

AGENDA

ANN ARBOR AFFORDABLE HOUSING CORPORATION (DBA Lurie Terrace)

REGULAR MEETING

March 20, 2024

Meeting Time and Location: **7:30 pm**
Virtual on Zoom

- I. APPROVAL OF AGENDA
- II. APPROVAL OF MINUTES
 - A. Regular Board Meeting Minutes of September 20, 2023
- III. NEW BUSINESS
 - A. Current Financials
 - B. Audit Letter
 - C. Auditor's Report
 - D. Resolution 24-1 to approve the FY23 Audit
 - E. HUD Reserve for Replacement Letter
- IV. ADJOURNMENT

MINUTES

ANN ARBOR AFFORDABLE HOUSING CORPORATION

REGULAR MEETING

September 20, 2023

Meeting Time and Location: 7:30 p.m.

In-Person at West Arbor Community Center
Maple Road

President Meadows convened the meeting around 7:35 p.m.

Board Members present: Jennifer Hall, Deanna Boer, Lee Meadows, Matt Weber,

Board Members absent: Patricia Jenkins, Steven Daniels, Thierry Batalonga

I. Approval of Agenda

Weber moved and *Boer* seconded.

Motion approved 4 – 0 (Hall, Boer, Meadows, Weber - yes, 0 – no)

II. Approval of Minutes

A. Regular Board Meeting Minutes of June 21, 2023

Boer moved and *Hall* seconded.

Motion approved 4 – 0 (Hall, Boer, Meadows, Weber - yes, 0 – no)

III. New Business

A. Resolution 23-5 Bloom Roof Contract

Hall moved and *Boer* seconded to appoint Weber to board.

Motion approved 4 – 0 (Hall, Boer, Meadows, Weber - yes, 0 – no)

B. Review Financial Statements

IV. Adjournment

Daniels moved and *Boer* seconded. Meeting adjourned at 7:48 p.m.

Lurie Terrace/AAAHC (Lurie)

Balance Sheet

Period = Feb 2024

Book = Accrual ; Tree = ysi_bs

		Current Balance
1000-00-000	ASSETS	
1100-00-000	CASH	
1110-00-000	Unrestricted Cash	
1111-55-000	Gen Operating Account - AAAHC - Lurie Terrace	281,923
1111-99-000	Total Unrestricted Cash	<u>281,923</u>
1112-00-000	Restricted Cash	
1112-01-000	Cash Restricted-Security Deposits	73,095
1112-07-000	Cash-Restricted-Repl Reserve	452,302
1112-08-000	Cash-Restricted-Insurance Escrow	18,916
1112-15-000	Cash Restricted-Regions - MIP Reserve	12,405
1112-17-000	Cash Restricted-Residual Receipts Reserve	51,811
1112-99-000	Total Restricted Cash	<u>608,530</u>
1119-00-000	TOTAL CASH	890,452
1120-00-000	ACCOUNTS AND NOTES RECEIVABLE	
1122-00-000	A/R-Tenants	8,206
1123-02-000	A/R-PBV Subsidy	284
1135-07-000	A/R-AAHC	2,924
1149-00-000	TOTAL ACCOUNTS AND NOTES RECEIVABLE	<u>11,414</u>
1160-00-000	OTHER CURRENT ASSETS	
1211-00-000	Prepaid Insurance	61,152
1211-02-000	Prepaid Other	11,826
1299-00-000	TOTAL OTHER CURRENT ASSETS	<u>72,978</u>
1300-00-000	TOTAL CURRENT ASSETS	974,844
1400-01-000	FIXED ASSETS	
1400-05-000	Land	434,000
1400-05-501	Land Improvements-Cost	143,273
1400-06-000	Buildings	3,590,385
1400-07-000	Dwelling Equipment & Furniture	118,000
1400-08-000	Furniture and Equipment-Admin.	82,001
1400-10-500	Building Improvements	1,037,336
1400-11-000	Construction In Progress	308,867
1405-01-000	Accum Depreciation-Buildings	(439,928)
1405-01-500	Accum Depreciation-Buildings	(78,839)
1405-02-000	Accum Depreciation-Furn & Equip Dwellings	(55,067)
1405-90-000	TOTAL FIXED ASSETS	<u>5,140,028</u>
1499-00-000	TOTAL NONCURRENT ASSETS	5,140,028
1999-00-000	TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCE:	6,114,872
2111-00-000	A/P Vendors and Contractors	166,929
2114-00-000	Tenant Security Deposits	68,985
2114-01-000	Security Deposit-Pet	1,350

2119-91-000	Accrued Payable	(676)
2130-00-000	Current Portion of LT Debt	89,248
2135-00-000	Accrued Payroll & Payroll Taxes	(0)
2135-10-000	Accrued Compensated Absences-ST	6,676
2200-00-000	Deferred Revenue	199,587
2240-00-000	Tenant Prepaid Rents	24,713
2299-00-000	TOTAL CURRENT LIABILITIES	<u>556,812</u>
2305-00-000	Accrued Compensated Absences-LT	6,390
2310-10-503	Mortgage Payable - Perm Debt	4,137,955
2310-10-505	Debt Issuance Costs	(293,175)
2310-10-506	Debt Issuance Costs - Acc Amortization	25,129
2399-00-000	TOTAL NONCURRENT LIABILITIES	<u>3,876,299</u>
2499-00-000	TOTAL LIABILITIES	<u>4,433,110</u>
2809-00-000	RETAINED EARNINGS:	
2809-02-000	Retained Earnings-Current Year	99,653
2809-04-000	Unrestricted Net Assets	1,582,109
2809-99-000	TOTAL RETAINED EARNINGS:	<u>1,681,762</u>
2899-00-000	TOTAL EQUITY	<u>1,681,762</u>
2999-00-000	TOTAL LIABILITIES AND EQUITY	<u>6,114,872</u>
9999-99-000	TOTAL OF ALL	<u>-</u>

Lurie Terrace/AAHC (Lurie)
Budget Comparison
 Period = Feb 2024
 Book = Accrual ; Tree = ysl_is

