
SOUTH SEVEN SENIOR VILLAGE

HUD Project No. 127EE036

Financial Statements

For the Year Ended
December 31, 2020

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7
Supplemental Information.....	12
Schedule of Expenditures of Federal Awards.....	21
Notes to the Schedule of Expenditures of Federal Awards	22
Summary Schedule of Prior Audit Findings	23
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 <i>Government Auditing Standards</i>	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 Findings and Questioned Costs.....	28
Certification of Project Owner	29
Certification of Management Agent	30
Schedule of Lead Auditor	31

Independent Auditor's Report

To the Board of Directors
South Seven Senior Village
Port Townsend, WA

Report on the Financial Statements

We have audited the accompanying financial statements of South Seven Senior Village (the Project), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project, as of December 31, 2020, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Project's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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. The supplementary information on pages 12-20 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 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 March 12, 2021 on our consideration of the Project'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 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 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 Project's internal control over financial reporting and compliance.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

March 12, 2021

South Seven Senior Village

Statement of Financial Position

December 31, 2020 (With Comparative Totals for 2019)	2020	2019
ASSETS		
Rental Property & Improvements		
Buildings & Improvements	\$ 2,604,715	\$ 2,604,715
Land Improvements	22,012	22,012
Less: Accumulated Depreciation	<u>(768,557)</u>	<u>(716,023)</u>
Total Rental Property & Improvements	<u>1,858,170</u>	<u>1,910,704</u>
Restricted Deposits and Funded Reserves		
Replacement Reserves	92,919	85,941
Residual Receipts Reserve	3,845	3,842
Tenant Security Deposits	<u>4,576</u>	<u>4,572</u>
Total Restricted Deposits and Funded Reserves	<u>101,340</u>	<u>94,355</u>
Other Assets		
Cash & Cash Equivalents	12,027	-
Accounts & Grants Receivable, Net	4,425	5,754
Contributed Land Use Receivable	<u>107,462</u>	<u>107,834</u>
Total Other Assets	<u>123,914</u>	<u>113,588</u>
Total Assets	\$ <u>2,083,424</u>	\$ <u>2,118,647</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Cash Overdraft	\$ -	\$ 1,424
Accounts Payable	3,180	2,944
Related Party Payable	28,826	31,766
Prepaid Rent	507	507
Security Deposits	<u>4,822</u>	<u>4,991</u>
Total Liabilities	<u>37,335</u>	<u>41,632</u>
Net Assets		
Without Donor Restrictions	524,181	498,157
With Donor Restrictions	<u>1,521,908</u>	<u>1,578,858</u>
Total Net Assets	<u>2,046,089</u>	<u>2,077,015</u>
Total Liabilities and Net Assets	\$ <u>2,083,424</u>	\$ <u>2,118,647</u>

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

South Seven Senior Village

Statement of Activities and Changes in Net Assets

Year End December 31, 2020 <i>(With Comparative Totals for 2019)</i>	2020		2019	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Support & Revenue				
Rental Income	\$ 56,687	\$ -	\$ 56,687	\$ 59,035
Tenant Assistance Payments	57,846	-	57,846	57,222
Inkind Revenue	4,628	-	4,628	4,644
Other Income	1,491	-	1,491	1,376
Net Assets Released from Restrictions	56,950	(56,950)	-	-
Total Support & Revenue	<u>177,602</u>	<u>(56,950)</u>	<u>120,652</u>	<u>122,277</u>
Expenses				
Program	99,237	-	99,237	247,878
General & Administrative	52,341	-	52,341	86,814
Total Expenses	<u>151,578</u>	<u>-</u>	<u>151,578</u>	<u>334,692</u>
Change in Net Assets	26,024	(56,950)	(30,926)	(212,415)
Beginning of Year Net Assets	498,157	1,578,858	2,077,015	2,289,430
End of Year Net Assets	\$ <u>524,181</u>	\$ <u>1,521,908</u>	\$ <u>2,046,089</u>	\$ <u>2,077,015</u>

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

South Seven Senior Village
Statement of Functional Expenses

Year End December 31, 2020 (With Comparative Totals for 2019)			2020			2019
	<u>Program</u>	<u>General & Administrative</u>	<u>Total</u>		<u>Total</u>	
Manager or Superintendent Salaries	\$ -	\$ 33,559	\$ 33,559	\$	60,418	
Depreciation Expense	52,535	-	52,535		52,535	
Electricity	18,167	-	18,167		18,357	
Water	7,793	-	7,793		8,122	
Packback to HUD	-	-	-		140,472	
Repair & Maint. - Grounds & Building	6,886	-	6,886		15,060	
Property & Liability Insurance	5,539	-	5,539		2,558	
Office Expenses	-	3,017	3,017		6,650	
Office Rent	-	5,000	5,000		5,000	
Management Fee	-	4,765	4,765		4,958	
Audit Expense	-	6,000	6,000		5,200	
Bad Debt Expense	-	-	-		4,588	
Supplies	724	-	724		980	
Garbage and Trash Removal	4,860	-	4,860		4,047	
Misc. Operating & Maint. Expenses	2,733	-	2,733		5,747	
	<u>\$ 99,237</u>	<u>\$ 52,341</u>	<u>\$ 151,578</u>	<u>\$</u>	<u>334,692</u>	

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

South Seven Senior Village

Statement of Cash Flows

Year End December 31, 2020 <i>(With Comparative Totals for 2019)</i>	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (30,926)	\$ (212,415)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	52,535	52,535
(Increase) Decrease in Operating Assets		
Accounts & Grants Receivable	1,329	(2,263)
Tenant Security Deposits	(5)	(1,195)
Contributed Land Use Receivable	372	356
Increase (Decrease) in Operating Liabilities		
Cash Overdraft	(1,424)	1,424
Accounts Payable	236	(274)
Related Party Payable	(2,940)	22,907
Prepaid Rent	-	495
Security Deposits	(169)	426
Net Cash Provided by Operating Activities	19,008	(138,004)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Deposits to Replacement Reserves	(6,978)	(6,931)
Net Withdrawals (Deposits) to Residual Receipts Reserves	(3)	140,380
Net Cash Used by Investing Activities	(6,981)	133,449
CASH FLOWS FROM FINANCING ACTIVITIES:		
	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,027	(4,555)
BEGINNING CASH AND CASH EQUIVALENTS	-	4,555
ENDING CASH AND CASH EQUIVALENTS	\$ 12,027	\$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	\$ -	\$ -

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

South Seven Senior Village

Notes to the Financial Statements

Year End December 31, 2020

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

South Seven Senior Village (the “Project”) was incorporated in the State of Washington on June 13, 2003, as a non-profit corporation. The Project owns a 15-unit building complex for low-income elderly households located in Port Townsend, Washington. The Project is operated under a U.S. Department of Housing and Urban Development (“HUD”) Section 202 Capital Grant Agreement. The Project is also subject to a Section 202 Housing Subsidies Payments agreement with HUD.

Management of the Project is contracted to the Olympic Community Action Programs (OLYCAP), a related party having a major voting interest in the Project, which pays certain expenses and receives reimbursements from the Project. The Project is a subsidiary of OLYCAP due to OLYCAP having a majority voting interest in the Project.

Basis of accounting:

The Project maintains its financial records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The financial statements include only those assets, liabilities, revenues and expenses which relate to the operations of the Project.

Use of Estimates:

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

Basis of accounting:

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Project and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Net assets that are not subject to donor-imposed stipulations. Included public support and revenues, which are not restricted by the donor and currently available for the support of the Project.

Net Assets With Donor Restrictions — Includes public support and revenues which are restricted by the donor through either purpose or time restrictions. Net assets are released from restrictions when the purpose or time restrictions have been satisfied.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Functional Expenses:

Functional expenses have been allocated among program and supporting service classifications on the basis of estimates made by the Project’s management based on the benefits derived.

South Seven Senior Village

Notes to the Financial Statements

Year End December 31, 2020

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and Cash Equivalents:

The Project considers unrestricted cash and short-term investments with maturities of three months or less to be cash equivalents.

The Project maintains bank accounts at one bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, the Project did not have balances in excess of FDIC coverage.

Replacement Reserves:

The Project is required by its mortgage insured by HUD to maintain cash in a separate interest bearing bank account. The funds are to be used for the replacement of property and equipment. Prior approval from HUD is required for the Project to draw on these funds.

Liquidity and Availability :

The Project has \$16,452 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$12,027 and accounts receivable of \$4,425 as of December 31, 2020. The Project has \$5,754 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of accounts receivable of \$5,754 as of December 31, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The accounts receivable are expected to be collected within one year. The Project has ongoing rent income that will reimburse the Project's expenditures. The Project has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Project has a replacement reserve and a residual receipts reserve that can be used for maintenance or improvements to the property as approved by HUD. As of December 31, 2020 and 2019, the replacement reserve was \$92,919 and \$85,941, respectively. As of December 31, 2020 and 2019, the residual receipts reserve was \$3,845 and \$3,842, respectively.

