

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



HUD PROJECT No. 035-EE045

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

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

Table of Contents

For the Years Ended September 30, 2019 and 2018

| | <u>Page Number</u> |
|--|------------------------|
| Independent Auditor's Report | 1 |
| Basic Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |
| Supplementary Information Required by the Department of Housing and Urban Development (HUD) | |
| Statements of Financial Position Data | 14 |
| Statements of Activities Data | 15 |
| Statements of Cash Flows Data | 18 |
| Schedules of Changes in Land, Building and Equipment Accounts | 19 |
| Schedules of Reserve for Replacements | 20 |
| Computations of Surplus Cash - Annual | 21 |
| Schedules of Residual Receipts | 22 |
| Single Audit Section | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 24 |
| Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 26 |
| Schedule of Expenditures of Federal Awards | 28 |
| Notes to Schedule of Expenditures of Federal Awards | 29 |
| Schedule of Findings and Questioned Costs | 30 |
| Other Matters | |
| Certification of Project Owner | 33 |
| Management Agent's Certification | 34 |
| Independent Accountant's Report on Applying Agreed - Upon Procedure | 35 |
| Attachment to Independent Accountant's Report on Agreed-Upon Procedure | 36 |
| Auditor's Identification Information | 37 |

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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 2 to the financial statements, during the year ended September 30, 2019, Shepherd's Farm Senior Housing at West Deptford, Inc. adopted new accounting guidance, Accounting Standards Update 2016-14 - Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 are 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 are 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 6, 2019 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 6, 2019