	PTD Actual	PTD Budget	Variance	% Var	YTD Actual	YTD Budget	Variance	% Var	Annual	
3100-00-000	TENANT INCOME									
3101-00-000	Rental Income									
3111-00-000	Tenant Rent	81,160	88,057	(6,897)	(8)	648,646	704,456	(55,810)	(8)	1,056,684
3112-02-000	RAD PBV Housing Assistance Payment(HAP)	37,376	26,544	10,832	41	221,517	212,352	9,165	4	318,528
3113-00-000	Less: Unpaid Vacancies	(4,471)	(5,730)	1,259	22	(38,819)	(45,840)	7,021	15	(68,761)
3114-00-000	Less: Concessions	-	-	-	N/A	(1,708)	-	(1,708)	N/A	-
3119-00-000	Total Rental Income	114,065	108,871	5,194	5	829,636	870,968	(41,332)	(5)	1,306,451
3120-00-000	Other Tenant Income									
3120-01-000	Laundry and Vending	658	633	25	4	5,078	5,064	14	0	7,600
3120-03-000	Damages	-	167	(167)	(100)	1,238	1,336	(98)	(7)	2,000
3120-04-000	Late Charges	160	100	60	60	840	800	40	5	1,200
3120-05-000	Legal Fees - Tenant	-	-	-	N/A	-	500	(500)	(100)	500
3120-06-000	NSF Charges	20	-	20	N/A	20	-	20	N/A	-
3120-10-000	Tenant Parking Fees	2,665	2,700	(35)	(1)	20,597	21,600	(1,003)	(5)	32,400
3120-12-000	Tenant Medical Alert Charges	420	-	420	N/A	3,320	-	3,320	N/A	-
3129-00-000	Total Other Tenant Income	3,923	3,600	323	9	31,093	29,300	1,793	6	43,700
3199-00-000	NET TENANT INCOME	117,988	112,471	5,517	5	860,729	900,268	(39,539)	(4)	1,350,151
3400-00-000	GRANT INCOME									
3406-00-000	PBV Vacancy Payments	2,924	6,147	(3,223)	(52)	18,067	49,176	(31,109)	(63)	73,761
3418-00-000	Grant Revenue	11,505	34,167	(22,662)	(66)	224,437	273,336	(48,899)	(18)	410,000
3499-00-000	TOTAL GRANT INCOME	14,429	40,314	(25,885)	(64)	242,504	322,512	(80,008)	(25)	483,761
3610-00-000	Investment Income - Unrestricted	901	100	801	801	6,440	800	5,640	705	1,200
3670-01-000	Donations	85	300	(215)	(72)	23,401	2,400	21,001	875	3,600
3699-00-000	TOTAL OTHER INCOME	85	300	(215)	(72)	23,401	2,400	21,001	875	3,600
3999-00-000	TOTAL INCOME	133,403	153,185	(19,782)	(13)	1,133,074	1,225,980	(92,906)	(8)	1,838,712
4000-00-000	EXPENSES									
4100-00-000	ADMINISTRATIVE									
4100-99-000	Administrative Salaries									
4110-60-000	Contract-Property Management	22,013	21,772	(241)	(1)	161,681	174,176	12,495	7	261,266
4110-61-000	Contract Property Management-OT	144	225	81	36	1,448	1,800	352	20	2,700
4110-99-000	Total Administrative Salaries	22,157	21,997	(160)	(1)	163,129	175,976	12,847	7	263,966
4130-00-000	Legal Expense									
4130-02-000	Criminal Background Checks	-	-	-	N/A	13	-	(13)	N/A	-
4130-04-000	General Legal Expense	-	100	100	100	-	800	800	100	1,200
4131-00-000	Total Legal Expense	-	100	100	100	13	800	787	98	1,200
4139-00-000	Other Admin Expenses									
4140-00-000	Staff Training	-	167	167	100	1,586	1,336	(250)	(19)	2,000
4150-00-000	Travel	75	-	(75)	N/A	245	120	(125)	(104)	120
4171-00-000	Auditing Fees	-	-	-	N/A	14,500	14,500	-	-	14,500
4173-00-000	Management Fee	6,904	6,593	(311)	(5)	50,240	52,744	2,504	5	79,111
4176-00-000	IT Charges and Support	2,527	2,208	(319)	(14)	20,210	17,664	(2,546)	(14)	26,500
4182-00-000	Consultants	4,390	100	(4,290)	(4,290)	39,391	800	(38,591)	(4,824)	1,200
4183-00-000	Inspections	-	500	500	100	10,205	4,000	(6,205)	(155)	6,000
4189-00-000	Total Other Admin Expenses	13,896	9,568	(4,328)	(45)	136,378	91,164	(45,214)	(50)	129,431
4190-00-000	Miscellaneous Admin Expenses									
4190-01-000	Membership and Fees	-	-	-	N/A	10	-	(10)	N/A	-
4190-04-000	Office Supplies	470	417	(53)	(13)	9,244	3,336	(5,908)	(177)	5,000
4190-07-000	Telephone	327	500	173	35	2,531	4,000	1,469	37	6,000
4190-12-000	Software	14	-	(14)	N/A	115	-	(115)	N/A	-
4190-13-000	Printing Expenses	-	-	-	N/A	246	320	74	23	320
4190-20-000	Bank Fees	(715)	167	882	528	3,256	1,336	(1,920)	(144)	2,000
4190-22-000	Other Misc Admin Expenses	50	-	(50)	N/A	110	-	(110)	N/A	-
4191-00-000	Total Miscellaneous Admin Expenses	147	1,084	937	86	15,513	8,992	(6,521)	(73)	13,320
4199-00-000	TOTAL ADMINISTRATIVE EXPENSES	36,199	32,749	(3,450)	(11)	315,034	276,932	(38,102)	(14)	407,917
4200-00-000	TENANT SERVICES									
4220-00-000	Resident Council	-	-	-	N/A	3,400	-	(3,400)	N/A	3,400
4220-01-000	Other Tenant Svcs.	7,600	750	(6,850)	(913)	16,457	6,000	(10,457)	(174)	9,000
4230-00-000	Tenant Services Contract Costs	-	238	238	100	-	1,904	1,904	100	2,850
4299-00-000	TOTAL TENANT SERVICES EXPENSES	7,600	988	(6,612)	(669)	19,857	7,904	(11,953)	(151)	15,250
4310-00-000	Water	-	3,083	3,083	100	17,417	24,664	7,247	29	37,000
4320-00-000	Electricity	11,835	9,167	(2,668)	(29)	76,909	73,336	(3,573)	(5)	110,000
4330-00-000	Gas	296	242	(54)	(22)	1,123	1,936	813	42	2,900
4350-00-000	Comcast Internet	285	-	(285)	N/A	3,869	-	(3,869)	N/A	-
4399-00-000	TOTAL UTILITY EXPENSES	12,416	12,492	76	1	99,319	99,936	617	1	149,900
4410-03-000	Maintenance - Temporary Labor	-	100	100	100	-	800	800	100	1,200
4410-50-000	Contract Employees Maintenance	14,659	12,520	(2,139)	(17)	108,497	100,160	(8,337)	(8)	150,243
4410-51-000	Contract Employees-Maint-OT	809	333	(476)	(143)	5,505	2,664	(2,841)	(107)	4,000
4411-00-000	Maintenance Uniforms	685	-	(685)	N/A	761	600	(161)	(27)	600
4419-00-000	Total General Maint Expense	16,153	12,953	(3,200)	(25)	114,763	104,224	(10,539)	(10)	156,043
4420-00-000	Materials									
4420-01-000	Grounds Supplies	138	300	162	54	1,229	2,400	1,171	49	3,600
4420-02-000	Appliance Parts Supplies	200	117	(83)	(71)	241	936	695	74	1,400
4420-03-000	Window Treatment Supplies	481	200	(281)	(140)	711	1,600	889	56	2,400
4420-04-000	Electrical Supplies	304	183	(121)	(66)	1,945	1,464	(481)	(33)	2,200
4420-06-000	Janitorial/Cleaning Supplies	247	200	(47)	(24)	1,584	1,600	16	1	2,400
4420-07-000	Maint/Repairs/Supplies	42	100	58	58	423	800	377	47	1,200
4420-08-000	Plumbing Supplies	204	333	129	39	4,137	2,664	(1,473)	(55)	4,000
4420-09-000	Tools and Equipment	-	50	50	100	2,271	400	(1,871)	(468)	600
4420-11-000	Paint Supplies	74	267	193	72	1,135	2,136	1,001	47	3,200
4420-13-000	HVAC Supplies	474	333	(141)	(42)	4,003	2,664	(1,339)	(50)	4,000
4420-15-000	Locks & Keys	10	125	115	92	678	1,000	322	32	1,500
4420-21-000	Fire/Life/Safety Expenses & Supplies	1,888	833	(1,055)	(127)	11,664	6,664	(5,000)	(75)	10,000
4420-22-000	Fleet Expenses	627	217	(410)	(189)	1,393	1,736	343	20	2,600
4420-23-000	Appliances	-	417	417	100	15,902	3,336	(12,566)	(377)	5,000
4429-00-000	Total Materials	4,688	3,675	(1,013)	(28)	47,315	29,400	(17,915)	(61)	44,100