Accounts and Grants Receivable:

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balance. Management provides for estimated uncollectible amounts through a charge to earnings and a credit to valuation allowance based on assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grants receivable. The valuation allowance was \$1,130 and \$1,130 at December 31, 2020 and 2019.

Rental Property & Improvements:

The Project records acquisitions of property and improvements at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. The Project capitalizes property and equipment with individual costs in excess of \$5,000 and useful life extending beyond one year. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation of buildings is calculated using the straight-line method over an estimated useful life of 50 years. For the years ended December 31, 2020 and 2019, depreciation expense was \$52,535 and \$52,535, respectively.

South Seven Senior Village

Notes to the Financial Statements

Year End December 31, 2020

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Valuation of Long-Lived Assets:

The Project reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net un-discounted cash flow expected to be generated by the rental property, including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020.

Recognizing Revenue from Contracts with Customers:

The Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The standard will be effective for annual periods beginning after December 15, 2018. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Project follows these principles.

Upon receipt of rent payments from tenants and rent subsidies that is for the next month, the Project recognizes prepaid rents in the amount of the payment for its obligation in the next month. At December 31, 2020 and 2019, the Project has recorded prepaid rents of \$507 and \$507, respectively, which the Project expects to recognize as rent income in the following month, when it performs those services and, therefore, satisfies its performance obligation to the customers.

The balances of accounts receivable and prepaid rents from rent and rent subsidies are as follows as of December 31, 2020 and 2019:

	2020	2019
Accounts Receivable	\$ 4,425	\$ 5,754
Prepaid Rents	\$ 507	\$ 507

In-kind revenue:

Donated materials, property and equipment are recorded at fair market value when received. Contributed services and the related expenses are only recorded in the accounts to the extent that specific professional expertise is provided or capitalized assets is constructed, in accordance with generally accepted accounting principles.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions whose restrictions are met in the same period the contributions are received are reported as without donor restriction support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restriction support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

South Seven Senior Village

Notes to the Financial Statements

Year End December 31, 2020

NOTE 2: CONTRIBUTED LAND USE RECEIVABLE

In May 2002, the Project received a use of land contributions from the Community United Methodist Church in the form of a seventy-five year lease at \$1 a year for the use of the land on which the Project was developed. Development began on the Project in 2004. The value of the contribution, through the terms of the agreement, is recorded at the estimated present value and shown as a receivable and with donor restriction net asset.

NOTE 3: WITH DONOR RESTRICTION NET ASSETS

With donor restriction net assets totaling \$1,521,908 and \$1,578,858, respectively, were time restricted at December 2020 and 2019.

Net assets of \$56,950 and \$56,934, respectively, were released from donor restrictions for the years ended December 2020 and 2019, respectively, by the passage of time.

The Project entered into several agreements to develop a 15-unit senior housing facility, as described below. If the property is sold, refinanced, or its use changes prior to the end of the retention period, an amount equal to the full amount of the direct subsidies must be repaid. Management believes that no refunds will be required. Thus, the subsidies have been recorded as temporarily restricted net assets and are being released from restriction ratably over the retention period of forty years.

On July 25, 2002, the Project entered into an Affordable Housing Program Agreement with the Federal Home Loan Bank of Seattle, for \$104,985 in subsidies. The Project received all funds under the award by December 31, 2006. The restriction expires June 26, 2021.

On January 28, 2005, the Project was awarded a Washington Housing Trust Fund forgivable loan for up to \$748,754. The Project received all funds under the award by December 31, 2006. The restriction expires June 30, 2045.

Also, on February 16, 2005, the Project was awarded a Section 202 forgivable mortgage from the U.S. Department of Housing and Urban Development for up to \$1,409,364. The Project received all funds under the award by December 31, 2006. The restriction expires March 1, 2046.

NOTE 4: MANAGEMENT FEE AND RELATED PARTY ACTIVITY

The Project is managed by OLYCAP, a related part due to common control, under an agreement approved by HUD. The management fee allowed by the agreement is equal to 8.2% of the Project's total expenses less the management fee. The Project paid management fees of \$4,765 and \$4,958, respectively, for the years ended December 31, 2020 and 2019.

