

DELTA MANOR, INC.

(FHA PROJECT NO. 044-11130)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 and 2019

DELTA MANOR, INC.
YEAR ENDED DECEMBER 31, 2020 and 2019

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DELTA MANOR, INC.
YEAR ENDED DECEMBER 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

March 26, 2021

Board of Directors
Delta Manor, Inc.
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Delta Manor, Inc., FHA Project No. 044-11130, which comprise the statement of financial position, as of December 31, 2020 and 2019, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of 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 Delta Manor, Inc.'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 Delta Manor, Inc.'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 Delta Manor, Inc. as of December 31, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 19 to 27 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a

required part of the financial statements. The accompanying schedule of expenditures of federal awards shown on page 28, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above described supplemental 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 26, 2021, on our consideration of Delta Manor'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 the effectiveness of Delta Manor'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 Delta Manor's internal control over financial reporting and compliance.

Martin, Arrington, Desai & Meyers, P.C.

Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash	\$ 322	\$ 8,192
Accounts Receivable - Tenants	7,428	7,269
Accounts Receivable - Other	2,002	128,087
Prepaid Expenses	<u>-</u>	<u>30,794</u>
	9,752	174,342
Property and Equipment		
Buildings	5,034,282	5,034,282
Building Improvements	1,289,893	1,063,670
Furniture and Equipment	233,555	296,164
Miscellaneous Fixed Assets	129,315	129,315
Total Fixed Assets	<u>6,687,045</u>	<u>6,523,431</u>
Accumulated Depreciation	<u>(5,969,515)</u>	<u>(5,909,106)</u>
	717,530	614,325
Land	154,896	154,896
Net Fixed Assets	<u>872,426</u>	<u>769,221</u>
Restricted Deposits		
Tenant Security Deposits	26,278	28,006
Escrow Deposits	52,263	16,929
Residual Receipts	25,091	24,987
Replacement Reserve	446,904	333,144
Total Deposits	<u>550,536</u>	<u>403,066</u>
Total Assets	<u>\$ 1,432,714</u>	<u>\$ 1,346,629</u>

The accompany notes are an integral part of these financial statements

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

LIABILITIES AND NET ASSETS (DEFICIT)	<u>2020</u>	<u>2019</u>
LIABILITIES		
Mortgage payable (less bond issuance costs of \$107,376 for 2020 and \$116,484 for 2019)	\$ 4,206,873	\$ 4,325,102
Accounts payable - 30 days	68,929	141,294
Accrued Liabilities:		
Accrued wages payable	4,990	4,151
Accrued payroll taxes	381	319
Accrued Interest Payable - Mortgage	12,583	12,954
Prepaid revenue	1,378	1,540
Tenant Security Deposits	<u>24,150</u>	<u>24,989</u>
Total Liabilities	4,319,284	4,510,349
NET ASSETS (DEFICIT)		
Net Assets without Donor Restrictions	(2,886,570)	(3,163,720)
Net Assets with Donor Restrictions	-	-
Total Net Assets (Deficit)	<u>(2,886,570)</u>	<u>(3,163,720)</u>
Total Liabilities and Net Assets	<u>\$ 1,432,714</u>	<u>\$ 1,346,629</u>

The accompany notes are an integral part of these financial statements

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Rent	\$ 930,243	\$ 965,858
Financial	1,176	1,773
Other	409,783	130,186
TOTAL REVENUE	<u>1,341,202</u>	<u>1,097,817</u>
EXPENSES		
Project Services:		
Administrative	204,386	196,019
Utilities	86,440	94,487
Operating and Maintenance	444,475	279,077
Taxes and Insurance	86,016	67,033
Interest	173,219	200,569
TOTAL EXPENSES	<u>994,536</u>	<u>837,185</u>
Income from Operations Before Depreciation and Amortization	346,666	260,632
Depreciation and Amortization	<u>69,516</u>	<u>59,804</u>
Change in Total Net Assets without Donor Restrictions	277,150	200,828
Net Assets (Deficit) Without Donor Restrictions at Beginning of Year	<u>(3,163,720)</u>	<u>(3,364,548)</u>
Net Assets (Deficit) Without Donor Restrictions at End of Year	<u><u>\$ (2,886,570)</u></u>	<u><u>\$ (3,163,720)</u></u>