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

HUD PROJECT NO. 035-EE045

**Statements of Financial Position
As of September 30, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash - operations | \$ 35,487 | \$ 63,943 |
| Tenant accounts receivable | 209 | 2,227 |
| Accounts receivable - HUD | 2,430 | 1,055 |
| Accounts receivable | 441 | 828 |
| Prepaid property/liability insurance | 19,301 | 19,148 |
| Total current assets | <u>57,868</u> | <u>87,201</u> |
| Deposits held in trust - funded | | |
| Tenant deposits - held in trust | <u>27,558</u> | <u>27,125</u> |
| Restricted deposits and funded reserves | | |
| Replacement reserve | 558,580 | 517,507 |
| Residual receipts reserve | 19,360 | 18,814 |
| Total restricted deposits and funded reserves | <u>577,940</u> | <u>536,321</u> |
| Land, building, and equipment, net | <u>6,519,130</u> | <u>6,743,629</u> |
| | <u><u>\$ 7,182,496</u></u> | <u><u>\$ 7,394,276</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 21,675 | \$ 14,833 |
| Accrued payment in lieu of taxes | 11,033 | 10,793 |
| Miscellaneous current liabilities | 28,127 | 23,926 |
| Residual receipts available for recapture | 610 | 450 |
| Prepaid rent | 2,376 | 1,364 |
| Total current liabilities | <u>63,821</u> | <u>51,366</u> |
| Deposit liabilities | | |
| Tenant deposits held in trust (contra) | <u>27,558</u> | <u>27,125</u> |
| Long-term liabilities | | |
| Capital advance - HUD Section 202 | <u>7,552,000</u> | <u>7,552,000</u> |
| Total liabilities | <u>7,643,379</u> | <u>7,630,491</u> |
| Net assets | | |
| Net deficit without donor restrictions | (1,694,483) | (1,469,815) |
| Net assets with donor restrictions | 1,233,600 | 1,233,600 |
| Total net assets | <u>(460,883)</u> | <u>(236,215)</u> |
| | <u><u>\$ 7,182,496</u></u> | <u><u>\$ 7,394,276</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, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| Revenue | | |
| Rental income | \$ 664,047 | \$ 630,872 |
| Interest income | 1,891 | 1,863 |
| Other income | <u>7,747</u> | <u>6,492</u> |
| Total revenue | <u>673,685</u> | <u>639,227</u> |
| Expenses | | |
| Program services | 812,162 | 759,204 |
| Management and general | <u>86,191</u> | <u>82,247</u> |
| Total expenses | <u>898,353</u> | <u>841,451</u> |
| Increase in net deficit without donor restriction | (224,668) | (202,224) |
| Net deficit without donor restriction - beginning | <u>(1,469,815)</u> | <u>(1,267,591)</u> |
| Net deficit without donor restriction - ending | <u><u>\$ (1,694,483)</u></u> | <u><u>\$ (1,469,815)</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 Functional Expenses
For the Years Ended September 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|--------------------------------|---------------------|------------------------------|-------------------|---------------------|------------------------------|-------------------|
| | Program Services | Management and General | Total Expenses | Program Services | Management and General | Total Expenses |
| Administrative | \$ 49,131 | \$ 40,291 | \$ 89,422 | \$ 58,160 | \$ 36,347 | \$ 94,507 |
| Management fee | - | 45,900 | 45,900 | - | 45,900 | 45,900 |
| Utilities | 78,824 | - | 78,824 | 79,758 | - | 79,758 |
| Operating and maintenance | 217,083 | - | 217,083 | 150,093 | - | 150,093 |
| Depreciation and amortization | 244,516 | - | 244,516 | 243,673 | - | 243,673 |
| Taxes and insurance | 192,441 | - | 192,441 | 197,236 | - | 197,236 |
| Recapture of residual receipts | 160 | - | 160 | 450 | - | 450 |
| Other elderly care expenses | 30,007 | - | 30,007 | 29,834 | - | 29,834 |
| | <u>\$ 812,162</u> | <u>\$ 86,191</u> | <u>\$ 898,353</u> | <u>\$ 759,204</u> | <u>\$ 82,247</u> | <u>\$ 841,451</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, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Cash received | | |
| Rental income | \$ 667,077 | \$ 629,813 |
| Interest | 1,891 | 1,863 |
| Other | 6,759 | 5,437 |
| Cash disbursed | | |
| Administrative and operating expenses | | |
| Administrative expense | (124,192) | (155,093) |
| Utilities | (78,824) | (79,758) |
| Operating and maintenance | (217,083) | (150,093) |
| Taxes and insurance | (192,441) | (197,862) |
| Other operating expenses | <u>(30,007)</u> | <u>(29,834)</u> |
| Net cash provided by operating activities | <u>33,180</u> | <u>24,473</u> |
| Cash flows from investing activities | | |
| Deposits to reserve for replacement account | (41,072) | (41,019) |
| Deposits to residual receipts account | (96) | (64) |
| Recapture of residual receipts | (450) | 3,493 |
| Purchase of building improvements and equipment | <u>(20,018)</u> | <u>(2,088)</u> |
| Net cash used in investing activities | <u>(61,636)</u> | <u>(39,678)</u> |
| Net decrease in cash | (28,456) | (15,205) |
| Cash - beginning | <u>63,943</u> | <u>79,148</u> |
| Cash - ending | <u><u>\$ 35,487</u></u> | <u><u>\$ 63,943</u></u> |
| Reconciliation of increase in net deficit without donor restriction to net cash provided by operating activities | | |
| Increase in net deficit without donor restriction | \$ (224,668) | \$ (202,224) |
| Adjustments to reconcile increase in net deficit without donor restriction to net cash provided by operating activities | | |
| Depreciation and amortization | 244,516 | 243,673 |
| Decrease (increase) in tenant accounts receivable | 2,018 | (1,010) |
| Increase in accounts receivable - HUD | (1,375) | (1,055) |
| Decrease in accounts receivable - other | 387 | - |
| Increase in prepaid expenses | (153) | (585) |
| Increase (decrease) in accounts payable | 6,842 | (11,664) |
| Increase in other current liabilities | 5,453 | 381 |
| Increase (decrease) in residual receipts available for recapture | <u>160</u> | <u>(3,043)</u> |
| Net cash provided by operating activities | <u><u>\$ 33,180</u></u> | <u><u>\$ 24,473</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 of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the corporation. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the corporation, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Corporation has no funds that are subject to donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Functional allocation of expenses - The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Whenever possible, costs are charged directly to the function benefited. However, administrative costs have been allocated between program and supporting services benefited. Such allocations are determined by management on an equitable basis utilizing the time and effort method of allocation.