4430-00-000	Contract Costs									
4430-01-000	Fire Extinguisher Contract Costs	-	167	167	100	1,216	1,336	120	9	2,000
4430-03-000	Building Repairs Contract Costs	4,500	33,333	28,833	87	8,780	266,664	257,884	97	400,000
4430-04-000	Carpet Cleaning Contract Costs	330	267	(63)	(24)	3,354	2,136	(1,218)	(57)	3,200
4430-05-000	Decorating/Painting Contract Costs	225	167	(58)	(35)	225	1,336	1,111	83	2,000
4430-06-000	Electrical Contract Costs	5,059	250	(4,809)	(1,924)	6,180	2,000	(4,180)	(209)	3,000
4430-07-900	Pest Control-budgeted	675	833	158	19	6,801	6,664	(137)	(2)	10,000
4430-08-000	Floor Covering Contract Costs	-	100	100	100	315	800	485	61	1,200
4430-09-000	Grounds Contract Costs	-	833	833	100	20,335	6,664	(13,671)	(205)	10,000
4430-10-000	Janitorial/Cleaning Contract Costs	4,950	-	(4,950)	N/A	7,975	-	(7,975)	N/A	-
4430-10-900	Janitorial-Monthly Contract	-	2,250	2,250	100	12,218	18,000	5,782	32	27,000
4430-11-000	Plumbing Contract Costs	-	333	333	100	5,941	2,664	(3,277)	(123)	4,000
4430-12-000	Windows-Contract Costs	5,711	100	(5,611)	(5,611)	12,890	800	(12,090)	(1,511)	1,200
4430-13-000	HVAC Contract Costs	-	458	458	100	558	3,664	3,106	85	5,500
4430-16-000	Fire Sprinkler Inspection Fees	-	167	167	100	900	1,336	436	33	2,000
4430-16-003	Fire Alarm Inspection Fees	-	-	-	N/A	875	-	(875)	N/A	-
4430-17-000	Elevator Contract Costs	1,703	1,667	(36)	(2)	17,305	13,336	(3,969)	(30)	20,000
4430-20-000	Trash Disposal Contract Costs	482	667	185	28	6,955	5,336	(1,619)	(30)	8,000
4430-24-000	Sewer Backups Emergency	-	208	208	100	410	1,664	1,254	75	2,500
4430-25-000	Equipment Repair Contract Costs	-	-	-	N/A	31	-	(31)	N/A	-
4430-27-000	Unit Turn Contract Costs	16,293	3,667	(12,626)	(344)	32,011	29,336	(2,675)	(9)	44,000
4430-28-900	Lawn Care Contract-Budget for Mowing	-	-	-	N/A	2,960	6,000	3,040	51	6,000
4430-29-000	Snow Removal Contract	-	2,000	2,000	100	-	8,000	8,000	100	12,000
4430-30-000	Generator Contract Expense	-	83	83	100	346	664	318	48	1,000
4430-31-000	Asbestos Abatement/Monitoring/Removal	-	500	500	100	-	4,000	4,000	100	6,000
4430-98-000	Tenant Stipends	2,340	333	(2,007)	(603)	16,911	2,664	(14,247)	(535)	4,000
4439-00-000	TOTAL CONTRACT COSTS	42,268	48,383	6,115	13	165,492	385,064	219,572	57	574,600
4499-00-000	TOTAL MAINTENANCE EXPENSES	63,109	65,011	1,902	3	327,570	518,688	191,118	37	774,743
4500-00-000	GENERAL EXPENSES									
4510-00-000	Property Insurance	11,744	5,417	(6,327)	(117)	44,228	43,336	(892)	(2)	65,000
4510-40-000	Mortgage Insurance Premium	1,241	1,266	25	2	9,928	10,128	200	2	15,192
4521-00-000	Misc. Taxes/Licenses/Insurance	-	-	-	N/A	20	40	20	50	40
4522-00-000	Debt Issuance Amortization	698	700	2	0	5,584	5,600	16	0	8,400
4580-00-000	Security Contracts	-	1,000	1,000	100	-	8,000	8,000	100	12,000
4599-00-000	TOTAL GENERAL EXPENSES	13,683	8,383	(5,300)	(63)	59,760	67,104	7,344	11	100,632
4800-00-000	FINANCING EXPENSE									
4855-00-000	Interest Expense-Mortgage Payable	7,940	8,175	235	3	55,872	65,400	9,528	15	98,100
4899-00-000	TOTAL FINANCING EXPENSES	7,940	8,175	235	3	55,872	65,400	9,528	15	98,100
5000-00-000	NON-OPERATING ITEMS									
5100-01-000	Depreciation -Buildings	19,501	13,333	(6,168)	(46)	156,008	106,664	(49,344)	(46)	160,000
5999-00-000	TOTAL NON-OPERATING ITEMS	19,501	13,333	(6,168)	(46)	156,008	106,664	(49,344)	(46)	160,000
8000-00-000	TOTAL EXPENSES	160,449	141,131	(19,318)	(14)	1,033,421	1,142,628	109,207	10	1,706,542
9000-00-000	NET INCOME	(27,046)	12,054	(39,100)	(324)	99,653	83,352	16,301	20	132,170

Daniel J. Boge, CPA
Herbert L. Wybenga, Retired
Steven G. Bradley, CPA
Michael E. Zeien, CPA
E. Lynn Pohl, Retired



Patrick W. Travis, EA
Ryan B. Boge, CPA
Walker T. VanHoose, CPA
Adam J. House, CPA
Ramie R. Harrison, CPA
Nicole L. Wisney, CPA

February 1, 2024

To the Board of Directors
Ann Arbor Affordable Housing Corporation
Ann Arbor, MI

We have audited the financial statements of Ann Arbor Affordable Housing Corporation ("the Organization") for the year ended June 30, 2023, and we will issue our report thereon dated February 1, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note A to the financial statements. As described in Note A, the Organization implemented the provisions of Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)," and the associated ASUs (collectively, "Topic 842"). We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based on their experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office Inspector General and *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), the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and The Ann Arbor Housing Commission and, if appropriate, management of Ann Arbor Affordable Housing Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Boge, Wybenga & Bradley, PC
Mt. Pleasant, MI

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Annual Financial Statements and Auditor's Report
June 30, 2023**



Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
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June 30, 2023

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Daniel J. Boge, CPA
Herbert L. Wybenga, Retired
Steven G. Bradley, CPA
Michael E. Zeien, CPA
E. Lynn Pohl, Retired



Patrick W. Travis, EA
Ryan B. Boge, CPA
Walker T. VanHoose, CPA
Adam J. House, CPA
Ramie R. Harrison, CPA
Nicole L. Wisney, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ann Arbor Affordable Housing Corporation
Ann Arbor, MI

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ann Arbor Affordable Housing Corporation ("the Organization") (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying HUD Financial Data Template Reports, as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office Inspector General and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are 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 HUD Financial Data Template Reports and the schedule of expenditures of federal awards are 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 February 1, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Roger Wybenga & Bradley PC

Mt. Pleasant, MI
February 1, 2024

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Financial Position
June 30, 2023

ASSETS

Current assets	
Operating cash	\$ 573,129
Restricted cash - replacement reserve	785,925
Restricted cash - insurance escrow	24,126
Restricted cash - mortgage insurance premium escrow	2,767
Restricted cash - tenants' deposits held in trust	72,668
Restricted cash - residual receipts	736
Tenant accounts receivable	6,576
Other accounts receivable	7,845
Prepaid expenses	48,023
Construction in progress	<u>93,721</u>
Total current assets	1,615,516
Fixed assets	
Land	555,533
Buildings and improvements	4,221,582
Furniture, fixtures and equipment	200,001
Less: accumulated depreciation	<u>(417,826)</u>
Net fixed assets	<u>4,559,290</u>
Total assets	<u>\$ 6,174,806</u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Financial Position
June 30, 2023

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 156,911
Accrued utilities	18,363
Accrued payroll	114,251
Accrued mortgage interest	8,037
Accrued management fees	1,975
Unearned rental income	30,501
Other accrued payables	54
Compensated absences	6,676
Unearned revenue	164,025
Current portion of mortgage payable	<u>89,248</u>
Total current liabilities	590,041
Long-term liabilities	
Mortgage payable	4,286,478
Less: debt issuance costs (net)	(273,630)
Less: current portion of mortgage payable	<u>(89,248)</u>
Net long-term liabilities	3,923,600
Other liabilities	
Tenants' deposits held in trust	72,668
Long-term compensated absences	<u>6,390</u>
Total other liabilities	<u>79,058</u>
Total liabilities	4,592,699
Net assets without donor restrictions	<u>1,582,107</u>
Total liabilities and net assets	<u>\$ 6,174,806</u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Activities
For the Year Ended June 30, 2023

Rent revenue	
Net rental revenue	\$ 1,232,849
Revenue from contracts with customers	
Tenant charges	48,235
Other revenue	
Grant income	446,299
Interest income	4,720
Revenue from investments - reserve for replacements	2,421
Gifts	<u>2,513</u>
Total other revenue	<u>455,953</u>
Total revenue	1,737,037
Expenses	
Program expenses	
Utilities	150,493
Operating and maintenance	639,196
Taxes and insurance	63,446
Financial	120,861
Depreciation	<u>209,558</u>
Total program expenses	1,183,554
Management and general	
Management fees	73,530
Bad debt expense	2,846
Other office expenses	<u>81,622</u>
Total management and general	157,998
Total expenses	<u>1,341,552</u>
Change in net assets without donor restrictions	<u><u>\$ 395,485</u></u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restrictions
Net assets - beginning of the year	\$ 1,186,622
Change in net assets	<u>395,485</u>
Net assets - end of the year	<u>\$ 1,582,107</u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities	
Rental receipts	\$ 1,244,084
Interest receipts	7,141
Other operating receipts	<u>661,072</u>
Total receipts	1,912,297
Administrative expenses	(84,468)
Management fees	(75,192)
Utilities	(151,387)
Salaries and wages	(373,352)
Operating and maintenance expenses	(154,688)
Property insurance	(63,334)
Miscellaneous taxes and insurance	(4,975)
Other operating expenses	(200,000)
Interest on mortgage payable	<u>(112,648)</u>
Total disbursements	<u>(1,220,044)</u>
Net cash from operating activities	692,253
Cash flows from investing activities	
Purchase of fixed assets	(427,529)
Cash flows from financing activities	
Principal payments on mortgage payable	(87,263)
Net increase (decrease) in security deposit liability	(1,257)
Net change in long-term compensated absences	<u>5,125</u>
Net cash from financing activities	<u>(83,395)</u>
Net change in cash, cash equivalents and restricted cash	181,329
Cash, cash equivalents and restricted cash - beginning of the year	<u>1,278,022</u>
Cash, cash equivalents and restricted cash - end of the year	<u>\$ 1,459,351</u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Statement of Cash Flows
For the Year Ended June 30, 2023

Reconciliation of change in net assets without donor restrictions to net cash from operating activities

Change in net assets without donor restrictions	\$ 395,485
Depreciation	209,558
Amortization of debt issuance costs reported as interest expense	8,377
Increase (decrease) in cash due to:	
Tenant accounts receivable	6,191
Other accounts receivable	(7,151)
Prepaid expenses	(4,863)
Accounts payable	104,186
Other accrued liabilities	5,718
Accrued mortgage interest	(164)
Unearned rental income	12,195
Other accounts payable - Ann Arbor Housing Commission	<u>(37,279)</u>
 Net cash from operating activities	 <u>\$ 692,253</u>

Notes to the Financial Statements

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Ann Arbor Affordable Housing Corporation (“the Organization”) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned rather than received, and expenses are recognized when incurred rather than paid.

Nature of Business

The Organization is organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed on March 1, 2021 for the purpose of operating certain buildings and improvements located in Ann Arbor, Michigan. The property was financed in part with a mortgage insured under section 223(f) of the National Housing Act. The property consists of 136 units and operates as Lurie Terrace. The Organization’s recorded Declaration of Restrictive Covenant (“the Declaration”) requires it to provide affordable housing for seniors aged 62 and older, specifically allocating 40% of its units to tenants with household incomes at or below 60% of Area Median Income (“AMI”) and 60% of its units to tenants with household incomes at or below 80% of AMI. The current tenants of Lurie Terrace at the time of the Organization's purchase were grandfathered in by the Declaration and are permitted to continue residing at the property.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Organization considers cash in operating bank accounts, cash on hand, replacement reserves, escrows and tenant deposits held in trust as cash, cash equivalents and restricted cash.

Amounts included in restricted cash represent those required to be set aside by a contractual agreement with the US Department of Housing and Urban Development (“HUD”) and by the State of Michigan for the holding of tenant security deposits.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows:

Operating cash	\$ 573,129
Restricted cash - replacement reserve	785,925
Restricted cash - insurance escrow	24,126
Restricted cash - mortgage insurance premium escrow	2,767
Restricted cash - tenants' deposits held in trust	72,668
Restricted cash - residual receipts	<u>736</u>
 Total cash, cash equivalents and restricted cash	 <u><u>\$ 1,459,351</u></u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Organization expenses advertising costs as they are incurred. There was no advertising expense for the year ended June 30, 2023.