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

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Rental Receipts	\$ 929,923	\$ 969,038
Interest Income	1,176	1,773
Other Cash Received	<u>535,867</u>	<u>2,098</u>
	1,466,966	972,909
Administrative	(67,514)	(68,565)
Management Fees	(54,648)	(54,648)
Utilities	(86,440)	(94,487)
Salaries and Wages	(132,651)	(121,675)
Operating and Maintenance	(473,544)	(108,704)
Payroll Taxes	(12,040)	(8,878)
Property Insurance	(23,102)	(75,144)
Miscellaneous Taxes and Insurance	(12,045)	(13,989)
Other Operating Expenses	-	(22,577)
Security Deposit	888	46
Interest On Mortgage Note	(153,425)	(157,831)
Mortgage Insurance Premium	<u>(20,165)</u>	<u>(20,520)</u>
	(1,034,686)	(746,972)
Net Cash Provided By Operating Activities	<u>432,280</u>	<u>225,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(163,614)	(112,322)
Deposits to escrow accounts	(35,335)	35,037
Deposits to reserve for replacements and interest retained in account	(113,760)	(58,150)
Withdrawals from reserve for replacements		
Net Deposits to residual receipts account and interest retained	<u>(104)</u>	<u>22,340</u>
Net Cash Provided (Used) by Investing Activities	<u>(312,813)</u>	<u>(113,095)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage principal payments	<u>(127,337)</u>	<u>(122,964)</u>
Net Cash Provided (Used) by Financing Activities	<u>(127,337)</u>	<u>(122,964)</u>
NET INCREASE (DECREASE) IN CASH	<u>(7,870)</u>	<u>(10,122)</u>
CASH - BEGINNING OF PERIOD	<u>8,192</u>	<u>18,314</u>
CASH - END OF PERIOD	<u><u>\$ 322</u></u>	<u><u>\$ 8,192</u></u>

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

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

Nature of Organization and Operations

Legal title to the Project is held by Delta Manor, Inc. (the "Corporation"), a non-profit housing organization. The accompanying financial statements are those of the Project and do not represent the financial statements of Delta Manor, Inc.

The Corporation is organized under the laws of the State of Michigan to own and operate an apartment complex of 99 units located in Detroit, Michigan (the "Project") under section 223(f) of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project provides housing to elderly and disabled tenants.

The Project also is subject to Section 8 Housing Assistance Payment agreements with the U.S. Department of Housing and Urban Development (HUD), and a significant portion of the project's rental income is received from HUD.

The Section 223(f) insured loan is HUD's major program.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are being depreciated using the straight-line method over the following estimated useful lives:

Years Land improvements	15
Building and improvement	27.5 – 40
Furnishings and equipment	5 – 10

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

Property and Equipment - Continued

Property and equipment are stated at cost. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Debt Issuance Costs

Debt issuance or deferred costs consist of financing costs of \$182,660 which have been capitalized and amortized over the related debt term at December 31, 2020. Accumulated amortization of these costs is \$75,284 at December 31, 2020. These amounts are included as reductions of the Project's mortgage balance. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

Method of Accounting

The accrual method of accounting is used for financial statement purposes.

Distributions

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

Income Taxes

Delta Manor, Inc. is a disregarded entity whose sole member is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Project considers depository accounts and investments with a maturity at the date of acquisition and expected usage of three months or less to be cash and cash equivalents. The Project has no cash equivalents at December 31, 2020 and 2019.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
ORGANIZATION - Continued:**

Impairment of Long-Lived Assets

The Project reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of December 31, 2020. If amounts become uncollectible, they are charged to operation in the period in which that determination is made.

Classification of Net Assets

Net assets of the Project are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes net assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Project. Certain restrictions may be needed to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable law.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
ORGANIZATION - Continued:**

Classification of Net Assets – Continued

The Project does not interpret the guidance in the standard to include amounts restricted by HUD as donor-restricted. The Project believes that these amounts do not meet the spirit of the standard for such a classification or is their any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Project at December 31, 2020 were considered to be net assets without donor restrictions.