The Project also paid fees of \$49,687 and \$80,539 for the years ended December 31, 2020 and 2019, respectively, to OLYCAP for operation and support services. The fees are charges for services, which are not covered under the property management agreement and, therefore, are not included in management fee expense.

Management fees and operating expenses in the amount of \$28,826 and \$31,766 were payable to OLYCAP at December 31, 2020 and 2019, respectively.

South Seven Senior Village

Notes to the Financial Statements

Year End December 31, 2020

NOTE 5: INCOME TAXES

The IRS has determined that the Project is a not-for-profit agency exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation.

The Project files income tax returns in the U.S. federal jurisdiction. The Project is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2020, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

The Project recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended December 31, 2020, the Project recognized \$0 in interest and penalties. The Project recognized \$0 for the payment of interest and penalties accrued at December 31, 2020.

NOTE 6: SUBSEQUENT EVENTS

The Project did not have any subsequent events through March 12, 2021, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

South Seven Senior Village

Statement of Financial Position - HUD Presentation

Year End December 31, 2020	2020
Assets	
Current Assets	
1120 Cash - Operations	\$ 12,027
1130 Accounts Receivable	4,425
	16,452
1100T Total Current Assets	16,452
Deposits	
1320 Replacement Reserve	92,919
1340 Residual Receipts Reserve	3,845
	96,764
1300T Total Deposits	96,764
Fixed Assets	
1420 Building and Improvements	2,604,715
1490 Land Improvements	22,012
	2,626,727
1400T Total Fixed Assets	2,626,727
1495 Accumulated Depreciation	(768,557)
	1,858,170
1400N Net Fixed Assets	1,858,170
Other Assets	
1191 Tenant Security Deposits	4,576
1590 Contributed Land Use Receivable	107,462
	112,038
1500T Total Other Assets	112,038
1000T Total Assets	\$ 2,083,424
Liabilities and Net Assets	
Current Liabilities	
2110 Accounts Payable - Operations	3,180
2210 Prepaid Rent	507
2190 Related Party Payable	28,826
	32,513
2122T Total Current Liabilities	32,513
2191 Tenant Security Deposits	4,822
	37,335
2000T Total Liabilities	37,335
Net Assets	
3131 Without Donor Restrictions	524,181
3133 With Donor Restrictions	1,521,908
	2,046,089
3130 Total Net Assets	2,046,089
2033T Total Liabilities and Net Assets	\$ 2,083,424

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

South Seven Senior Village

Statement of Activities - HUD Presentation

Year End December 31, 2020		2020
Rent Revenue		
5120	Rent Revenue - Gross Potential	\$ 59,514
5121	Tenant Assistance Payments	<u>57,846</u>
5100T	Total Rent Revenue	<u>117,360</u>
Vacancies		
5220	Apartments	<u>2,827</u>
5200T	Total Vacancies	<u>2,827</u>
5152N	Net Rental Revenue	<u>114,533</u>
Financial Revenue		
5490	Revenue from Investments - Misc.	<u>84</u>
5400T	Total Financial Revenue	<u>84</u>
Other Revenue		
5990	Inkind Revenue	4,628
5990	Miscellaneous Revenue	<u>1,407</u>
5900T	Total Other Revenue	<u>6,035</u>
5000T	Total Revenue	<u>120,652</u>
Administrative Expenses		
6311	Office Expenses	3,017
6312	Office Rent	5,000
6320	Management Fee	4,765
6330	Manager or Superintendent Salaries	33,559
6350	Audit Expense	6,000
6370	Bad Debt Expense	<u>-</u>
6263T	Total Administrative Expenses	<u>52,341</u>

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

South Seven Senior Village

Statement of Activities - HUD Presentation

Year End December 31, 2020		2020
Utilities Expenses		
6450	Electricity	18,167
6451	Water	7,793
6400T	Total Utilities Expense	25,960
Operating and Maintenance Expenses		
6515	Supplies	724
6525	Garbage and Trash Removal	4,860
6590	Misc. Operating & Maint. Expenses	2,733
6590-010	HUD Payback Residual Receipts	-
6590-010	Repair & Maint. - Grounds & Building	6,886
6500T	Total Operating & Maint. Expenses	15,203
Taxes and Insurance		
6720	Property & Liability Insurance	5,539
6700T	Total Taxes and Insurance	5,539
Operating Results		
6000T	Total Cost of Operations Before Depreciation	99,043
5060T	Profit Before Depreciation	21,609
6600	Depreciation Expense	52,535
5060N	Operating Loss	(30,926)
Change in Net Assets from Operations		
3247	Change in Without Donor Restrictions	26,024
3249	Change in With Donor Restrictions	(56,950)
3250	Change in Total Net Assets from Operations	\$ (30,926)
Part II		
S1000-020	Total of Yearly Deposits in the Audit Year into the Replacement Reserve Account, as Required by the Regulatory Agreement.	\$ 6,901