Fixed Assets

Property and equipment are stated at cost and are depreciated over their estimated useful lives of 5 to 40 years using the straight-line method. Major renewals and betterments are capitalized while maintenance, repairs and minor renewals are expensed when incurred. Fixed assets are defined by the Organization as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

The Organization charges bad debts to operations as accounts are determined to be uncollectible. No allowance for doubtful accounts has been recorded as it is management's opinion that all receivables will be collected. Bad debt expense for the year ended June 30, 2023 was \$2,846.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10, the Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of an asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the year ended June 30, 2023.

Real Estate Taxes

The Organization is exempt from paying property taxes as determined by the City of Ann Arbor.

Recognition of Revenue

The Organization derives its revenue from short-term rental housing contracts with private customers. Due to the nature of the Organization's services related to leasing contracts (various tenant charges), the Organization typically accounts for its non-leasing components as a single performance obligation.

The Organization has elected to use the right to invoice practical expedient outlined by FASB ASC 606-10-55-18, under which the Organization recognizes revenue in the amount that it has the right to consideration from a customer that corresponds directly with the value of the Organization's performance completed to date. The Organization feels the services rendered at a point in time best exhibits the satisfaction of the Organization's performance obligations. Under the right to invoice practical expedient, the Organization recognizes revenue in the amount equal to the consideration it has a right to upon completion of its services. The Organization's contracts do not typically include variable considerations. See Note G for more information regarding revenue.

Costs of Obtaining Contracts with Customers

The Organization has elected to recognize incremental costs of obtaining contracts with customers as an expense when incurred as outlined by FASB ASC 340-40-25-4.

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

Leases

During 2023, the Organization adopted Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)," and the associated ASUs (collectively, "Topic 842") and added the following accounting policy on leases. The change in accounting principles is effective for the year ended June 30, 2023, and prior periods do not need to be restated under the modified retrospective adoption approach. The Organization determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement and determines whether it is an operating or financing lease. Operating and financing leases result in the Organization recording a lease right-of-use ("ROU") asset, current lease liability, and long-term lease liability on its Statement of Financial Position. The Organization has elected to not present leases with an initial term of 12 months or less on the Statement of Financial Position. The ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. Initial direct costs and lease incentives are generally not material when measuring the ROU asset present value. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. In determining the present value, the Organization utilizes interest rates from lease agreements unless the lease agreement does not provide a readily determinable rate. In these instances, the Organization utilizes its incremental borrowing rate based on the Organization's borrowing information available at inception. The Organization has elected not to separate non-lease components from lease components. The Organization did not have any asset additions or other impacts in the current year as a result of implementing the new standard.

NOTE B - RESTRICTED CASH

Replacement Reserve

The Organization is required to maintain a replacement reserve account to cover future replacement of assets and repairs. The replacement reserve is funded by monthly deposits in an amount determined by the regulatory agreement with HUD.

Required replacement reserve funding for the next five years is as follows:

June 30,		
2024	\$	47,600
2025	\$	47,600
2026	\$	47,600
2027	\$	47,600
2028	\$	47,600

Security Deposits

Security deposits are deposited in a savings account. The balance of the account and the corresponding liability at June 30, 2023 was \$72,668. The security deposit account was adequately funded at June 30, 2023.

Funded Escrow Deposits

In accordance with the terms of the mortgage note, monthly deposits are made to the mortgagor to maintain escrow accounts for the payments of mortgage insurance and property insurance.

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE B - RESTRICTED CASH (CONTINUED)

Other Reserves

In accordance with the terms of the escrow agreement for debt service, money was withheld from the proceeds of the loan to fund a debt service escrow. The debt service escrow may only be used for debt service shortfalls or cash deficits. The Organization used all funds held in this escrow to cover cash deficits during the year ended June 30, 2023.

Residual Receipts

In accordance with the terms of the mortgage note, surplus cash is deposited to a residual receipts reserve which is restricted in use for program obligations.

NOTE C - LONG-TERM LIABILITIES

Mortgage Payable

The Organization obtained a mortgage on March 1, 2021, which is insured by HUD and is payable to Orix Real Estate Capital in monthly installments of \$15,398, including interest at a rate of 2.25% per annum. The mortgage note matures April 1, 2056 and is secured by land, the building and improvements, furniture and fixtures, site improvements and the escrow reserve accounts of the Organization.

The balance of the mortgage payable at June 30, 2023 was \$4,286,478.

The maturity for the mortgage payable for the next five years and thereafter in the aggregate is as follows:

June 30,		
2024	\$	89,248
2025		91,276
2026		93,351
2027		95,474
2028		97,644
Thereafter		<u>3,819,485</u>
Total		<u>\$4,286,478</u>

Carrying values of the assets, net of accumulated depreciation, securing the mortgage payable at June 30, 2023 were as follows:

Restricted cash - replacement reserve	\$ 785,925
Restricted cash - insurance escrow	24,126
Restricted cash - mortgage insurance premium escrow	2,767
Restricted cash - tenants' deposits held in trust	72,668
Restricted cash - residual receipts	736
Land	555,533
Buildings and improvements	4,221,582
Furniture, fixtures and equipment	<u>144,934</u>
Total	<u>\$ 5,808,271</u>

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE C - LONG-TERM LIABILITIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs are amortized over the life of the mortgage using the straight-line method. The mortgage payable is shown net of unamortized debt issuance costs. The net debt issuance costs at June 30, 2023 were \$273,630. Amortization of debt issuance costs is reported in the Statement of Activities as interest expense.

Accrued Compensated Absences

The Organization accrues compensated absences based on the vacation days balance, hourly rate and percentage of time that each Ann Arbor Housing Commission employee works for the Organization. Short-term compensated absences are any vacation hours accrued up to 120 hours and long-term compensated absences are any vacation hours accrued over 120 hours. Ann Arbor Housing Commission employees are limited to using 120 hours per year. The short-term and long-term compensated absences at June 30, 2023 were \$6,676 and \$6,390, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

Management Agreement

For the year ended June 30, 2023, the Organization maintained a management agreement with the Ann Arbor Housing Commission. The Organization's accrued management fees at June 30, 2023 were \$1,975. Payments to the Ann Arbor Housing Commission for management services for the year ended June 30, 2023 were \$75,192. Occasionally, the management agent charges some expenses not covered by the management fee to the Organization in accordance with the management agreement.

Employee Agreement

The Ann Arbor Housing Commission prescribes the number, qualifications and duties of the personnel to be employed at Lurie Terrace. The employees involved in the daily operations of the development are employees of the City of Ann Arbor and not of the Organization. The Organization's accrued payroll at June 30, 2023 and payments to the City of Ann Arbor for payroll services for the year ended June 30, 2023, were \$114,251 and \$266,311, respectively.

NOTE E - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at institutions with FDIC insurance coverage limits of \$250,000. The Organization's uninsured cash balance at June 30, 2023 was \$936,032.

NOTE F - LITIGATION

The Organization is involved in various lawsuits during the normal course of business, in which most cases are landlord/tenant actions. The Organization, acting as plaintiff, seeks to recover possession of the premises and/or rental monies owed. Management believes that the outcome of these matters will be successful in nearly all cases.