Subsequent Events

The Project has evaluated subsequent events through March 26, 2021, the date that the financial statements were available to be issued for events requiring recording or disclosure in the Project's financial statements.

Functional Allocation of Expenses

Expenditures incurred in connection with Project operations have been summarized as follows:

Program services	\$1,000,954
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Revenue Recognition

Rent revenues are recognized when rent is due for renting apartment space to residents.

NOTE 2: MORTGAGE PAYABLE

The mortgage payable as of December 31, 2020, represents a HUD-insured loan provided by Sun Trust Bank. The Project refinanced their HUD-provided loan in December, 2007. The HUD-insured Section 223(f) mortgage note was payable in monthly installments of \$30,500 including interest at 6.10% through January, 2043. In addition, monthly deposits for insurance and replacement of depreciable assets are required.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 2: MORTGAGE PAYABLE – Continued

Effective September 1, 2017, a modification of the mortgage note, under HUD's Interest Rate Reduction Program, was secured. The interest rate was reduced to 3.50%, which changed the monthly installments to \$23,397, effective October 1, 2017. The balance due as of December 31, 2020 and 2019 is \$4,314,249 and \$4,441,586, respectively. The mortgage note is secured by the apartment project.

Long-term debt at December 31, 2020 and 2019 consists of the following:

	2020	2019
Mortgage Payable	\$4,314,249	\$4,441,586
Less: Unamortized debt issuance costs	(107,376)	(116,484)
Long-term debt, less unamortized debt issuance costs	4,206,873	4,325,102
Less current portion	(131,866)	(127,337)
Total Long-term debt, less current portion	<u>\$4,075,007</u>	<u>\$4,197,765</u>

The maturities of the mortgage loan payable for the five years subsequent to December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 131,866
2022	136,556
2023	141,413
2024	146,443
2025	146,443
2026 and future years	<u>3,757,971</u>
	<u>\$4,314,249</u>

The fair value of the mortgage note payable is estimated based on current rates offered to the Project for debt of the same remaining maturities. At December 31 2020 the fair value of the mortgage approximates the amounts recorded in the financial statements.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 3: RESIDUAL RECEIPTS

Use of the residual receipts account is contingent upon HUD's prior written approval.

NOTE 4: HUD – RESTRICTED DEPOSITS

Under the regulatory agreement, the Project is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD - restricted deposits, which approximate \$446,904 for 2020 and \$333,144 for 2019, are held in separate accounts and generally are not available for operating purposes.

NOTE 5: ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Project, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Project's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Project adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net asset or changes in net assets.

NOTE 6: MANAGEMENT FEE

At December 31, 2020, the Project had a management contract with Presbyterian Villages of Michigan. Under the terms of the contract, the Project will pay a monthly management fee of \$4,554 which represents \$46 per unit and a \$10 per unit bookkeeping fee of \$990 per month. The annual management fee is \$54,648 and annual fee for bookkeeping is \$11,880.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 7: CONTRACTS

The Project entered into a contract on December 15, 1987 with HUD to provide Section 8 Housing Assistance through December 28, 2013. The contract was renewed effective December 28, 2013 and runs for a period of 5 years. It has subsequently been extended for an additional 15 years, through December 31, 2033. The maximum annual commitment the Project may receive under this contract is \$693,828 per year. The contract further provides that a project account will be established by HUD out of the amounts by which the maximum annual commitment exceeds the amount actually paid each fiscal year. If funds are available in the project account, the maximum annual commitment will be increased by the amount required for housing assistance to cover the rents approved by HUD less required amounts HUD authorizes to be funded from the operating reserve, if any. In accordance with these contract terms, the total Section 8 Housing Assistance payments received during the year ended December 31, 2020 and 2019 were \$656,015 and \$686,275, respectively.