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.

Assets capitalized generally have an original cost of \$2,000 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.

Newly Adopted Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about the liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has implemented ASU 2016-14 and has adjusted the presentation in the financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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 corporation 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 fiscal years beginning after December 15, 2018 (with early adoption permitted) and may be adopted either by restating all years presented in the corporation's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. The corporation is assessing the potential impact this guidance will have on its financial statements.

Subsequent events - Subsequent events were evaluated through December 6, 2019, the date the financial statement were available to be issued.

Note 3: LIQUIDITY AND AVAILABILITY

At September 30, 2019 the Corporation has \$38,567 in cash and cash equivalents available to meet needs for general expenditures consisting of cash of \$35,487 and \$3,080 of accounts receivable. None of the financial assets are subject to donor or other contractual restrictions. Accordingly all such funds are available to meet the cash needs of the project in the next twelve months. In addition, the Corporation may maintain funds in a reserve for replacement or residual receipts. These funds are used for the benefit of the tenants and/or the Corporation and are required by HUD. The funds may be withdrawn only with the approval of HUD. Such funds are not considered by the Corporation to have donor-restrictions.

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Corporation are expected to be met on a monthly basis from the rents of project units. In general, the Corporation maintains sufficient financial assets on hand to meet 30 days worth of normal operating expenses.

Note 4: 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 \$558,580 and \$517,507 at September 30, 2019 and 2018, respectively.

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

Note 5: RESIDUAL RECEIPTS ACCOUNT

Management is required to establish a residual receipts account for any surplus cash as defined by HUD. In accordance with a HUD Memo issued in June 2015, 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 \$19,360 and \$18,814 as of September 30, 2019 and 2018, respectively. \$3,493 was recaptured by HUD during 2018. Residual receipts available for recapture are \$610 and \$450 and are recorded as a liability on the statements of net position, as of September 30, 2019 and 2018, respectively.

Note 6: LAND, BUILDING AND EQUIPMENT

Land, building, and equipment consists of the following:

| | September 30, | |
|--------------------------------|----------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Land | \$ 525,000 | \$ 525,000 |
| Buildings and improvements | 9,599,168 | 9,592,548 |
| Furniture and equipment | <u>142,300</u> | <u>131,762</u> |
| | 10,266,468 | 10,249,310 |
| Less: accumulated depreciation | <u>3,747,338</u> | <u>3,505,681</u> |
| Land, building, and equipment | <u><u>\$ 6,519,130</u></u> | <u><u>\$ 6,743,629</u></u> |

Note 7: 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.

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

Note 8: NET ASSETS WITH DONOR RESTRICTIONS

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. The contribution is time restricted.

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 net assets with donor restriction for the years ended September 30, 2019 and 2018.

Note 9: 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 time restricted until HUD releases the funds back to the owner. It is included in net assets with donor restriction.

Note 10: 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 \$370,829 and \$336,421 in rental assistance payments for the years ended September 30, 2019 and 2018, respectively.

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

Note 11: 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. The management fee and accounting/bookkeeping fee is \$51.00 and \$11.58 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 were \$56,322 for both years ended September 30, 2019 and 2018.

Note 12: 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, 2019 and 2018, the Corporation had uninsured cash balances of \$359,678 and \$388,007, 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, 2018.