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE G - REVENUE

Leasing Revenue

The Organization's leasing arrangements consist of short-term operating leases in the low-income housing industry. The entirety of the Organization's fixed assets are utilized in the Organization's rental housing activities. This revenue is specifically excluded from FASB ASC 606.

Revenue from Contracts with Customers

The following table disaggregates contract revenue by service, which the Organization believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors for the year ended June 30, 2023:

Contract revenue by service	
Parking fees	\$ 32,120
Laundry and vending	9,015
Other tenant charges	<u>7,100</u>
Total	<u>\$ 48,235</u>

Remaining performance obligations represent the transaction price of services yet to be rendered. Under the right to invoice practical expedient, the Organization need not disclose quantitative information regarding remaining performance obligations, as revenue is recognized in an amount directly corresponding with performance completed to date.

NOTE H - RISK VULNERABILITY

The Organization is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted employees and tenants; liabilities; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims for these risks have not exceeded insurance coverage in the past two years.

The Organization's sole asset is Lurie Terrace apartments. The Organization's operations are concentrated in the multifamily real estate market. In addition, the Organization operates in a heavily-regulated environment. The operations of the Organization 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 causing additional administrative burden to comply with the changes.

NOTE I - LIQUIDITY AND AVAILABILITY

The Organization's primary source of revenue is rental revenue without donor restrictions. The remainder of revenue consists of miscellaneous income without donor restrictions. The Organization considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include mortgage and interest payments, reserve and escrow contribution requirements as well as all expenses necessary to facilitate the Organization's operations.

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Notes to the Financial Statements
June 30, 2023

NOTE I - LIQUIDITY AND AVAILABILITY (CONTINUED)

The financial assets available for general expenditures within one year are as follows:

Operating cash	\$ 573,129
Tenant accounts receivable	6,576
Other accounts receivable	<u>7,845</u>
Total	<u>\$ 587,550</u>

NOTE J - SUBSEQUENT EVENTS

The Organization has evaluated significant events and transactions that occurred through February 1, 2024, which is the date the financial statements were available to be issued, for potential recognition or disclosure in these financial statements. No such significant events or transactions were identified by management of the Organization.

Supplementary Information

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Balance Sheet
June 30, 2023

ASSETS

	Current assets	
1120	Cash - operations	\$ 573,129
1130	Tenant accounts receivable	<u>6,576</u>
1130N	Net tenant accounts receivable	6,576
1140	Accounts and notes receivable - operations	
1140 - 005	Other accounts receivable	
1140 - 010	Item description: other accounts receivable	
1140 - 020	Amount	7,845
1200	Prepaid expenses	<u>48,023</u>
1100T	Total current assets	635,573
1191	Restricted cash - tenants' deposits held in trust	72,668
1310	Restricted cash - escrow deposits	26,893
1320	Restricted cash - replacement reserve	785,925
1340	Restricted cash - residual receipts reserve	<u>736</u>
1300T	Total deposits	813,554
	Investment in rental properties	
1410	Land and improvements	555,533
1420	Buildings and improvements	4,221,582
1460	Furniture, fixtures and equipment	200,001
1490	Miscellaneous fixed assets	<u>93,721</u>
1400T	Total fixed assets	5,070,837
1495	Less: accumulated depreciation	<u>(417,826)</u>
1400N	Net investment in rental properties	<u>4,653,011</u>
1000T	Total assets	<u>\$ 6,174,806</u>

See Independent Auditor's Report

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Supplementary Information
 Financial Data Template Reports
 Balance Sheet
 June 30, 2023**

LIABILITIES AND NET ASSETS

	Current liabilities	
2110	Accounts payable	\$ 175,274
2120	Accrued payroll	114,251
2123	Accrued management fees	1,975
2131	Accrued mortgage interest	8,037
2170	Current portion of long-term liabilities	89,248
2190	Miscellaneous current liabilities	
2190 - 010	Item description: short-term compensated absences, other accrued payables and unearned grant revenue	
2190 - 020	Amount	170,755
2210	Prepaid revenue	<u>30,501</u>
2122T	Total current liabilities	590,041
2191	Tenants' deposits held in trust	72,668
	Long-term liabilities	
2320	Mortgage payable (net)	4,197,230
2340	Debt issuance costs	(273,630)
2390	Miscellaneous long-term liabilities	
2390-010	Item description: long-term compensated absences	
2390 - 020	Amount	<u>6,390</u>
2300T	Total long-term liabilities	<u>3,929,990</u>
2000T	Total liabilities	4,592,699
	Net assets	
3131	Net assets without donor restrictions	<u>1,582,107</u>
3130	Total net assets	<u>1,582,107</u>
2033T	Total liabilities and net assets	<u>\$ 6,174,806</u>

See Independent Auditor's Report

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Statement of Activities
For the Year Ended June 30, 2023

	Revenue	
5120	Rent revenue - gross potential	\$ 939,629
5121	Tenant assistance payments	<u>337,296</u>
5100T	Total rent revenue	1,276,925
5220	Vacancies - apartments	<u>(44,076)</u>
5200T	Total vacancies	<u>(44,076)</u>
5152N	Net rental revenue	1,232,849
5410	Project operations	4,720
5440	Revenue from investments - reserve for replacements	<u>2,421</u>
5400T	Total financial revenue	7,141
	Other revenue	
5920	Tenant charges	48,235
5970	Gifts	2,513
5990	Miscellaneous revenue	
5990 - 010	Item description: grant income	
5990 - 020	Amount	<u>446,299</u>
5900T	Total other revenue	<u>497,047</u>
5000T	Total revenue	1,737,037
	Expenses	
	Administrative	
6311	Office expenses	65,738
6320	Management fees	73,530
6350	Audit fee	15,469
6370	Bad debt expense	2,846
6390	Other administrative expenses	
6390 - 010	Item description: shredding services, food service fees	
6390 - 020	Amount	<u>415</u>
6263T	Total administrative	157,998

See Independent Auditor's Report

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Statement of Activities
For the Year Ended June 30, 2023

	Utilities	
6450	Electricity	\$ 113,666
6451	Water	34,681
6452	Gas	<u>2,146</u>
6400T	Total utilities	150,493
	Operating and maintenance	
6510	Payroll	380,562
6515	Supplies	53,090
6520	Contracts	190,813
6525	Garbage and trash removal	6,631
6548	Snow removal	<u>8,100</u>
6500T	Total operating and maintenance	639,196
	Taxes and insurance	
6720	Property and liability insurance	58,471
6723	Employee insurance	4,955
6790	Other taxes and insurance	
6790 - 010	Item description: miscellaneous licenses	
6790 - 020	Amount	<u>20</u>
6700T	Total taxes and insurance	63,446
	Financial	
6820	Interest	105,725
6850	Mortgage insurance premium	<u>15,136</u>
6800T	Total financial	<u>120,861</u>
6000T	Total cost of operations before depreciation and amortization	<u>1,131,994</u>
5060T	Profit (loss) before depreciation and amortization	605,043
6600	Depreciation	<u>209,558</u>
5060N	Operating income (loss)	<u>395,485</u>
3250	Change in total net assets from operations	<u>\$ 395,485</u>

See Independent Auditor's Report

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Statement of Activities Data
For the Year Ended June 30, 2023**