NOTE 8: CONCENTRATION OF CREDIT RISK

The project maintains its cash and certificates of deposit accounts in various commercial banks and the mortgage company. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A summary of the total insured and uninsured balances as of December 31, 2020 follows:

	Cash Operations	Tenant Security Deposits	Residual Receipts	Replacement Reserve	Mortgage Escrows
Total Held	\$ 322	\$ 26,278	\$ 25,091	\$446,904	\$ 52,263
Portion Insured					
By FDIC	<u>322</u>	<u>26,278</u>	<u>25,091</u>	<u>250,000</u>	<u>52,263</u>
Uninsured					
Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$196,904</u>	<u>\$ 0</u>

NOTE 9 – RENT INCREASES

Under the regulatory agreement, the Project may not increase rents charged to tenants without HUD approval.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 10: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's sole asset is a 100-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 11: FINANCIAL STATEMENT PRESENTATION

The Project is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Project is required to present a statement of cash flows.

NOTE 12: MORTGAGE ESCROWS

The refinancing of the HUD-insured property resulted in escrow deposits being established for insurance premiums and repairs. The mortgage company holds these funds in trust for the project. Disbursements are made from these reserves when due. As of December 31, 2020 and 2019, the balance held in trust by the mortgage company was \$52,263 and \$16,929, respectively. These escrows yield 0% interest. These escrows are also guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE 13: TENANT SECURITY DEPOSITS

Tenant security deposits are held in a separate investment account in the name of the Project. As of December 31, 2020 and 2019, the balance was \$26,278 and \$28,006, respectively. Withdrawals are restricted to reimbursements of tenants' security deposits.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 14: ACCRUAL OF COMPENSATED ABSENCES

There were no compensated absences at December 31, 2020 and 2019.

NOTE 15: RECLASSIFICATION

Certain items from the December 31, 2019 financial statements have been reclassified for presentation at December 31, 2020. These changes do not impact net assets.

NOTE 16: RELATED PARTY TRANSACTIONS

Presbyterian Villages of Michigan manages the Organization's rental property. Property management fees were incurred as discussed in Note 6. Certain officers of Presbyterian Villages of Michigan participate in the management of the Project and the Project's sponsoring entity.

NOTE 17: LIQUIDITY

At December 31, 2020, the Project has \$9,752 cash and equivalents available to meet needs for general expenditures consisting of cash of \$322 and \$9,430 of accounts receivable. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Project in the next 12 months. In addition, the Project may maintain funds in a reserve for replacement or residual receipts. These funds are used for the benefit of the tenants and/or Project and are required by HUD. The funds may be withdrawn only with the approval of HUD. Such funds are not considered by the Project to have donor-restrictions.

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

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 18: FUNCTIONAL EXPENSES

The Project provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional expense that require allocation between activities.

	Program Services	Supporting Activities	
FASSUB Line Items	Rental Operations	Management and General	Total Expenses
Payroll and benefits	\$153,513		\$153,513
Administrative	59,063	8,450	67,513
Management fee		54,648	54,648
Utilities	86,440		86,440
Repairs and maintenance	393,209		393,209
Taxes and insurance	65,994		65,994
Interest	153,054		153,054
Mortgage Ins. Premium	20,165		20,165
Depreciation and amortization	69,516		69,516
Totals	1,000,954	63,098	1,064,052

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(continued)

NOTE 19: PROPERTY AND EQUIPMENT

The change in the major categories of property and equipment for the year ended December 31, 2020 is summarized as follows:

Assets	Cost			Balance 12/31/2020
	Balance 1/1 2020	Additions	Deletions	
Land	\$ 1	\$ 0	\$ 0	\$ 1
Land Improvements	154,895	0	0	154,895
Buildings	6,160,561	163,614	0	6,324,175
Furniture and Equipment	233,555	0	0	233,555
Mixed Fixed Assets	129,315	0	0	129,315
TOTAL	<u>\$6,678,327</u>	<u>\$163,614</u>	<u>\$ 0</u>	<u>\$ 6,841,941</u>

Depreciation	Accumulated Depreciation			Balance 12/31/2020
	Balance 1/1/2020	Additions	Deletions	
Land Improvements	\$ 108,384	\$ 5,680	0	\$ 114,064
Buildings	5,448,399	52,401	0	5,501,400
Furniture and Equipment	226,252	2,175	0	228,427
Mixed Fixed Assets	125,471	153	0	125,624
TOTAL	<u>\$5,909,106</u>	<u>\$ 60,409</u>	<u>\$ 0</u>	<u>\$ 5,969,515</u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