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

SUPPLEMENTARY INFORMATION
REQUIRED BY THE DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT (HUD)

FOR THE YEARS ENDED

SEPTEMBER 30, 2019 AND 2018

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

HUD PROJECT NO. 035-EE045

Statements of Financial Position Data

As of September 30, 2019 and 2018

| <u>Account No.</u> | | <u>2019</u> | <u>2018</u> |
|------------------------|---|--------------|--------------|
| ASSETS | | | |
| | Current assets | | |
| 1120 | Cash - operations | \$ 21,887 | \$ 50,312 |
| 1121 | Construction cash account | 10,927 | 10,961 |
| 1125 | Cash - entity | 2,673 | 2,671 |
| 1130 | Tenant accounts receivable | 3,609 | 2,227 |
| 1131 | Allowance for doubtful accounts | (3,400) | - |
| 1135 | Accounts receivable - HUD | 2,430 | 1,055 |
| 1140 | Accounts receivable | 441 | 827 |
| 1200 | Prepaid property/liability insurance | 19,301 | 19,148 |
| 1100T | Total current assets | 57,868 | 87,201 |
| | Deposits held in trust - funded | | |
| 1191 | Tenant deposits - held in trust | 27,558 | 27,125 |
| | Restricted deposits and funded reserves | | |
| 1320 | Replacement reserve | 558,580 | 517,507 |
| 1340 | Residual receipts reserve | 19,360 | 18,814 |
| 1300T | Total restricted deposits and funded reserves | 577,940 | 536,321 |
| | Property and equipment | | |
| 1410 | Land | 525,000 | 525,000 |
| 1420 | Building | 9,493,738 | 9,493,738 |
| 1440 | Equipment | 105,430 | 98,810 |
| 1450 | Furniture for project/tenant use | 66,938 | 59,711 |
| 1460 | Furnishings | 75,362 | 72,051 |
| 1400T | Total fixed assets | 10,266,468 | 10,249,310 |
| 1495 | Accumulated depreciation | (3,747,338) | (3,505,681) |
| 1400N | Net fixed assets | 6,519,130 | 6,743,629 |
| 1000T | Total assets | \$ 7,182,496 | \$ 7,394,276 |

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

HUD PROJECT NO. 035-EE045

Statements of Financial Position Data (continued)

As of September 30, 2019 and 2018

| | | <u>2019</u> | <u>2018</u> |
|-----------------------------------|--|---------------------|---------------------|
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| 2110 | Accounts payable | \$ 21,675 | \$ 14,833 |
| 2150 | Accrued property tax | 11,033 | 10,793 |
| 2190-10 | Accounts payable - HUD | 610 | 450 |
| 2190-20 | Accrued payroll | 23,659 | 20,965 |
| 2190-40 | Miscellaneous current liabilities | 4,468 | 2,961 |
| 2210 | Prepaid rent | <u>2,376</u> | <u>1,364</u> |
| 2122T | Total current liabilities | <u>63,821</u> | <u>51,366</u> |
| Deposit liabilities | | | |
| 2191 | Tenant deposits held in trust (contra) | <u>27,558</u> | <u>27,125</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>7,643,379</u> | <u>7,630,491</u> |
| Net assets | | | |
| 3131 | Net deficit without donor restrictions | (1,694,483) | (1,469,815) |
| 3132 | Net assets with donor restrictions | <u>1,233,600</u> | <u>1,233,600</u> |
| 3130T | Total net assets | <u>(460,883)</u> | <u>(236,215)</u> |
| 2033T | Total liabilities and net assets | <u>\$ 7,182,496</u> | <u>\$ 7,394,276</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, 2019 and 2018