S1000 - 010	Total mortgage principal payments required during the year.	<u>\$ 87,263</u>
S1000 - 020	Total monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement.	<u>\$ 47,600</u>

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Supplementary Information
 Financial Data Template Reports
 Statement of Changes in Net Assets
 For the Year Ended June 30, 2023**

S1100 - 060	Net assets without donor restrictions at beginning of year	\$ 1,186,622
3247	Change in unrestricted net assets from operations	<u>395,485</u>
3131	Net assets without donor restrictions at end of year	<u>\$ 1,582,107</u>
S1100 - 080	Net assets with donor restrictions at beginning of year	\$ -
3249	Change in net assets with donor restrictions from operations	<u>-</u>
3133	Net assets with donor restrictions at end of year	<u>\$ -</u>
S1100 - 050	Total net assets at beginning of year	\$ 1,186,622
3250	Change in total net assets from operations	<u>395,485</u>
3130	Total net assets at end of year	<u>\$ 1,582,107</u>

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Supplementary Information
 Financial Data Template Reports
 Statement of Cash Flows
 For the Year Ended June 30, 2023**

	Cash flows from operating activities	
S1200 - 010	Rental receipts	\$ 1,244,084
S1200 - 020	Interest receipts	7,141
S1200 - 030	Other operating receipts	<u>661,072</u>
S1200 - 040	Total receipts	1,912,297
S1200 - 050	Administrative expenses	(84,468)
S1200 - 070	Management fees	(75,192)
S1200 - 090	Utilities	(151,387)
S1200 - 100	Salaries and wages	(373,352)
S1200 - 110	Operating and maintenance expenses	(154,688)
S1200 - 140	Property insurance	(63,334)
S1200 - 150	Miscellaneous taxes and insurance	(4,975)
S1200 - 160	Tenant security deposits	288
S1200 - 170	Other operating expenses	(200,000)
S1200 - 180	Interest on mortgage	<u>(112,648)</u>
S1200 - 230	Total disbursements	(1,219,756)
S1200 - 240	Net cash from operating activities	692,541
	Cash flows from investing activities	
S1200 - 245	Net mortgage escrow deposits	32,275
S1200 - 250	Net replacement reserve	(49,992)
S1200 - 255	Net deposits to other reserves	
S1200 - 256	Item description: fire damage repairs, debt service, deferred repairs	
S1200 - 257	Amount	200,614
S1200 - 260	Net deposits to the residual receipts account	(2)
S1200 - 330	Purchase of fixed assets	<u>(427,529)</u>
S1200 - 350	Net cash from investing activities	(244,634)
	Cash flows from financing activities	
S1200 - 360	Principal payments on mortgage	(87,263)
S1200-450	Other financing activities	
S1200-451	Item description: long-term compensated absences accrued	
S1200-452	Amount	<u>5,125</u>
S1200-460	Net cash from financing activities	<u>(82,138)</u>
S1200 - 470	Net change in cash and cash equivalents	365,769
S1200 - 480	Cash and cash equivalents at beginning of year	<u>207,360</u>
S1200T	Cash and cash equivalents at end of year	<u>\$ 573,129</u>

See Independent Auditor's Report

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Statement of Cash Flows
For the Year Ended June 30, 2023

	Reconciliation of change in net assets to net cash from operating activities	
3250	Net income (loss)	\$ 395,485
6600	Depreciation	209,558
6610	Amortization of debt issuance costs reported as interest expense	8,377
S1200 - 490	(Increase) decrease in tenant accounts receivable	6,191
S1200 - 500	(Increase) decrease in other accounts receivable	(7,151)
S1200 - 520	(Increase) decrease in prepaid expenses	(4,863)
S1200 - 530	(Increase) decrease in cash restricted for tenant security deposits	1,545
S1200 - 540	Increase (decrease) in accounts payable	104,186
S1200 - 560	Increase (decrease) in accrued liabilities	5,718
S1200 - 570	Increase (decrease) in accrued mortgage interest payable	(164)
S1200 - 580	Increase (decrease) in security deposits payable	(1,257)
S1200 - 590	Increase (decrease) in prepaid revenue	12,195
S1200 - 600	Increase (decrease) in miscellaneous current liabilities	
S1200 - 601	Item description: other accounts payable - Ann Arbor Housing Commission and compensated absences	
S1200 - 602	Amount	<u>(37,279)</u>
S1200 - 610	Net cash used by operating activities	<u>\$ 692,541</u>

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Supplementary Information
 Financial Data Template Reports
 Computation of Surplus Cash, Distributions and Residual Receipts
 June 30, 2023**

S1300 - 010	Cash	<u>\$ 645,797</u>
S1300-040	Total cash	645,797
	Current obligations:	
S1300 - 050	Accrued mortgage interest payable	8,037
S1300 - 075	Accounts payable due within 30 days	175,274
S1300 - 100	Accrued expenses	116,226
S1300 - 110	Other current obligations	
S1300 - 120	Item description: mortgage principal payment, reserve for replacement deposit and escrow deposits due in the following month, unearned grant revenue	
S1300 - 130	Amount	192,158
2210	Prepaid revenue	30,501
2191	Tenant security deposits payable	<u>72,668</u>
S1300 - 140	Total current obligations	<u>594,864</u>
S1300 - 150	Surplus cash (deficiency)	<u>50,933</u>
S1300 - 200	Amount available for distribution during next fiscal period	<u>\$ 50,933</u>

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Schedule of Reserve for Replacements
For the Year Ended June 30, 2023**

1320 P	Balance at beginning of year	\$ 735,933
1320 DT	Total monthly deposits	47,600
1320 INT	Interest earned	<u>2,392</u>
1320	Balance at end of year	<u>\$ 785,925</u>

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Supplementary Information
Financial Data Template Reports
Schedule of Residual Receipts
For the Year Ended June 30, 2023**

1340P	Balance at beginning of year	\$ 734
1340INT	Interest on residual receipts account	<u>2</u>
1340	Balance at end of year	<u><u>\$ 736</u></u>

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Supplementary Information
 Financial Data Template Reports
 Schedule of Changes in Fixed Assets Accounts
 For the Year Ended June 30, 2023**

1410P	Land and improvements - beginning balance	\$ 525,734
1410AT	Additions	
1410A - 010	Item description: retaining wall, parking lots and lighting projects	
1410A - 030	Amount	<u>29,799</u>
1410	Land and improvements - ending balance	<u>\$ 555,533</u>
1420P	Buildings and improvements - beginning balance	\$ 3,743,165
1420AT	Additions	
1420A - 010	Item description: apartment updates and door replacements	
1420A - 030	Amount	<u>478,417</u>
1420	Buildings and improvements - ending balance	<u>\$ 4,221,582</u>
1460P	Furniture, fixtures and equipment - beginning balance	\$ 200,001
1460	Furniture, fixtures and equipment - ending balance	<u>\$ 200,001</u>
1490P	Construction in progress - beginning balance	\$ 174,408
1490AT	Additions	
1490A - 010	Item description: building improvements	
1490A - 030	Amount	93,721
1490DT	Deductions	
1490D - 010	Item description: internet WIFI project	
1490A - 030	Amount	<u>(174,408)</u>
1490	Construction in progress - ending balance	<u>\$ 93,721</u>
1400PT	Total beginning balance for fixed assets	\$ 4,643,308
1400AT	Total asset additions	601,937
1400ADT	Total asset deductions	<u>(174,408)</u>
1400T	Total fixed assets	<u>\$ 5,070,837</u>
1495P	Accumulated depreciation - beginning balance	\$ (208,268)
6600	Total provisions	<u>(209,558)</u>
1495	Accumulated depreciation - ending balance	<u>\$ (417,826)</u>
1400N	Total net book value	<u>\$ 4,653,011</u>