Account No.		<u>2020</u>	<u>2019</u>
	CURRENT ASSETS		
1110	Operating Cash	\$ 322	\$ 8,192
1130	Accounts Receivable - Tenants	7,428	7,269
1140	Accounts Receivable - Other	2,002	128,087
1200	Miscellaneous Prepaid Expenses	-	30,794
	Total Current Assets	<u>9,752</u>	<u>174,342</u>
1191	Tenant Deposits Held in Trust	26,278	28,006
	RESTRICTED DEPOSITS		
1310	Escrow Deposits	52,263	16,929
1320	Replacement Reserve	446,904	333,144
1340	Residual Receipts	25,091	24,987
	Total Deposits	<u>524,258</u>	<u>375,060</u>
	PROPERTY AND EQUIPMENT		
1410	Land and Improvements	154,896	154,896
1420	Buildings	5,034,282	5,034,282
1430	Building Improvements	1,289,893	1,063,670
1460	Furniture and Equipment	233,555	296,164
1490	Miscellaneous Fixed Assets	129,315	129,315
1400T	Total Fixed Assets	<u>6,841,941</u>	<u>6,678,327</u>
1495	Less: Accumulated Depreciation	(5,969,515)	(5,909,106)
1400N	Net Fixed Assets	<u>872,426</u>	<u>769,221</u>
1000T	Total Assets	<u><u>\$ 1,432,714</u></u>	<u><u>\$ 1,346,629</u></u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

Account No.		2020	2019
	CURRENT LIABILITIES		
2110	Accounts payable - 30 days	68,929	141,294
2120	Accrued wages payable	4,990	4,151
2121	Accrued payroll taxes	381	319
2131	Accrued Interest Payable - Mortgage	12,583	12,954
2170	Mortgage payable - current portion	131,866	127,337
2210	Prepaid revenue	1,378	1,540
2122T	Total Current Liabilities	<u>220,127</u>	<u>287,595</u>
2191	TENANT SECURITY DEPOSITS	24,150	24,989
2320	Mortgage payable, First Mortgage, less current portion	4,182,383	4,314,249
2340	Less: Bond Issuance Costs	<u>(107,376)</u>	<u>(116,484)</u>
		4,075,007	4,197,765
2000T	Total Liabilities	4,319,284	4,510,349
3131	Net Assets Without Donor Restrictions	(2,886,570)	(3,163,720)
3133	Net Assets With Donor Restrictions	-	-
3130	NET ASSETS (DEFICIT)	<u>(2,886,570)</u>	<u>(3,163,720)</u>
2033T	Total Liabilities and Net Assets (Deficit)	<u>\$ 1,432,714</u>	<u>\$ 1,346,629</u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Account No.	2020	2019
REVENUES:		
5120 Rent Revenue - gross potential	\$ 334,777	\$ 289,073
5121 Tenant assistance payments	656,015	686,275
5100T	990,792	975,348
5220 Vacancies - apartments	(60,549)	(9,490)
5152N	930,243	965,858
5440 Revenue from investments - replacement reserve	1,016	1,530
5490 Revenue from investments - miscellaneous	56	6
5430 Revenue from investments - residual receipts	104	237
5400T	1,176	1,773
5910 Laundry and vending revenue	4,042	4,264
5920 Tenant charges	1,693	-
5980 Service Coordinator revenue	21,465	22,204
5990 Insurance Proceeds	381,236	-
5990 Miscellaneous	1,347	103,718
5900T	409,763	130,186
5000T	1,341,202	1,097,817
	Total Revenue	
EXPENSES:		
6203 Conventions and meetings	250	1,199
6210 Advertising and marketing	1,323	-
6310 Office salaries	31,725	32,226
6311 Office expenses	17,464	13,084
6330 Manager's salary	50,500	40,581
6320 Management fee	54,648	54,648
6340 Legal fees	-	1,845
6350 Audit expense	8,450	8,450
6351 Bookkeeping/Accounting	11,880	11,880
6390 Miscellaneous administrative expenses	28,146	32,106
6263T	204,386	196,019
6450 Electricity	30,103	30,558
6451 Water	35,037	36,114
6452 Gas	21,300	27,815
6400T	86,440	94,487
6510 Payroll	51,266	49,812
6515 Supplies	15,005	25,095
6520 Contracts	117,244	142,228
6525 Trash removal	12,432	6,294
6530 Security payroll/contract	20,034	47,710