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

South Seven Senior Village

Statement of Changes in Net Assets - HUD Presentation

Year End December 31, 2020		2020	
S1100-060	Without Donor Restrictions, Beginning of Year	\$	498,157
3247	Change in Without Donor Restrictions		<u>26,024</u>
3131	Without Donor Restrictions, End of Year	\$	<u><u>524,181</u></u>
S1100-080	With Donor Restrictions, Beg of Year	\$	1,578,858
3248	Change in With Donor Restrictions		<u>(56,950)</u>
3133	With Donor Restrictions, End of Year	\$	<u><u>1,521,908</u></u>
S1100-50	Total Net assets, Beginning of Year	\$	2,077,015
3250	Change in Total Net Assets from Operations		<u>(30,926)</u>
3130	Total Net assets, End of Year	\$	<u><u>2,046,089</u></u>

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

South Seven Senior Village

Statements of Cash Flows - HUD Presentation

<u>Year End December 31, 2020</u>		<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue Collected:		
S1200-010	Rental Receipts	\$ 115,862
S1200-020	Interest Income	84
S1200-030	Other Operating Receipts	<u>1,407</u>
S1200-040	Total Receipts	<u>117,353</u>
Payments for Expenses:		
S1200-050	Administrative	(10,442)
S1200-070	Management Fees	(4,765)
S1200-090	Utilities	(25,724)
S1200-100	Salaries and Wages	(33,559)
S1200-110	Operating and Maintenance	(18,143)
S1200-140	Property Insurance	(5,539)
S1200-160	Tenant Security Deposits	<u>(173)</u>
S1200-230	Total Disbursements	<u>(98,345)</u>
S1200-240	Net Cash Provided by Operating Activities	19,008
CASH FLOWS FROM INVESTING ACTIVITIES		
S1200-250	Net Deposits to Replacement Reserve Account	(6,978)
S1200-260	Net Deposits to Residual Receipts Account	<u>(3)</u>
S1200-350	Net Cash Used by Investing Activities	<u>(6,981)</u>
S1200-470	Net Increase in Cash	12,027
S1200-480	Cash Balance, Beginning of Year	<u>-</u>
S1200T	Cash Balance, End of Year	<u>\$ 12,027</u>

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

South Seven Senior Village

Statements of Cash Flows - HUD Presentation

Year End December 31, 2020		2020
Reconciliation of Change in Net Assets to Net Cash provided by Operating Activities		
3250	Change in Total Net Assets from Operations	\$ <u>(30,926)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations Activities:		
6600	Deprecation	52,535
Changes in Net Assets and Liabilities		
S1200-490	(Increase) Decrease in Accounts Receivable	1,329
S1200-505	Decrease in Contributed Land Use Receivable	372
S1200-530	Increase in Cash Restricted for Tenant Security Deposit	(4)
S1200	(Increase) Decrease in Cash Overdraft	(1,424)
S1200-540	Increase in Accounts Payable	236
S1200-560	Increase in Related Party Payables	(2,941)
S1200-580	Increase (Decrease) in Tenant Security Deposit Held in Trust	<u>(169)</u>
	Total Adjustments	<u>49,934</u>
S1200-610	Net Cash Provided by Operating Activities	\$ <u>19,008</u>

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

South Seven Senior Village

Schedule of Reserve for Replacements and Residual Receipts

Year End December 31, 2020				
Reserve For Replacement				
<u>1/1/2020 Balance</u>	<u>Deposits</u>	<u>Income</u>	<u>Transfer</u>	<u>12/31/2020 Balance</u>
\$ <u>85,941</u>	\$ <u>6,901</u>	\$ <u>77</u>	\$ <u>-</u>	\$ <u>92,919</u>

Residual Receipts				
<u>1/1/2020 Balance</u>	<u>Deposits</u>	<u>Interest Income</u>	<u>Withdrawals</u>	<u>12/31/2020 Balance</u>
\$ <u>3,842</u>	\$ <u>-</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>3,845</u>

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

South Seven Senior Village

Computation of Cash Surplus (Deficiency)

Year End December 31, 2020		2020
S1300-010	Cash (Accounts 1120, 1191)	\$ 16,603
S1300-030	Accounts Receivable - Other	<u>4,425</u>
S1300-040	Total Cash	<u>21,028</u>
S1300-075	Accounts Payable (Due Within 30 Days)	3,180
S1300-100	Related Party Payable	28,826
2191	Tenant Security Deposits Liability	4,822
2210	Prepaid Rent	<u>507</u>
S1300-140	Total Current Obligations	<u>37,335</u>
S1300-150	Cash Surplus (Deficiency)	\$ <u><u>(16,307)</u></u>

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

South Seven Senior Village
Schedule of Changes in Fixed Assets

Year End December 31, 2020

Assets

	1/1/2020 Balance	Additions	Transfers	12/31/2020 Balance
Land Improvements	\$ 22,012	\$ -	\$ -	\$ 22,012
Building and Improvements	2,604,715	-	-	2,604,715
	\$ 2,626,727	\$ -	\$ -	\$ 2,626,727

Accumulated Deprecation

	1/1/2020 Balance	Additions	Transfers	12/31/2020 Balance	12/31/2020 Net Book Value
Building and Improvements	\$ 716,022	\$ 52,535	\$ -	\$ 768,557	\$ 1,858,170
	\$ 716,022	\$ 52,535	\$ -	\$ 768,557	\$ 1,858,170

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

South Seven Senior Village

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures		Total
			From Pass-Through Awards	From Direct Awards	
Department of Housing and Urban Development					
Supportive Housing for the Elderly - Section 202	14.157 *	None	\$ -	\$ 1,409,364	\$ 1,409,364
Supportive Housing for the Elderly - Rental Subsidy	14.157	None	-	57,846	57,846
Passed through Department of Commerce: Home Investment Partnership Program	14.239 *	03-40402-252	748,754	-	748,754
Total			\$ 748,754	\$ 1,467,210	\$ 2,215,964

* Loan

South Seven Senior Village

Note to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Project's financial statements. The Project uses the accrual basis of accounting.

Note 2 – De-Minimis Cost Rate

The Project did not use the 10% de-minimis cost rate.

Note 3 – Federal Expenditures from Loans

	<u>Beginning Balance</u>	<u>Current Year Activity</u>	<u>Ending Balance</u>
Supportive Housing for the Elderly -Section 202	\$1,409,364	\$ -	\$ 1,409,364
Home Investment Partnership Program	<u>748,754</u>	<u>-</u>	<u>748,754</u>
Total	<u>\$2,158,118</u>	<u>\$ -</u>	<u>\$2,158,118</u>

South Seven Senior Village

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2020

No matters are reportable.

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
South Seven Senior Village
Port Townsend, WA

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 South Seven Senior Village (the Project), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and 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 March 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project'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 the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project'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 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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

March 12, 2021

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

To the Board of Directors
South Seven Senior Village
Port Townsend, WA

Report on Compliance for Each Major Federal Program

We have audited South Seven Senior Village's (the Project) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year ended December 31, 2020. The Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Project's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Project's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance


Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project'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 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.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

March 12, 2021

South Seven Senior Village
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.157	Supportive Housing for the Elderly

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

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.

South Seven Senior Village

Certification of Project Owner

Year Ended December 31, 2020

March 12, 2021

I hereby certify that we have examined the accompanying financial statements and supplemental data of South Seven Senior Village and, to the best of my knowledge and belief, the same are complete and accurate.



Greg Pearson, Finance Director

South Seven Senior Village

Certification of Management Agent

Year Ended December 31, 2020

March 12, 2021

I hereby certify that I have examined the accompanying financial statements and supplemental data of South Seven Senior Village and, to the best of my knowledge and belief, the same are complete and accurate.



Greg Pearson, Finance Director

South Seven Senior Village

Schedule of Lead Auditor

For the Years Ended December 31, 2020 and 2019

Auditor Information: Aiken & Sanders, Inc., PS
324 So. Main St.
Montesano, WA 98563

Phone Number: 360-533-3370

Fax Number: 360-532-7123

Auditor Contact: Terry Soddors, CPA

Auditor Contact Title: CPA

Auditor Contact Email: terry@aiken-sanders.com

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