See Independent Auditor's Report

Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency/Cluster/Program Title	Assistance Listing	Federal Expenditures
U.S. Department of Housing and Urban Development		
Direct Program		
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155	\$ 4,373,741
Passed through the Ann Arbor Housing Commission		
Section 8 Project-Based Vouchers Cluster		
Section 8 Housing Assistance Payments Program	14.195	<u>337,296</u>
Total federal awards expended		<u>\$ 4,711,037</u>
Reconciliation to the financial statements		
Mortgage payable balance end of the current year	14.155	\$ 4,286,478
Current year principal payments		<u>87,263</u>
Mortgage payable balance beginning of current year		<u>\$ 4,373,741</u>
Net rental revenue	14.195	\$ 1,232,849
Less: nonfederal net rental revenue		<u>(895,553)</u>
Section 8 housing assistance payments		<u>\$ 337,296</u>
Total federal awards expended		<u>\$ 4,711,037</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Ann Arbor Affordable Housing Corporation under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Ann Arbor Affordable Housing Corporation, it is not intended to and does not present the financial position, changes in net position or cash flows of Ann Arbor Affordable Housing Corporation.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization did not elect to use the 10% de minimis indirect cost rate.

Subrecipients

None of the federal expenditures presented in the Schedule were provided to subrecipients.

Balance of Loan Outstanding

Ann Arbor Affordable Housing Corporation's total federally-insured loans outstanding at June 30, 2023 were \$4,286,478.

Daniel J. Boge, CPA
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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*

To the Board of Directors
Ann Arbor Affordable Housing Corporation

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 the Ann Arbor Affordable Housing Corporation ("the Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Roger Wybenga & Bradley PC

Mt. Pleasant, MI
February 1, 2024

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

To the Board of Directors
Ann Arbor Affordable Housing Corporation

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Ann Arbor Affordable Housing Corporation's ("the Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Mt. Pleasant, MI
February 1, 2024

**Ann Arbor Affordable Housing Corporation
 HUD Project No. 044-11484
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditors' report issued on compliance for the major program: Unmodified

Internal control over the major program

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of the major program:

CFDA Number	Name of Federal Program(s) or Cluster(s)
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects

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

Auditee qualify as a low-risk auditee? _____ X Yes _____ No

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Ann Arbor Affordable Housing Corporation

We have performed the procedure described in the second paragraph of this report on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Ann Arbor Affordable Housing Corporation ("the Organization") is responsible for the accuracy and completeness of the electronic submission.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to determine whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Additionally, the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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.

We were engaged by the Organization to perform this agreed-upon procedure engagement and conducted our engagement 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 engagement, 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 are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Organization as of and for the year ended June 30, 2023, and have issued our reports thereon dated February 1, 2024. 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 supplementary information dated February 1, 2024, was expressed in relation to the basic financial statements of the Organization taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Organization. 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 procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Roger Wybenga & Bradley PC

Mt. Pleasant, MI
February 1, 2024

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

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) Note: Cooperatives are exempt	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

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Corporate Officers' Certification
For the Year Ended June 30, 2023**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Ann Arbor Affordable Housing Corporation, HUD Project No. 044-11484 and, to the best of our knowledge and belief, they represent a true statement of the data set forth therein for the year ended June 30, 2023.



Dr. Lee Meadows, Chair of the Board



Jennifer Hall, Board Member

February 1, 2024

Date

**Ann Arbor Affordable Housing Corporation
HUD Project No. 044-11484
Management's Certification
For the Year Ended June 30, 2023**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Ann Arbor Affordable Housing Corporation, HUD Project No. 044-11484 and, to the best of my knowledge and belief, they represent a true statement of the data set forth therein for the year ended June 30, 2023.

Jennifer Hall

Jennifer Hall, Executive Director

February 1, 2024

Date

RESOLUTION 24-1 AAAHC

Resolution to Accept the FY23 Audit for the Ann Arbor Affordable Housing Corporation from July 1, 2022 to June 30, 2023

The Ann Arbor Affordable Housing Corporation (AAAHC), is a 501c3 that was created to acquire Lurie Terrace as a single-asset entity. As a HUD-insured property, an Annual Financial Statement and Auditor's Report is required in addition to the Form 990 tax return.

The primary source of revenue is rental income, and the primary expenditure is property management and maintenance.

The property was acquired in March 2021 and this financial statement for the AAAHC covers July 2022– June 2023

The auditors did not find a significant deficiency related to the financial statements or material weakness in internal controls. The auditors did not identify any incidents of non-compliance related to Federal Awards.

WHEREAS, the Ann Arbor Affordable Housing Corporation contracted with Boge, Wybenga and Bradley, P.C. Certified Public Accounting firm (outside auditor) to conduct the Ann Arbor Affordable Housing Corporation audited financial statement for year-ending June 30, 2023 (FY23); and

RESOLVED, that the Ann Arbor Affordable Housing Corporation Board approves the audited financial statement for the year ending June 30, 2023 (FY23) attached hereto.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Multifamily Midwest Region
Detroit Satellite Office
477 Michigan Ave.
Detroit, MI 48226

September 27, 2023

Jennifer Hall
2000 S. Industrial
Ann Arbor, MI 48104
jhall@a2gov.org

Dear Ms. Hall:

Subject: Reserve for Replacement Request
FHA Number: 044-11484
Lurie Terrace
Ann Arbor, MI

We have reviewed your request for approval from the Department of Housing and Urban Development (HUD) for the replacement of the roof at the subject property using funds from the property's reserve for replacement account. Of the bids included with your request, you stated that you would like to employ Bloom Roofing to perform the work at a cost totaling \$368,494.00.

Based on your request, and the estimates you presented, you may proceed as you have indicated, and use up to \$368,494.00 from the property's reserve for replacement account to complete the replacement of the roof. If the work is completed at a cost below \$368,494.00 the actual cost of the work will become the maximum amount approved by HUD. Paid invoices must support any funds requested as withdrawals from the reserve for replacement account for this work, and HUD will perform an inspection of the work upon completion. We expect that these funds will be used as directed.

If you have any questions regarding this matter, please contact Keri Wendell, Account Executive, at 313-234-7337 or via email at Keri.Wendell@hud.gov.

Sincerely,

**SEAN
CHAPMAN**

Digitally signed by: SEAN
CHAPMAN
DN: CN = SEAN CHAPMAN C =
US O = U.S. Government OU =
Department of Housing and
Urban Development, Office of
Housing
Date: 2023.09.28 12:25:34 -04'00'

Sean Chapman
Chief, Account Executive Branch
Detroit Satellite Office