| <u>Account No.</u> | | <u>2019</u> | <u>2018</u> |
|------------------------|---|-------------|-------------|
| | Revenue | | |
| 5120 | Gross potential rent revenue | \$ 304,171 | \$ 307,079 |
| 5121 | Tenant assistance payments from HUD | 370,829 | 336,421 |
| 5100T | Total potential rent revenue | 675,000 | 643,500 |
| 5220 | Vacancies - apartments | (10,953) | (12,628) |
| 5152N | Net rental revenue | 664,047 | 630,872 |
| 5410 | Revenue from investments - project | 203 | 260 |
| 5430 | Revenue from investments - residual receipts | 96 | 64 |
| 5440 | Revenue from investments - reserve for replacements | 1,592 | 1,539 |
| 5400T | Total financial revenue | 1,891 | 1,863 |
| 5910 | Laundry revenue | 4,557 | 4,956 |
| 5920 | Tenant charges | 3,190 | 1,442 |
| 5990 | Miscellaneous revenue | - | 94 |
| 5900T | Total other revenue | 7,747 | 6,492 |
| 5000T | Total revenue | 673,685 | 639,227 |
| | Expenses | | |
| 6210 | Advertising and marketing | - | 71 |
| 6250 | Other renting expenses | 272 | 339 |
| 6311 | Office expenses | 9,026 | 9,205 |
| 6320 | Management fee | 45,900 | 45,900 |
| 6340 | Legal expenses | 45 | 731 |
| 6350 | Audit expense | 14,500 | 13,900 |
| 6351 | Bookkeeping fees | 10,422 | 10,422 |
| 6370 | Bad debts | 3,400 | - |
| 6390 | Miscellaneous administrative expenses | 51,757 | 59,839 |
| 6263T | Total administrative expenses | 135,322 | 140,407 |
| 6450 | Electricity | 29,129 | 30,260 |
| 6451 | Water | 14,669 | 14,258 |
| 6452 | Gas | 23,737 | 24,242 |
| 6453 | Sewer | 11,289 | 10,998 |
| 6400T | Total utilities expense | 78,824 | 79,758 |

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, 2019 and 2018

| <u>Account No.</u> | | <u>2019</u> | <u>2018</u> |
|------------------------|---|---------------------|---------------------|
| 6515 | Supplies | \$ 21,951 | \$ 6,808 |
| 6520 | Contracts | 26,015 | 13,403 |
| 6525 | Garbage and trash removal | 5,367 | 5,340 |
| 6530 | Security contract | 90,302 | 79,540 |
| 6546 | Heating/cooling repairs and maintenance | 15,446 | 2,016 |
| 6548 | Snow removal | 90 | 98 |
| 6570 | Repairs and maintenance | 9,611 | 1,220 |
| 6590 | Miscellaneous operating and maintenance expenses | <u>48,301</u> | <u>41,668</u> |
| 6500T | Total operating and maintenance | <u>217,083</u> | <u>150,093</u> |
| 6710 | Real estate taxes | 43,618 | 43,256 |
| 6720 | Property & liability insurance (hazard) | 33,886 | 33,075 |
| 6790 | Miscellaneous taxes, licenses, permits, and insurance | <u>114,937</u> | <u>120,905</u> |
| 6700T | Total taxes and insurance | <u>192,441</u> | <u>197,236</u> |
| 6890 | Recapture of residual receipts - payable | <u>160</u> | <u>450</u> |
| 6900 | Other elderly care expenses | <u>30,007</u> | <u>29,834</u> |
| 6000T | Total cost of operations before depreciation | <u>653,837</u> | <u>597,778</u> |
| 5060T | Change in net assets before depreciation | 19,848 | 41,449 |
| 6600 | Depreciation expenses | <u>244,516</u> | <u>243,673</u> |
| 5060N | Operating loss | <u>(224,668)</u> | <u>(202,224)</u> |
| 3247 | Change in unrestricted net assets from operations | <u>(224,668)</u> | <u>(202,224)</u> |
| 3250 | Change in total net assets from operations | <u>\$ (224,668)</u> | <u>\$ (202,224)</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, 2019 and 2018

| <u>Account No.</u> | | <u>2019</u> | <u>2018</u> |
|------------------------|---|------------------|------------------|
| | Cash flows from operating activities | | |
| S1200-010 | Rental receipts | \$ 667,077 | \$ 629,813 |
| S1200-020 | Interest receipts | 1,891 | 1,863 |
| S1200-030 | Other operating receipts | 6,759 | 5,437 |
| | Administrative and operating expenses | | |
| S1200-050 | Administrative expense | (124,192) | (155,093) |
| S1200-090 | Utilities | (78,824) | (79,758) |
| S1200-110 | Operating and maintenance | (217,083) | (150,093) |
| S1200-140 | Taxes and insurance | (192,441) | (197,862) |
| S1200-170 | Other operating expenses | <u>(30,007)</u> | <u>(29,834)</u> |
| S1200-240 | Net cash provided by operating activities | <u>33,180</u> | <u>24,473</u> |
| | Cash flows from investing activities | | |
| S1200-250 | Net deposits to reserve for replacement account | (41,072) | (41,019) |
| S1200-260 | Net deposits to residual receipts account | (546) | 3,429 |
| S1200-330 | Net purchase of fixed assets | <u>(20,018)</u> | <u>(2,088)</u> |
| S1200-350 | Net cash used in investing activities | <u>(61,636)</u> | <u>(39,678)</u> |
| S1200-470 | Net increase (decrease) in cash | (28,456) | (15,205) |
| S1200-480 | Cash - beginning | <u>63,943</u> | <u>79,148</u> |
| S1200T | Cash - ending | <u>\$ 35,487</u> | <u>\$ 63,943</u> |
| | Reconciliation of increase in unrestricted net deficit to net cash provided by operating activities | | |
| 3250 | Increase in unrestricted net deficit | \$ (224,668) | \$ (202,224) |
| | Adjustments to reconcile decrease in unrestricted net deficit to net cash provided by operating activities | | |
| 6600 | Depreciation expense | 244,516 | 243,673 |
| S1200-490 | Decrease (increase) in tenant accounts receivable | 2,018 | (1,010) |
| S1200-500 | Increase in accounts receivable - other | (988) | (1,055) |
| S1200-520 | Increase in prepaid expenses | (153) | (585) |
| S1200-540 | Increase (decrease) in accounts payable | 6,842 | (11,664) |
| S1200-560 | Increase in accrued liabilities | 5,453 | 381 |
| S1200-601 | Increase (decrease) in residual receipts available for recapture | <u>160</u> | <u>(3,043)</u> |
| S1200-610 | Net cash provided by operating activities | <u>\$ 33,180</u> | <u>\$ 24,473</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, 2019 and 2018**

| | | Balance October 1, 2018 | Additions | Deductions | Balance September 30, 2019 |
|------|--------------------------|----------------------------|-------------------|-----------------|-------------------------------|
| 1410 | Land | \$ 525,000 | \$ - | \$ - | \$ 525,000 |
| 1420 | Building | 9,592,548 | 7,970 | 1,350 | 9,599,168 |
| 1450 | Equipment | 131,762 | 16,350 | 5,812 | 142,300 |
| | | <u>\$ 10,249,310</u> | <u>\$ 24,320</u> | <u>\$ 7,162</u> | <u>\$ 10,266,468</u> |
| | Accumulated depreciation | <u>\$ 3,505,681</u> | <u>\$ 244,516</u> | <u>\$ 2,859</u> | <u>\$ 3,747,338</u> |
| | | | | | |
| | | Balance October 1, 2017 | Additions | Deductions | Balance September 30, 2018 |
| 1410 | Land | \$ 525,000 | \$ - | \$ - | \$ 525,000 |
| 1420 | Building | 9,590,460 | 2,088 | - | 9,592,548 |
| 1450 | Equipment | 131,762 | - | - | 131,762 |
| | | <u>\$ 10,247,222</u> | <u>\$ 2,088</u> | <u>\$ -</u> | <u>\$ 10,249,310</u> |
| | Accumulated depreciation | <u>\$ 3,262,008</u> | <u>\$ 243,673</u> | <u>\$ -</u> | <u>\$ 3,505,681</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, 2019 and 2018**

| | | <u>2019</u> | <u>2018</u> |
|---------|----------------------------------|-------------------|-------------------|
| 1320P | Beginning balance | \$ 517,507 | \$ 476,488 |
| 1320DT | Total monthly deposits | 39,480 | 39,480 |
| 1320INT | Other deposits - interest income | <u>1,593</u> | <u>1,539</u> |
| 1320 | Ending balance | <u>\$ 558,580</u> | <u>\$ 517,507</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, 2019 and 2018**

| | | <u>2019</u> | <u>2018</u> |
|-----------|-------------------------------------|--------------------|---------------|
| S1300-010 | Cash at year end | \$ 49,445 | \$ 77,436 |
| 1135 | Accounts receivable - HUD | <u>2,430</u> | <u>1,055</u> |
| S1300-040 | Total cash | <u>51,875</u> | <u>78,491</u> |
| | Current obligations | | |
| S1300-075 | Accounts payable due within 30 days | 21,675 | 14,833 |
| S1300-100 | Accrued expenses | 23,659 | 20,965 |
| S1300-100 | Accrued payment in lieu of taxes | 11,033 | 10,793 |
| 2190-10 | Accounts payable - HUD | - | - |
| 2191 | Tenant security deposits | 27,558 | 27,125 |
| 2210 | Prepaid rent | 2,376 | 1,364 |
| S1300-110 | Other current obligations | <u>4,468</u> | <u>2,961</u> |
| S1300-140 | Total current obligations | <u>90,769</u> | <u>78,041</u> |
| S1300-150 | Surplus cash (deficiency) | <u>\$ (38,894)</u> | <u>\$ 450</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, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|------------------|------------------|
| Beginning balance | \$ 18,814 | \$ 22,243 |
| Deposits | 450 | - |
| Other deposits - interest income | 96 | 64 |
| HUD reserve recapture | <u>-</u> | <u>(3,493)</u> |
| Ending balance | <u>\$ 19,360</u> | <u>\$ 18,814</u> |

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

SINGLE AUDIT SECTION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

**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, 2019, 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 December 6, 2019.

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 opinion 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 weaknesses. However, material weaknesses 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 6, 2019

**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.

Report on Compliance for Each Major Federal Program

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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal award 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, 2019.

**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.

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 6, 2019

SHEPHERD'S FARM SENIOR HOUSING AT WEST DEPTFORD, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

| <u>Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass- Through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</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 | N/A | - | 7/1/2005- 7/1/2045 | \$ 7,552,000 |
| Section 202 – Supportive Housing for Elderly – Rental Assistance | 14.157 | N/A | - | 10/1/2018- 9/30/2019 | <u>370,829</u> |
| | | | | | <u>\$ 7,922,829</u> |

Total expenditures of federal awards

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, 2019

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, 2019. 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, 2019.

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, 2019 as required by HUD.

Note 5: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

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

Schedule of Findings and Questioned Costs

Part I - Summary of Auditor's 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 auditor's 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): | None noted |
| 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 -

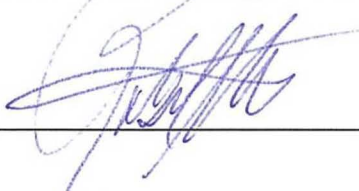
Part V - Status of Prior Year Federal Award
Findings and Questioned Costs

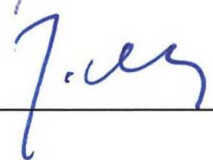
- NOT APPLICABLE -

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.





12/6/2019
Date


12/7/19
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: 12/6/19

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), on whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Administrative Requirements reporting package. Shepherd's Farm Senior Housing at West Deptford, Inc. is responsible for accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of Shepherd's Farm Senior Housing at West Deptford, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either 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 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 OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for Shepherd's Farm Senior Housing at West Deptford, Inc. as of and for the year ended September 30, 2019, and have issued our reports thereon dated December 6, 2019. 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 6, 2019, 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 OMB Uniform Administrative Requirements, 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, REAC.

The purpose of this report on applying the agreed-upon procedure 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.

Bowman & Company LLP
 BOWMAN & COMPANY LLP
 Certified Public Accountants

Woodbury, New Jersey
 December 6, 2019

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

| UFRS Rule Information | Hard Copy Documents | Findings |
|--|--|-----------------|
| 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, Compliance, and Internal Control | Agrees |
| Type of Opinion on Financial Data Templates (i.e., Supplemental Data) (account S3400-100) | Auditor's Supplemental Report on Financial Data Templates | Agrees |
| Audit 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 |

AUDITOR'S IDENTIFICATION INFORMATION

December 6, 2019

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, 2019 and 2018 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 6, 2019