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Account No.	2020	2019
6548 Snow removal	2,120	1,575
6546 Heating/cooling repairs and maintenance	4,887	6,363
6590 Miscellaneous operating and maintenance expenses	221,487	-
6500T	444,475	279,077
6711 Payroll taxes	12,102	8,694
6720 Property and liability insurance	61,869	44,350
6722 Workers' Compensation	2,167	2,119
6723 Health insurance and other employee benefits	7,920	11,870
6790 Miscellaneous	1,958	-
6700T	86,016	67,033
6820 Interest on mortgage payable	153,054	157,472
6850 Mortgage insurance premium	20,165	20,520
6890 Miscellaneous financial expenses	-	22,577
6800T	173,219	200,569
6000T	994,536	837,185
5060T	346,666	260,632
6610 Amortization Expense	9,107	9,107
6600 Depreciation Expense	60,409	50,697
	69,516	59,804
5060N	277,150	200,828
3247	\$ 277,150	\$ 200,828
3250	\$ 277,150	\$ 200,828
S1000-010	\$ 127,337	\$ 122,964
S1000-020	\$ 130,463	\$ 127,292
	\$ -	\$ 22,577

Total Operating and Maintenance Expenses

Total Taxes and Insurance

Total Financial Expense

Total Cost of Operations Before Depreciation

Profit (Loss) Before Depreciation

Operating Income

Change in Unrestricted Net Assets Without Donor Restrictions

Change in Total Net Assets from Operations

S1000-010 Total mortgage principal payments required during the year

S1000-020 Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement

Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NET ASSETS DATA
FOR THE YEAR ENDED DECEMBER 31, 2020

S1100-060	Previous Year Without Donor Restrictions	\$ (3,163,720)
3247	Change in Net Assets Without Donor Restrictions	277,150
3131	Net Assets Without Donor Restrictions	<u>(2,886,570)</u>
S1100-050	Previous Year Total Net Assets	(3,163,720)
3250	Change in Total Net Assets from Operations	277,150
3130	Total Net Assets	<u><u>\$ (2,886,570)</u></u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
S1200-010 Rental Receipts	\$ 929,923	\$ 969,038
S1200-020 Interest Received	1,176	1,773
S1200-030 Other Cash Received	535,867	2,098
S1200-040 Total Receipts	<u>1,466,966</u>	<u>972,909</u>
S1200-050 Administrative	(67,514)	(68,565)
S1200-070 Management Fees	(54,648)	(54,648)
S1200-090 Utilities	(86,440)	(94,487)
S1200-100 Salaries and Wages	(132,651)	(121,675)
S1200-110 Operating and Maintenance	(473,544)	(108,704)
S1200-140 Property Insurance	(23,102)	(75,144)
S1200-150 Miscellaneous Taxes and Insurance	(24,085)	(22,867)
S1200-160 Tenant Security and Other Deposits	888	46
S1200-170 Other Operating Expenses	-	(22,577)
S1200-180 Interest on Mortgage Note	(153,425)	(157,831)
S1200-210 Mortgage Insurance Premium	(20,165)	(20,520)
S1200-230 Total Disbursements	<u>(1,034,686)</u>	<u>(746,972)</u>
S1200-240 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>432,280</u>	<u>225,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
S1200-245 Net Deposits to Mortgage Escrow Accounts	(35,335)	35,037
S1200-250 Net Replacement Reserve Deposits	(113,760)	(58,150)
S1200-260 Net Residual Reserve Deposits	(104)	22,340
S1200-330 Purchase of Fixed Assets	<u>(163,614)</u>	<u>(112,322)</u>
S1200-350 NET CASH USED IN INVESTING ACTIVITIES	<u>(312,813)</u>	<u>(113,095)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
S1200-360 Mortgage Principal Payments	<u>(127,337)</u>	<u>(122,964)</u>
S1200-460 NET CASH USED IN FINANCING ACTIVITIES	<u>(127,337)</u>	<u>(122,964)</u>
S1200-470 NET INCREASE IN CASH	(7,870)	(10,122)
S1200-480 CASH - BEGINNING OF YEAR	<u>8,192</u>	<u>18,314</u>
S1200T CASH - END OF PERIOD	<u>\$ 322</u>	<u>\$ 8,192</u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2020

SCHEDULE OF CHANGES IN THE REPLACEMENT RESERVE
YEAR ENDED DECEMBER 31, 2020

1320P	Balance at Beginning of Year	\$333,144
1320DT	Total Monthly Deposits	130,463
1320INT	Interest on Replacement Reserve Accounts	1,016
1320WT	Approved Withdrawals	<u>(17,719)</u>
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$446,904</u>

SCHEDULE OF RESIDUAL RECEIPTS
YEAR ENDED DECEMBER 31, 2020

1340P	Balance at Beginning of Year	\$24,987
1340INT	Interest Earned	<u>104</u>
1340	Balance at Current Fiscal Year End	<u>\$25,091</u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
SUPPLEMENTAL SCHEDULES
(Continued)

CHANGES IN FIXED ASSETS
YEAR ENDED DECEMBER 31, 2020

	January 1 <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	December 31 <u>2020</u>
Land	\$ 1	\$ 0	\$ 0	\$ 1
Land Improvements	154,895	0	0	154,895
Buildings	6,160,561	163,614	0	6,324,175
Furniture and Equipment	233,555	0	0	233,555
Mixed Fixed Assets	129,315	0	0	129,315
TOTAL	<u>\$6,678,327</u>	<u>\$163,614</u>	<u>\$ 0</u>	<u>\$ 6,841,941</u>
Accumulated Depreciation	<u>\$5,909,106</u>	<u>\$ 60,409</u>	<u>\$ 0</u>	<u>\$ 5,969,515</u>

Additions	<u>Description</u>	<u>Amount</u>
	Fire Alarm Replacement	\$109,203
	Fire Damage Repairs	54,411
		<u>\$163,614</u>

DELTA MANOR, INC.
(FHA Project No. 044-11130)
SUPPLEMENTAL SCHEDULES
(continued)

**COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS,
AND RESIDUAL RECEIPTS
DECEMBER 31, 2020**

Computation of Surplus Cash

S1300-010	Cash	\$ 26,600
	Total Cash	26,600
Current Obligations		
S1300-050	Accrued interest payable	\$ 12,583
S1300-075	Accounts payable due within 30 days	68,930
S1300-110	Accrued expenses	5,371
2210	Prepaid Revenue	1,378
2191	Tenant security deposits liability	24,150
S1300-140	Total Current Obligations	112,412
S1300-150	Surplus Cash (Deficiency)	\$(85,812)
S1300-210	Deposit Due Residual Receipts	\$ 0

Martin, Arrington, Desai & Meyers, P.C.

30200 TELEGRAPH ROAD
SUITE 444
BINGHAM FARMS, MI 48025
P: (248) 645-5370 F: (248) 645-5020

100 E BIG BEAVER ROAD
SUITE 950
TROY, MI 48083
P: (248) 419-4520 F: (248) 817-8747

712 FORD BUILDING
615 GRISWOLD
DETROIT, MI 48226
P: (313) 528-6962

**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**

March 26, 2021

Board of Directors
Delta Manor, Inc.
Detroit, Michigan

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 Delta Manor, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report dated March 26, 2021.

Internal Control over Financial Reporting

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

of Delta Manor'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 project'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 over financial reporting 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 financial reporting 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 Delta Manor, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the project's internal control or on compliance.

Martin, Arrington, Desai & Meyers, P.C.

Certified Public Accountants & Consultants

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.

Martin, Arrington, Desai & Meyers, P.C.

Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

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

March 26, 2021

Board of Directors
Delta Manor, Inc.
Detroit, Michigan

Report on Compliance for Each Major Federal Program

We have audited Delta Manor, Inc., compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Delta Manor, Inc.'s major federal programs for the year ended December 31, 2020. Delta Manor, Inc.'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 the federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Delta

Manor, Inc.'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 Delta Manor, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

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

Report on Internal Control over Compliance

Management of Delta Manor, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Delta Manor, Inc.'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 Delta Manor, Inc.'s internal control over compliance.

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

Martin, Arrington, Desai & Meyers, P.C.

Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

DELTA MANOR, INC.
(FHA Project No. 044-11130)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA/AGENCY NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Total</i>			
Department of Housing and Urban Development			
Section 223(f) Loan	14.155	N/A	\$ 4,441,586
Section 8 Housing Assistance Payments	14.195	MI28T841031	656,015
Section 8 - Service Coordinator	14.191	N/A	21,465
Total Expenditures of Federal Awards			<u>\$ 5,119,066</u>

The accompanying notes are an integral part of this schedule.

DELTA MANOR, INC.
(FHA Project No. 044-11130)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Delta Manor, Inc., FHA Project No. 044-11130, under programs of the federal government for the year ended December 31, 2020. The information in this 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 Delta Manor, Inc., FHA Project No. 044-11130, it is not intended to and does not present the financial position, changes in net assets or cash flows of Delta Manor, Inc., FHA Project No. 044-11130.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – SECTION 223(f) LOAN

Delta Manor, Inc. has received a U.S. Department of Housing and Urban Development direct loan advance under Section 223(f) of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Delta Manor, Inc. received no additional loans during the year. The balance of the loan outstanding at December 31, 2020 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2020</u>
14.155	Section 223(f) Direct Loan	\$4,314,249

DELTA MANOR, INC.
(FHA Project No. 044-11130)
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 weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to
financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x 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
2CFR Section 200.516(a) are reported _____ yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.155	Section 223(f)

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

Auditee qualified as low-risk auditee? x yes _____ no

DELTA MANOR, INC.
(FHA Project No. 044-11130)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

SECTION II - FINDING – FINANCIAL STATEMENTS AUDIT

None

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

None

STATUS OF PRIOR YEAR AUDIT FINDINGS

They were no findings or questioned costs pertaining to the audit for the fiscal year ended December 31, 2019.

(FHA Project No. 044-11130)

MORTGAGOR'S CERTIFICATION
DECEMBER 31, 2020

We hereby certify that we have examined the accompanying financial statements and supplemental data of Delta Manor, Inc., FHA Project No. 044-11130 and, to the best of our knowledge and belief, the same are accurate and complete.

Signature: Barbara Anderson

Date: 3/26/2021

Signature: Jarvis J. Johnson

Date: 3/26/2021

**DELTA MANOR, INC.
(FHA Project No. 044-11130)**

**MANAGEMENT AGENT'S CERTIFICATION
DECEMBER 31, 2020**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Delta Manor, Inc., FHA Project No. 044-11130 and, to the best of my knowledge and belief, the same are accurate and complete.

Signature:

Kesha Akridge
Kesha Akridge, Agent for Delta Manor, Inc.
Presbyterian Village of Michigan

Date:

3-27-2021

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURE

March 26, 2021

To the Board of Directors
Delta Manor, Inc.
Detroit, Michigan

We have performed the procedure described in the second paragraph of this report, which was agreed to by Delta Manor, Inc., FHA Project No. 044-11130 and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with the related hard copy documents included within the audit reporting package. Delta Manor, Inc. is responsible for accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of Delta Manor, Inc. and REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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

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

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by Delta Manor, Inc. for the year ended December 31, 2020, and have issued our reports thereon dated March 26, 2021. 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 March 26, 2021, was expressed in relation to the basic financial statements of Delta Manor, Inc. 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 Delta Manor, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

Martin, Arrington, Desai & Meyers, P.C.

Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

DELTA MANOR, INC.
MATRIX AGREED UPON PROCEDURES
DECEMBER 31, 2020

Compare 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 as shown in the chart below.

UFRS RULE INFORMATION	HARD COPY DOCUMENT(S)	FINDINGS
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e. Supplemental Schedule	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e. Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Footnotes to the Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor reports (S3400, S3500 and S3600 series of accounts)	Auditors' Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditors' Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees