthly Deposits		6,720
Investment Income		12
Approved Withdrawals		(5,945)
Balance, June 30, 2020	\$	<u>31,159</u>

Deposits Suspended or Waived

No

Residual Receipts Reserve:

Balance, June 30, 2019	\$	81
Total Required Deposit		0
Investment Income		0
Approved Withdrawals		0
Other Withdrawals-Service Charges		(55)
Balance, June 30, 2020	\$	<u>26</u>

Computation of Surplus Cash, Distributions, and Residual Receipts-Annual:

Cash	\$	4,932
Total Cash		<u>4,932</u>
Accounts Payable-30 Days		1,960
Accrued Expenses [not escrowed]		620
Prepaid Revenue		33
Tenant Security Deposits Liability		<u>3,992</u>
Total Current Obligations		<u>6,605</u>
Surplus Cash (Deficiency)	\$	<u>(1,673)</u>

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Supplementary Data Required by HUD (continued)
June 30, 2020

Schedule of Fixed Assets Accounts-Detail:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 81,500	\$ 0	\$ 0	\$ 81,500
Buildings	1,412,226	0	0	1,412,226
Furniture for Project/Tenant Use	9,970	974	0	10,944
Motor Vehicles	25,494	0	0	25,494
Miscellaneous Fixed Assets	0	2,560	0	2,560
Total	<u>\$ 1,529,190</u>	<u>\$ 3,534</u>	<u>\$ 0</u>	<u>1,532,724</u>
Accumulated Depreciation	<u>\$ 573,507</u>	<u>\$ 42,809</u>	<u>\$ 0</u>	<u>616,316</u>
Net Book Value				<u>\$ 916,408</u>
<u>Description</u>				Additions (Deductions)
Dishwashers				\$ 630
Refrigerator				344
Parking Lot Lights				2,560

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development Supportive Housing for Persons with Disabilities (Section 811)-Capital Advance	14.181	\$ 1,399,000
U.S. Department of Housing and Urban Development Supportive Housing for Persons with Disabilities (Section 811)-Project Rental Assistance	14.181	74,294
		<u>\$ 1,473,294</u>

Basis of Presentation: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Meadow Brook Apartments, (A Nonprofit Corporation), HUD Project No. 115-HD033, and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Project has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

To the Directors
Meadow Brook Apartments

We have audited, in accordance with the 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 Meadow Brook Apartments, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meadow Brook Apartments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meadow Brook Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Meadow Brook Apartments' 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 entity'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 Meadow Brook Apartments' 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*.

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

Moddox & Associates, APC

Baton Rouge, Louisiana
September 3, 2020



**Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

To the Directors
Meadow Brook Apartments

Report on Compliance for Each Major Federal Program

We have audited Meadow Brook Apartments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Meadow Brook Apartments' major federal programs for the year ended June 30, 2020. Meadow Brook Apartments' major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Meadow Brook Apartments' 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 Meadow Brook Apartments' 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 Meadow Brook Apartments' compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Meadow Brook Apartments 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 Meadow Brook Apartments' 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 Meadow Brook Apartments' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maddox & Associates, APC

Baton Rouge, Louisiana
September 3, 2020

Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Meadow Brook Apartments were prepared in accordance with GAAP.
2. Material weaknesses were not identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Meadow Brook Apartments were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Meadow Brook Apartments expresses an unmodified opinion.
6. The audit disclosed no findings required to be reported.
7. The programs tested as major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Section 811 Supportive Housing for Persons with Disabilities	14.181

8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. Meadow Brook Apartments was determined to be a low-risk auditee.

Findings-Financial Statement Audit

None

Findings and Questioned Costs-Major Federal Award Programs Audit

None

**Meadow Brook Apartments
3045 Eisenhower Road
San Antonio, TX 78209**

Summary Schedule of Prior Audit Findings

There are no open findings from the prior audit report.

**Meadow Brook Apartments
3045 Eisenhower Road
San Antonio, TX 78209**

Corrective Action Plan


No matters were reported for the current period audit. There are no unresolved findings from prior year audits.

Meadow Brook Apartments
(A Nonprofit Corporation)

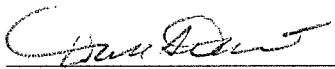
HUD Project No. 115-HD033

Certification of Officers

We hereby certify that we have examined the accompanying financial statements and supplemental data of Meadow Brook Apartments, (A Nonprofit Corporation), HUD Project No. 115-HD033 as of June 30, 2020, and, to the best of our knowledge and belief, the same are accurate and complete.

Signature: _____

Knox Pitts, President
Meadow Brook Apartments
September 3, 2020

Signature: _____

David Davis, Secretary
Meadow Brook Apartments
September 3, 2020

Employer Identification Number: 74-2989632

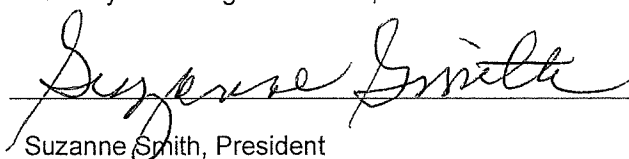
Meadow Brook Apartments
(A Nonprofit Corporation)

HUD Project No. 115-HD033

Management Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplemental data of Meadow Brook Apartments, (A Nonprofit Corporation), HUD Project No. 115-HD033 as of June 30, 2020, and, to the best of my knowledge and belief, the same are accurate and complete.

Signature: _____


Suzanne Smith, President
Suzanne Smith Management Company
Employer ID #: 76-0104958
September 3, 2020



Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Directors
Meadow Brook Apartments

We have performed the procedure described in the second paragraph of this report, which was agreed to by Meadow Brook Apartments, (A Nonprofit Corporation), HUD Project No. 115-HD033 and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Meadow Brook Apartments is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of Meadow Brook Apartments and PIH-REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Meadow Brook Apartments as of and for the year ended June 30, 2020, and have issued our reports thereon dated September 3, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated September 3, 2020, was expressed in relation to the basic financial statements of Meadow Brook Apartments taken as a whole.

A copy of the financial statement package required by the Uniform Guidance, which includes the auditors' reports, is available in its entirety from Meadow Brook Apartments. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Maddox & Associates, APC

September 23, 2020

Attachment to Independent Accountants' Report on Applying Agreed-Up Procedures

<u>UFRS Rule Information</u>	<u>Hard Copy Document(s)</u>	<u>Findings</u>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e., Computation of Surplus Cash, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Reports on the Financial Statements and Compliance and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e., Supplemental Data) (account number S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Auditor Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees