

**SHEPHERD'S FARM SENIOR HOUSING AT
WEST DEPTFORD, INC.**



HUD PROJECT No. 035-EE045

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015**

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

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For the Years Ended September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Shepherd's Farm Senior Housing at West Deptford, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Shepherd's Farm Senior Housing at West Deptford, Inc. HUD Project No. 035-EE045, which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities 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 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 Project'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 Project'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 Shepherd's Farm Senior Housing at West Deptford, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules listed in the table of contents is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* 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 listed in the table of contents, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 December 2, 2016 on our consideration of Shepherd's Farm Senior Housing at West Deptford, Inc.'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 Shepherd's Farm Senior Housing at West Deptford, Inc.'s internal control over financial reporting and compliance.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
December 2, 2016

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

**Statements of Financial Position
As of September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash - operations	\$ 65,077	\$ 19,998
Tenant accounts receivable, net of allowance for doubtful accounts of \$0 in 2016 and \$2,212 in 2015	127	57
Accounts receivable	722	-
Prepaid property/liability insurance	<u>17,790</u>	<u>17,838</u>
Total current assets	<u>83,716</u>	<u>37,893</u>
Deposits held in trust - funded		
Tenant deposits - held in trust	<u>26,995</u>	<u>27,576</u>
Restricted deposits and funded reserves		
Replacement reserve	436,390	396,285
Residual receipts reserve	<u>18,760</u>	<u>36,870</u>
Total restricted deposits and funded reserves	<u>455,150</u>	<u>433,155</u>
Land, building, and equipment, net	<u>7,191,686</u>	<u>7,411,816</u>
	<u><u>\$ 7,757,547</u></u>	<u><u>\$ 7,910,440</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 14,270	\$ 14,803
Accrued payment in lieu of taxes	7,232	7,278
Miscellaneous current liabilities	24,287	22,086
Residual receipts available for recapture	-	18,120
Prepaid rent	<u>2,098</u>	<u>1,285</u>
Total current liabilities	<u>47,887</u>	<u>63,572</u>
Deposit liabilities		
Tenant deposits held in trust (contra)	<u>26,995</u>	<u>27,576</u>
Long-term liabilities		
Capital advance - HUD Section 202	<u>7,552,000</u>	<u>7,552,000</u>
Total liabilities	<u>7,626,882</u>	<u>7,643,148</u>
Net assets		
Net deficit unrestricted	(1,102,935)	(966,308)
Temporarily restricted	<u>1,233,600</u>	<u>1,233,600</u>
Total net assets	<u>130,665</u>	<u>267,292</u>
	<u><u>\$ 7,757,547</u></u>	<u><u>\$ 7,910,440</u></u>

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

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Statements of Activities

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Gross potential rent revenue	\$ 291,876	\$ 289,546
Tenant assistance payments from HUD	<u>324,624</u>	<u>273,854</u>
Total potential rent revenue	616,500	563,400
Vacancies - apartments	<u>(3,564)</u>	<u>(4,515)</u>
Net rental revenue	612,936	558,885
Revenue from investments - project	121	93
Revenue from investments - residual receipts	10	10
Revenue from investments - reserve for replacements	625	564
Laundry revenue	4,967	5,700
Tenant charges	117	143
Damages and cleaning fees	385	1,320
Miscellaneous revenue	<u>-</u>	<u>459</u>
Total revenue	<u>619,161</u>	<u>567,174</u>
Expenses		
Administrative expenses	141,845	143,196
Utilities	89,867	91,236
Operating and maintenance	151,846	141,485
Depreciation and amortization	237,539	237,664
Taxes and insurance	133,527	152,073
Recapture of residual receipts - payable	-	18,120
Other elderly care expenses	<u>1,164</u>	<u>353</u>
Total expenses	<u>755,788</u>	<u>784,127</u>
Increase in unrestricted net deficit	(136,627)	(216,953)
Unrestricted net deficit - beginning	<u>(966,308)</u>	<u>(749,355)</u>
Unrestricted net deficit - ending	<u>\$ (1,102,935)</u>	<u>\$ (966,308)</u>

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

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Statements of Cash Flows

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received		
Rental income		
Government subsidies	\$ 324,624	\$ 273,854
Tenants	289,055	286,600
Interest and dividends	756	667
Other	4,747	8,416
Cash disbursed		
Administrative and operating expenses		
Administrative expense	(158,297)	(134,482)
Utilities	(89,867)	(91,236)
Operating and maintenance	(151,846)	(141,485)
Taxes and insurance	(133,525)	(150,423)
Other operating expenses	(1,164)	(353)
Net cash provided by operating activities	<u>84,483</u>	<u>51,558</u>
Cash flows from investing activities		
Deposits to reserve for replacement account	(40,105)	(40,044)
Deposits to residual receipts account	(10)	(24,529)
Recapture of residual receipts	18,120	-
Purchase of building and equipment	(17,409)	(3,330)
Net cash used in investing activities	<u>(39,404)</u>	<u>(67,903)</u>
Net increase (decrease) in cash	45,079	(16,345)
Cash - beginning	<u>19,998</u>	<u>36,343</u>
Cash - ending	<u><u>\$ 65,077</u></u>	<u><u>\$ 19,998</u></u>
Reconciliation of decrease in unrestricted net deficit to net cash provided by operating activities		
Increase in unrestricted net deficit	\$ (136,627)	\$ (216,953)
Adjustments to reconcile increase in unrestricted net deficit to net cash provided by operating activities		
Depreciation and amortization	237,539	237,664
Decrease in tenant accounts receivable	(70)	1,706
Decrease in due from HUD	-	319
Decrease (increase) in accounts receivable - other	(722)	475
Decrease in prepaid expenses	48	1,379
Increase (decrease) in accounts payable	(533)	1,163
Increase in other current liabilities	2,968	7,685
(Decrease) increase in residual receipts available for recapture	(18,120)	18,120
Net cash provided by operating activities	<u><u>\$ 84,483</u></u>	<u><u>\$ 51,558</u></u>

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

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to Financial Statements

Note 1: ORGANIZATION

Shepherd's Farm Senior Housing at West Deptford, Inc. (the "Corporation"). HUD Project No. 035-EE045 (the "Project") was organized to acquire real property located in West Deptford, New Jersey and to construct, develop and operate a housing project for the elderly under Section 202 of the National Affordable Housing Act. The 76-unit project consists of seventy-five one bedroom units for residents and one two bedroom unit for on-site staff. The project is regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods.

The project was funded mainly by Section 202 loan funds from the Department of Housing and Urban Development, as well as some funding from the Federal Home Loan Bank and the Casino Reinvestment Development Authority/Gloucester County Improvement Authority. The Diocesan Housing Services Corporation of the Diocese of Camden, Incorporated is the project asset manager. The Corporation has contracted with the Housing Authority of Gloucester County to provide property management services to the Shepherd's Farm facility.

For operating purposes, the date of first occupancy for the development was July 1, 2005.

The Corporation operates under the federally funded program Supportive Housing for the Elderly, Section 202. This program has two components, a capital advance and project rental assistance contract (PRAC).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of financial statement presentation - The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for not-for-profit organizations.

Financial statement presentation also follows the recommendations relevant accounting standards which require the organization to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Corporation has been limited by the donors to a specific time period or purpose. The corporation has no permanently restricted net assets.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Land, building and equipment - The Corporation carries property and equipment at cost. When retired or otherwise disposed of, the carrying value of the assets and related depreciation are removed from the respective accounts, and the net difference, less any amount realized from disposition, is charged or credited to income.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Assets capitalized generally have an original cost of \$1,000 or more and a useful life in excess of one year. Dwelling equipment (ranges and refrigerators) is capitalized irrespective of cost. Depreciation has been provided on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 to 20 years
Furniture and equipment	3 to 10 years

Income taxes - Shepherd's Farm Senior Housing at West Deptford, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on related income.

Statements of cash flows - For the purpose of the statement of cash flows, the Corporation includes only unrestricted operating cash. Restricted cash related to resident security deposits and the replacement reserve, are not included as cash in the statement.

New Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. The standard is effective for the fiscal year ending June 30, 2020 (with early adoption permitted) and may be adopted either by restating all years presented in the organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the fiscal year ending September 30, 2020. The organization is assessing the potential impact this guidance will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities – Issued in August 2016, Accounting Standards Update (ASU) No. 2016-14 is intended to improve the presentation of financial statements of not-for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentation of operating cash flows. The standard is effective for the fiscal year ending September 30, 2019. Early application will be permitted. The organization is assessing the potential impact this guidance will have on its financial statements.

Subsequent events - Subsequent events were evaluated through December 2, 2016, the date the financial statement were available to be issued.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to Financial Statements (continued)

Note 3: REPLACEMENT RESERVE ACCOUNT

Under the regulatory agreement related to the project, the Corporation is required to set aside \$3,290 per month for the replacement of property and other project expenditures that can be made only with HUD's written approval. HUD-restricted deposits are held in separate accounts and generally are not available for operating purposes. The amount of the replacement reserve account totaled \$436,390 and \$396,285 at September 30, 2016 and September 30, 2015, respectively.

Note 4: RESIDUAL RECEIPTS ACCOUNT

Management is required to establish a residual receipts account for any surplus cash as defined by HUD. According to HUD Notice H-2012-014, beginning in 2013 HUD began offsetting the corporation's monthly Housing Assistance Payment (HAP) vouchers with any excess residual receipts. This offset amount is to be determined by management and the HUD project manager at the end of each year. HUD requires each organization retain residual receipt balance not to exceed \$250 per unit, which for the organization amounts to \$18,750. The residual receipts account was equal to \$18,760 and \$36,870 as of September 30, 2016 and September 30, 2015, respectively. \$18,120 was recaptured by HUD during 2016. Residual receipts available for recapture are \$0 and \$18,120 and are recorded as a liability on the statements of net position, as of September 30, 2016 and 2015, respectively.

Note 5: LAND, BUILDING AND EQUIPMENT

Land, building, and equipment consists of the following:

	September 30,	
	<u>2016</u>	<u>2015</u>
Land	\$ 525,000	\$ 525,000
Buildings and improvements	9,558,118	9,543,064
Furniture and equipment	<u>130,822</u>	<u>128,898</u>
	10,213,940	10,196,962
Less: accumulated depreciation	<u>3,022,254</u>	<u>2,785,146</u>
Land, building, and equipment	<u>\$ 7,191,686</u>	<u>\$ 7,411,816</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to Financial Statements (continued)

Note 6: CAPITAL ADVANCES

HUD funded a Section 202 Capital Advance in the amount of \$7,552,000 to pay for the construction of the project. HUD holds a non-amortizing mortgage on the property under the terms of the Capital Advance agreement with HUD. No repayment is required so long as the owner complies with the Regulatory Agreement with HUD to make available rental housing to very low-income elderly persons for 40 years. Failure to comply with the terms of the Capital Advance and HUD's business agreements may result in foreclosure under the mortgage.

Note 7: TEMPORARILY RESTRICTED NET ASSETS

The Corporation received an Affordable Housing Program Direct Subsidy from the Federal Home Loan Bank of New York through its member bank, The Fulton Bank. The agreement, dated October 1, 2002, provided a subsidy of \$1,223,600 to the Corporation to subsidize the construction costs of the project.

For a period of 15 years, Fulton Bank and the Corporation must jointly certify to the Federal Home Loan Bank of New York, on an annual basis, beginning on the second anniversary date of project completion (July 1, 2007) that tenants' rental and incomes are in compliance with the rent and income targeting commitments made in the application and that the project is habitable. The direct subsidy is a grant with a temporary restriction, lasting 15 years. If the Corporation does not follow the restrictions of the deed described in the agreement during the 15 year period, the subsidy must be repaid with interest. The subsidy will be shown as a temporarily restricted net asset for a period of 15 years beginning July 1, 2005, which was the first date of occupancy. There were no changes in temporarily restricted net assets for the years ended September 30, 2016 and 2015.

Note 8: OWNERS EQUITY

The owner-entity was required to deposit a minimum capital investment under the Section 202 Capital Advance Program. The owner deposited \$10,000 in an account to fulfill this requirement. This amount is considered temporarily restricted until HUD releases the funds back to the owner. It is included in temporarily restricted net assets.

Note 9: GOVERNMENT SUBSIDIES

The Corporation is provided project-based rental assistance under a Project Rental Assistance Contract (PRAC) with HUD, which is calculated based on operating costs standards established by HUD. The Corporation received \$324,624 and \$273,854 in rental assistance payments for the years ended September 30, 2016 and 2015, respectively.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to Financial Statements (continued)

Note 10: RELATED PARTY

The Housing Authority of Gloucester County provides management services to the Shepherd's Farm property. Management services include all day to day financial operations as well as maintenance of the physical property.

The Authority is compensated for its services, monthly management and accounting/bookkeeping fees are paid out of the project operating account and treated as project expenses. Such fees are payable on the 1st of each month. Effective January 1, 2015, the management fee and accounting/bookkeeping fee changed from \$48.00 to \$50.00 and from \$10.61 to \$11.35 per unit per month, respectively. There is a provision for an annual adjustment to both fees as approved by HUD. Total management and accounting fees are \$55,215 and \$54,598 for the years ended September 30, 2016 and 2015, respectively.

Note 11: CONCENTRATION OF CREDIT RISK AND OTHER MATTERS

The Corporation maintains its cash in bank accounts and other financial institutions, which, at times may exceed federally insured limits. The Corporation has not experienced any loss in such accounts. As of September 30, 2016 and 2015, the Corporation had uninsured cash balances of \$306,629 and \$232,330, respectively.

The Corporation's sole asset is the 76-unit low income apartment building for senior citizens. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Under the regulatory agreement, the Corporation may not increase rents charged to tenants without HUD approval. The last HUD approved rental increase was effective October 1, 2015.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED

SEPTEMBER 30, 2016

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Statements of Financial Position Data

As of September 30, 2016 and 2015

<u>Account No.</u>		<u>2016</u>	<u>2015</u>
	ASSETS		
	Current assets		
1120	Cash - operations	\$ 51,361	\$ 6,241
1121	Construction cash account	11,047	11,090
1125	Cash - entity	2,669	2,667
1130	Tenant accounts receivable	127	2,269
1131	Allowance for Doubtful Accounts	-	(2,212)
1140	Accounts receivable	722	-
1200	Prepaid property/liability insurance	17,790	17,838
1100T	Total current assets	83,716	37,893
	Deposits held in trust - funded		
1191	Tenant deposits - held in trust	26,995	27,576
	Restricted deposits and funded reserves		
1320	Replacement reserve	436,390	396,285
1340	Residual receipts reserve	18,760	36,870
1300T	Total restricted deposits and funded reserves	455,150	433,155
	Property and equipment		
1410	Land	525,000	525,000
1420	Building	9,493,738	9,493,738
1440	Equipment	64,380	49,326
1450	Furniture for project/tenant use	58,771	56,847
1460	Furnishings	72,051	72,051
1400T	Total fixed assets	10,213,940	10,196,962
1495	Accumulated depreciation	(3,022,254)	(2,785,146)
1400N	Net fixed assets	7,191,686	7,411,816
1000T	Total assets	\$ 7,757,547	\$ 7,910,440

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Statements of Financial Position Data (continued)

As of September 30, 2016 and 2015

		<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
2110	Accounts payable	\$ 14,270	\$ 14,803
2150	Accrued property tax	7,232	7,278
2190-10	Accounts payable - HUD	-	18,120
2190-20	Accrued payroll	15,751	14,125
2190-30	Deferred revenue	6,164	4,515
2190-40	Miscellaneous current liabilities	2,372	3,446
2210	Prepaid rent	<u>2,098</u>	<u>1,285</u>
2122T	Total current liabilities	<u>47,887</u>	<u>63,572</u>
Deposit liabilities			
2191	Tenant deposits held in trust (contra)	<u>26,995</u>	<u>27,576</u>
Long-term liabilities			
2390	Capital advance - HUD Section 202	<u>7,552,000</u>	<u>7,552,000</u>
2300T	Total long-term liabilities	<u>7,552,000</u>	<u>7,552,000</u>
2000T	Total liabilities	<u>7,626,882</u>	<u>7,643,148</u>
Net assets			
3131	Net deficit unrestricted	(1,102,935)	(966,308)
3132	Temporarily restricted net assets	<u>1,233,600</u>	<u>1,233,600</u>
3130T	Total net assets	<u>130,665</u>	<u>267,292</u>
2033T	Total liabilities and net assets	<u><u>\$ 7,757,547</u></u>	<u><u>\$ 7,910,440</u></u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Supplementary Information Required by HUD

Statements of Activities Data

For the Years Ended September 30, 2016 and 2015

<u>Account No.</u>		<u>2016</u>	<u>2015</u>
	Revenue		
5120	Gross potential rent revenue	\$ 291,876	\$ 289,546
5121	Tenant assistance payments from HUD	324,624	273,854
5100T	Total potential rent revenue	616,500	563,400
5220	Vacancies - apartments	(3,564)	(4,515)
5152N	Net rental revenue	612,936	558,885
5410	Revenue from investments - project	121	93
5430	Revenue from investments - residual receipts	10	10
5440	Revenue from investments - reserve for replacements	625	564
5400T	Total financial revenue	756	667
5910	Laundry revenue	4,967	5,700
5920	Tenant charges	502	1,463
5990	Miscellaneous revenue	-	459
5900T	Total other revenue	5,469	7,622
5000T	Total revenue	619,161	567,174
	Expenses		
6210	Advertising and marketing	307	666
6250	Other renting expenses	262	457
6311	Office expenses	9,100	7,064
6320	Management fee	45,000	44,550
6340	Legal expenses	255	660
6350	Audit expense	15,030	14,250
6351	Bookkeeping fees	10,215	10,049
6370	Bad debts	-	2,212
6390	Miscellaneous administrative expenses	61,676	63,288
6263T	Total administrative expenses	141,845	143,196
6450	Electricity	34,262	36,752
6451	Water	20,913	17,035
6452	Gas	19,020	24,758
6453	Sewer	15,672	12,691
6400T	Total utilities expense	89,867	91,236

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Supplementary Information Required by HUD

Statements of Activities Data (continued)

For the Years Ended September 30, 2016 and 2015

<u>Account No.</u>		<u>2016</u>	<u>2015</u>
6515	Supplies	\$ 7,806	\$ 7,648
6520	Contracts	14,987	15,434
6525	Garbage and trash removal	5,232	5,032
6530	Security contract	75,194	74,349
6546	Heating/cooling repairs and maintenance	6,742	-
6548	Snow removal	-	2,650
6570	Repairs and maintenance	7,620	24
6590	Miscellaneous operating and maintenance expenses	<u>34,265</u>	<u>36,348</u>
6500T	Total operating and maintenance	<u>151,846</u>	<u>141,485</u>
6710	Real estate taxes	43,494	43,409
6720	Property & liability insurance (hazard)	31,530	29,334
6790	Miscellaneous taxes, licenses, permits, and insurance	<u>58,503</u>	<u>79,330</u>
6700T	Total taxes and insurance	<u>133,527</u>	<u>152,073</u>
6820	Interest on bond payable	<u>-</u>	<u>-</u>
6890	Recapture of residual receipts - payable	<u>-</u>	<u>18,120</u>
6900	Other elderly care expenses	<u>1,164</u>	<u>353</u>
6000T	Total cost of operations before depreciation	<u>518,249</u>	<u>546,463</u>
5060T	Change in net assets before depreciation	100,912	20,711
6600	Depreciation expenses	<u>237,539</u>	<u>237,664</u>
5060N	Operating loss	<u>(136,627)</u>	<u>(216,953)</u>
3247	Change in unrestricted net assets from operations	<u>(136,627)</u>	<u>(216,953)</u>
3250	Change in total net assets from operations	<u>\$ (136,627)</u>	<u>\$ (216,953)</u>
S1000-020	Total of all monthly reserve for replacement deposits required during the audit period even if deposits have been temporarily waived or suspended	<u>\$ 39,480</u>	<u>\$ 39,480</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD PROJECT NO. 035-EE045

Supplementary Information Required by HUD

Statements of Cash Flows Data

For the Years Ended September 30, 2016 and 2015

<u>Account No.</u>		<u>2016</u>	<u>2015</u>
	Cash flows from operating activities		
S1200-010	Rental receipts	\$ 613,679	\$ 560,454
S1200-020	Interest receipts	756	667
S1200-030	Other operating receipts	4,747	8,416
	Administrative and operating expenses		
S1200-050	Administrative expense	(158,297)	(134,482)
S1200-090	Utilities	(89,867)	(91,236)
S1200-110	Operating and maintenance	(151,846)	(141,485)
S1200-140	Taxes and insurance	(133,525)	(150,423)
S1200-170	Other operating expenses	<u>(1,164)</u>	<u>(353)</u>
S1200-240	Net cash provided by operating activities	<u>84,483</u>	<u>51,558</u>
	Cash flows from investing activities		
S1200-250	Net deposits to reserve for replacement account	(40,105)	(40,044)
S1200-260	Net deposits to residual receipts account	18,110	(24,529)
S1200-330	Net purchase of fixed assets	<u>(17,409)</u>	<u>(3,330)</u>
S1200-350	Net cash used in investing activities	<u>(39,404)</u>	<u>(67,903)</u>
S1200-470	Net increase (decrease) in cash	45,079	(16,345)
S1200-480	Cash - beginning	<u>19,998</u>	<u>36,343</u>
S1200T	Cash - ending	<u>\$ 65,077</u>	<u>\$ 19,998</u>
	Reconciliation of decrease in unrestricted net deficit to net cash provided by operating activities		
3250	Increase in unrestricted net deficit	\$ (136,627)	\$ (216,953)
	Adjustments to reconcile decrease in unrestricted net deficit to net cash provided by operating activities		
6600	Depreciation expense	237,539	237,664
S1200-490	(Increase) decrease in tenant accounts receivable	(70)	1,706
S1200-500	Decrease (increase) in accounts receivable - other	(722)	794
S1200-520	Decrease in prepaid expenses	48	1,379
S1200-540	Increase (decrease) in accounts payable	(533)	1,163
S1200-560	Increase in accrued liabilities	2,968	7,685
S1200-601	Increase (decrease) in residual receipts available for recapture	<u>(18,120)</u>	<u>18,120</u>
S1200-610	Net cash provided by (used in) operating activities	<u>\$ 84,483</u>	<u>\$ 51,558</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD Project No. 035-EE045

Supplementary Information Required by HUD

**Schedules of Changes in Land, Building & Equipment Accounts
For the Years Ended September 30, 2016 and 2015**

		Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
1410	Land	\$ 525,000	\$ -	\$ -	\$ 525,000
1420	Building	9,543,064	17,500	2,445	9,558,119
1450	Equipment	128,898	1,924	-	130,822
		<u>\$ 10,196,962</u>	<u>\$ 19,424</u>	<u>\$ 2,445</u>	<u>\$ 10,213,941</u>
	Accumulated depreciation	<u>\$ 2,785,146</u>	<u>\$ 237,539</u>	<u>\$ 430</u>	<u>\$ 3,022,255</u>
		Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015
1410	Land	\$ 525,000	\$ -	\$ -	\$ 525,000
1420	Building	9,541,814	1,250	-	9,543,064
1450	Equipment	126,818	2,080	-	128,898
		<u>\$ 10,193,632</u>	<u>\$ 3,330</u>	<u>\$ -</u>	<u>\$ 10,196,962</u>
	Accumulated depreciation	<u>\$ 2,547,482</u>	<u>\$ 237,664</u>	<u>\$ -</u>	<u>\$ 2,785,146</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD Project No. 035-EE045

Supplementary Information Required by HUD

**Schedules of Reserve for Replacements
For the Years Ended September 30, 2016 and 2015**

		<u>2016</u>	<u>2015</u>
1320P	Beginning balance	\$ 396,285	\$ 356,241
1320DT	Total monthly deposits	39,480	39,480
1320INT	Other deposits - interest income	<u>625</u>	<u>564</u>
1320	Ending balance	<u>\$ 436,390</u>	<u>\$ 396,285</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD Project No. 035-EE045

Supplementary Information Required by HUD

**Computations of Surplus Cash - Annual
For the Years Ended September 30, 2016 and 2015**

		<u>2016</u>	<u>2015</u>
S1300-010	Cash at year end	\$ 78,356	\$ 48,029
S1300-040	Total cash	<u>78,356</u>	<u>48,029</u>
	Current obligations		
S1300-075	Accounts payable due within 30 days	14,270	13,640
S1300-100	Accrued expenses	15,751	14,535
S1300-100	Accrued payment in lieu of taxes	7,232	7,007
1135	Due from HUD	-	(319)
2191	Tenant security deposits	26,995	25,485
2210	Prepaid rent	2,098	1,422
S1300-110	Other current obligations	<u>8,536</u>	<u>-</u>
S1300-140	Total current obligations	<u>74,882</u>	<u>61,770</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 3,474</u>	<u>\$ (13,741)</u>
S1300-210	Deposit due residual receipts	<u>\$ 3,474</u>	<u>\$ -</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD Project No. 035-EE045

Supplementary Information Required by HUD

**Schedules of Residual Receipts
For the Years Ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 36,870	\$ 12,341
Deposits	-	24,520
Other deposits - interest income	10	9
HUD reserve recapture	<u>(18,120)</u>	<u>-</u>
Ending balance	<u>\$ 18,760</u>	<u>\$ 36,870</u>

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

SINGLE AUDIT SECTION

FOR THE YEAR ENDED SEPTEMBER 30, 2016

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Trustees
Shepherd's Farm Senior Housing at West Deptford, Inc.

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 Shepherd's Farm Senior Housing at West Deptford, Inc., which comprise the statement of financial position as of September 30, 2016, and the related statement of activity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shepherd's Farm Senior Housing at West Deptford, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shepherd's Farm Senior Housing at West Deptford, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Shepherd's Farm Senior Housing at West Deptford, Inc.'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 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 weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

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.

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
December 2, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Shepherd's Farm Senior Housing at West Deptford, Inc.

Compliance

We have audited Shepherd's Farm Senior Housing at West Deptford, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2016. Shepherd's Farm Senior Housing at West Deptford, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Shepherd's Farm Senior Housing at West Deptford, Inc.'s federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 Shepherd's Farm Senior Housing at West Deptford, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Shepherd's Farm Senior Housing at West Deptford, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Shepherd's Farm Senior Housing at West Deptford, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE (CONTINUED)**

Report on Internal Control Over Compliance

Management of Shepherd's Farm Senior Housing at West Deptford, Inc., 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 Shepherd's Farm Senior Housing at West Deptford, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Shepherd's Farm Senior Housing at West Deptford, Inc.'s internal control over compliance.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Shepherd's Farm Senior Housing at West Deptford, Inc. as of and for the year ended September 30, 2016, and have issued our report thereon dated December 2, 2016, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management. 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE (CONTINUED)

The purpose on 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
December 2, 2016

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

<u>Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/Mortgage Loan Period</u>	<u>Accrued Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 202 – Supportive Housing for the Elderly – Capital Advance	14.157	7/1/2005 – 7/1/2045	\$ 7,552,000
Section 202 – Supportive Housing for Elderly – Rental Assistance	14.157	10/1/2015-9/30/2016	324,624
Total expenditures of federal awards			<u>\$ 7,876,624</u>

The accompanying notes are an integral part of this schedule.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Note 1: GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the activity of all federal award programs of the organization for the year ended September 30, 2016. All federal awards with current year activity received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule.

Note 2: BASIS OF ACCOUNTING

The amount of expenditures for the Section 202, Supportive Housing for Elderly rental assistance included in the accompanying Schedule of Expenditures of Federal Awards is in agreement with the financial statements of the organizations presented in accordance with generally accepted accounting principles. However, for the Section 202, Supportive Housing for the Elderly capital advance, the amount of expenditures on the Schedule is based on the outstanding balance of the loan at September 30, 2016.

Note 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree, in all material respects, with the amounts reported in the related federal financial reports.

Note 4: SECTION 202 CAPITAL ADVANCE

The Section 202, Supportive Housing for the Elderly capital advance was received over the fiscal years ending September 30, 2004 and 2005 to fund the construction costs of the housing project. The expenditure amount presented on the Schedule of Expenditures of Federal Awards represents the outstanding loan balance as of September 30, 2016 as required by HUD.

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

Schedule of Findings and Questioned Costs

Part I - Summary of Auditors' Results

Financial Statement Section

- | | |
|--|------------|
| A. Type of auditor's report issued: | Unmodified |
| B. Internal control over financial reporting: | |
| 1. Material weaknesses | None noted |
| 2. Other significant deficiencies | None noted |
| C. Noncompliance material to financial statements: | None noted |

Federal Awards Section

- | | |
|--|------------|
| D. Dollar threshold used to determine Type A programs: | \$ 750,000 |
| E. Auditee qualifies as low-risk auditee? | Yes |
| F. Type of auditors' report on compliance for major programs: | Unmodified |
| G. Internal control over compliance: | |
| 1. Material weaknesses | None noted |
| 2. Other significant deficiencies | None noted |
| H. Audit findings required to be reported in accordance with 2 CFR 200.516(a): | Yes |
| I. Identification of major federal programs: | |

CFDA Numbers

Name of Federal Program

14.157

Section 202 Supportive Housing for the Elderly

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

Schedule of Findings and Questioned Costs

Part II - Schedule of Current Year Financial Statement Findings

- NOT APPLICABLE -

Part III - Schedule of Current Year Federal Award
Findings and Questioned Costs

- NOT APPLICABLE -

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

Schedule of Findings and Questioned Costs

Part IV - Schedule of Prior Year Financial Statement Findings

- NOT APPLICABLE -

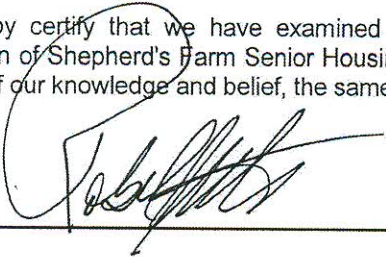
Part V - Status of Prior Year Federal Award
Findings and Questioned Costs

- NOT APPLICABLE -

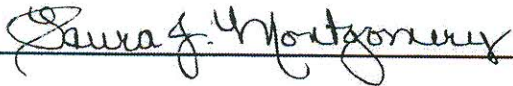
SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
HUD Project No. 035-EE045

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplementary information of Shepherd's Farm Senior Housing at West Deptford, Inc. HUD Project No. 035-EE045 and, to the best of our knowledge and belief, the same are complete and accurate.



12/2/16
Date



12/2/2016
Date

Shepherd's Farm Senior Housing at West Deptford, Inc.
Employer Identification Number 04-3588269

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.

HUD Project No. 035-EE045

Management Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary information of Shepherd's Farm Senior Housing at West Deptford, Inc. HUD Project No. 035-EE045 and, to the best of our knowledge and belief, the same are complete and accurate.


Signature

Title: Executive Director, Housing Authority of Gloucester County

Date: 12/2/16

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Trustees
Shepherd's Farm Senior Housing at West Deptford, Inc.

We have performed the procedure described in the second paragraph of this report, which was agreed to by Shepherd's Farm Senior Housing at West Deptford, Inc. and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the audit reporting package. Shepherd's Farm Senior Housing at West Deptford, Inc. is responsible for accuracy and completeness of the electronic submission. 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. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. 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 results of 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.

We were engaged to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), by Shepherd's Farm Senior Housing at West Deptford, Inc. as of and for the year ended September 30, 2016, and have issued our reports thereon dated December 2, 2016. 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 December 2, 2016, was expressed in relation to the financial statements of Shepherd's Farm Senior Housing at West Deptford, Inc. taken as a whole.

A copy of the financial statement package required by the Uniform Guidance, which includes the auditor's reports, is available in its entirety from Shepherd's Farm Senior Housing at West Deptford, Inc.. 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.

This report is intended solely for the information and use of Shepherd's Farm Senior Housing at West Deptford, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Bowman & Company LLP
BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
December 2, 2016

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE**

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Information with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Compliance (account numbers S2100-020, S2300-020)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S2100-100)	Auditor's Report on Supplementary Information	Agrees
Audit Findings Narrative (S2700 series of accounts)	Schedule of Findings, Questioned Costs, and Recommendations	Agrees

AUDITOR'S IDENTIFICATION INFORMATION

December 2, 2016

RE: Shepherd's Farm Senior Housing at West Deptford, Inc.
HUD Project No. 035-EE045

The lead auditor for the audit of Shepherd's Farm Senior Housing at West Deptford, Inc. HUD Project No. 035-EE045 for the years September 30, 2016 and 2015 is Ms. Nina S. Sorelle. Her address is Bowman & Company LLP, 6 North Broad Street, Suite 201, Woodbury, New Jersey 08096, and her telephone number is 856-853-0440.

The Federal Employer Identification Number of Bowman & Company LLP is 21-0658561.

Woodbury, New Jersey
December 2, 2016