

**ALPENA PINES LIMITED DIVIDEND HOUSING  
ASSOCIATION LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072**

**REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072

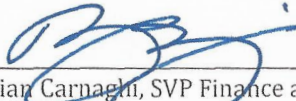
PARTNERS' CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary information of Alpena Pines Limited Dividend Housing Association Limited Partnership, MSHDA Development No. 3072, to the best of my knowledge and belief, the same are complete and accurate as of and for the year ended December 31, 2020.



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Timothy Kalbfleisch, SVP & CFO, Wellspring Lutheran Services  
Co-owner of Alpena Pines Development, Inc., General Partner



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Brian Carnaghi, SVP Finance and Business Development, CFO and  
Treasurer, Presbyterian Villages of Michigan  
Co-owner of Alpena Pines Development, Inc., General Partner

Partnership Employer Identification Number: 26-0236982

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Alpena Pines Limited Dividend Housing  
Association Limited Partnership

### Report on the Financial Statements

We have audited the accompanying financial statements of Alpena Pines Limited Dividend Housing Association Limited Partnership, MSHDA Development No. 3072, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of profit and loss, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Alpena Pines Limited Dividend Housing Association Limited Partnership as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, 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 audits 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 11, 2021 on our consideration of Alpena Pines Limited Dividend Housing Association Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alpena Pines Limited Dividend Housing Association Limited Partnership'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 Alpena Pines Limited Dividend Housing Association Limited Partnership's internal control over financial reporting and compliance.

*Maney Costeiran PC*

March 11, 2021

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,972	\$ 4,692
Accounts receivable		
Accounts receivable - tenants	175	16
Accounts receivable - other	-	2,047
Prepaid insurance	18,567	-
Other prepaid expenses	<u>3,768</u>	<u>3,787</u>
Total current assets	<u>24,482</u>	<u>10,542</u>
Restricted cash and funded reserves		
Replacement reserve	132,898	123,561
Real estate taxes	1,264	1,316
Tenant security deposits	22,818	24,328
Insurance	10	14,456
Operating reserve	1	1
Operating assurance	<u>119,240</u>	<u>141,476</u>
Total restricted cash and funded reserves	<u>276,231</u>	<u>305,138</u>
Rental property		
Land	73,776	73,776
Buildings	3,787,003	3,787,003
Carports	19,150	19,150
Furniture and fixtures	224,862	224,862
Land improvements	<u>525,534</u>	<u>525,534</u>
Total rental property	4,630,325	4,630,325
Less accumulated depreciation	<u>(1,864,282)</u>	<u>(1,737,444)</u>
Net rental property	<u>2,766,043</u>	<u>2,892,881</u>
Other assets		
Deferred monitoring fees, net of accumulated amortization	<u>4,906</u>	<u>6,588</u>
TOTAL ASSETS	<u><u>\$ 3,071,662</u></u>	<u><u>\$ 3,215,149</u></u>

See notes to financial statements.

	<u>2020</u>	<u>2019</u>
LIABILITIES AND PARTNERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 18,068	\$ 27,227
Accrued liabilities		
Wages	9,219	4,255
Payment in lieu of taxes	8,373	8,293
Interest - MSHDA	6,665	6,821
Current portion of long term debt	<u>43,581</u>	<u>41,667</u>
Total current liabilities	<u>85,906</u>	<u>88,263</u>
Deposits and prepayment liabilities		
Unearned rental income	443	742
Tenant security deposits	<u>22,818</u>	<u>24,328</u>
Total deposits and prepayment liabilities	<u>23,261</u>	<u>25,070</u>
Long-term liabilities		
Mortgages payable		
Interest reduction loan - MSHDA - net of current portion	1,733,686	1,777,267
HOME loan - MSHDA	<u>1,120,460</u>	<u>1,120,460</u>
	2,854,146	2,897,727
Less unamortized debt issuance costs	<u>(40,089)</u>	<u>(41,872)</u>
Total mortgages payable - net	2,814,057	2,855,855
Deferred interest - MSHDA mortgage	127,538	118,538
Developers fee payable	<u>-</u>	<u>369,809</u>
Total long-term liabilities	<u>2,941,595</u>	<u>3,344,202</u>
TOTAL LIABILITIES	3,050,762	3,457,535
PARTNERS' DEFICIT	<u>20,900</u>	<u>(242,386)</u>
TOTAL LIABILITIES AND PARTNERS' DEFICIT	<u><u>\$ 3,071,662</u></u>	<u><u>\$ 3,215,149</u></u>

See notes to financial statements.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
STATEMENTS OF PROFIT AND LOSS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>INCOME</b>		
Revenue		
Rental income		
Apartments	\$ 291,526	\$ 282,278
Tenant assistance payments	<u>30,770</u>	<u>33,010</u>
Total rent potential	322,296	315,288
Vacancy loss	(6,366)	(2,384)
Loss to lease	<u>(9,214)</u>	<u>(7,933)</u>
Net rental revenue	<u>306,716</u>	<u>304,971</u>
Other income		
Interest income	6,734	8,041
Cable revenue	14,586	14,910
Carport income	2,551	3,051
Laundry	3,233	3,377
Other revenue	<u>759</u>	<u>443</u>
Total other income	<u>27,863</u>	<u>29,822</u>
<b>TOTAL INCOME</b>	<u><b>334,579</b></u>	<u><b>334,793</b></u>
<b>EXPENSES</b>		
Operating expenses		
Administrative	9,136	8,359
Management fee	25,632	25,296
Premium management fee	3,936	3,888
Salaries and wages	45,837	51,502
Administrative rent free unit	2,400	2,400
Miscellaneous administrative	3,918	404
Audit fee	8,100	7,783
Repairs and maintenance	67,713	71,460
Utilities	30,163	31,590
Payment in lieu of taxes	8,373	8,293
Insurance	<u>15,748</u>	<u>14,269</u>
Total operating expenses	<u>220,956</u>	<u>225,244</u>
Other expenses		
Interest		
Mortgages - net	91,626	93,666
Depreciation and amortization	<u>128,520</u>	<u>128,520</u>
Total other expenses	<u>220,146</u>	<u>222,186</u>
<b>TOTAL EXPENSES</b>	<u><b>441,102</b></u>	<u><b>447,430</b></u>
<b>NET LOSS</b>	<u><b>\$ (106,523)</b></u>	<u><b>\$ (112,637)</b></u>

See notes to financial statements.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
STATEMENTS OF CHANGES IN PARTNERS' DEFICIT  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>General Partner</u>	<u>Limited Partner</u>	<u>Total</u>
BALANCE, January 1, 2019	\$ (296,279)	\$ 166,530	\$ (129,749)
Net loss	<u>(11)</u>	<u>(112,626)</u>	<u>(112,637)</u>
BALANCE, December 31, 2019	(296,290)	53,904	(242,386)
Contribution	369,809	-	369,809
Net loss	<u>(11)</u>	<u>(106,512)</u>	<u>(106,523)</u>
BALANCE, December 31, 2020	<u>\$ 73,508</u>	<u>\$ (52,608)</u>	<u>\$ 20,900</u>

See notes to financial statements.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Cash flows from operating activities		
Net loss	\$ (106,523)	\$ (112,637)
Adjustments to reconcile net loss to net cash provided (used) by operating activities		
Depreciation	126,838	126,838
Amortization	1,682	1,682
Amortization of debt issuance costs (interest expense)	1,783	1,783
Accounts receivable	1,888	(2,051)
Prepaid expenses	(18,548)	14,132
Accounts payable	(9,159)	(5,907)
Accrued liabilities	3,378	265
Increase in deferred mortgage interest - MSHDA	9,000	9,203
Unearned rental income	(299)	473
Total adjustments	<u>116,563</u>	<u>146,418</u>
Net cash provided by operating activities	<u>10,040</u>	<u>33,781</u>
Cash flows from financing activities		
Repayment of long-term debt - net	<u>(41,667)</u>	<u>(39,835)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	(31,627)	(6,054)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Beginning of year	<u>309,830</u>	<u>315,884</u>
End of year	<u>\$ 278,203</u>	<u>\$ 309,830</u>

See notes to financial statements.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting - The Partnership reports on the accrual basis of accounting.

Cash and Cash Equivalents - The Partnership's cash and cash equivalents are considered to be cash on hand demand deposits and any unrestricted investment instruments with original maturities of three months or less. As of December 31, 2020 and 2019, cash and cash equivalents consists of operating cash.

Restricted Cash and Funded Reserves - Tenant security deposits, reserve for replacement, and reserve for taxes and insurance are considered restricted due to restrictions placed on these accounts.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and funded reserves reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	2020	2019
Cash and cash equivalents	\$ 1,972	\$ 4,692
Restricted cash and funded reserves	276,231	305,138
Total cash and cash equivalents and restricted cash	<u>\$ 278,203</u>	<u>\$ 309,830</u>

Accounts Receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable represents the Partnership's right to consideration that is unconditional if only the passage of time is required before payment of that consideration is due. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Debt Issuance Costs - Debt issuance costs are amortized over 35 years utilizing the straight-line method. Amortization of debt issuance costs is reported in the statement of profit and loss as interest expense.

Deferred Monitoring Fees - Deferred monitoring fees will be amortized using the straight-line method over 15 years commencing in 2008.

Property and Depreciation - Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using both straight line and accelerated methods. Estimated useful lives are 40 years for buildings, 20 years for land improvements, 15 years for carports, and 5 to 7 years for furniture and equipment. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Income Taxes - The income or loss of the Partnership is reportable by the Partners on their individual federal income tax return. Partnership net revenue is allocated to the Partners per the partnership agreement.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Distributions - The Partnership is subject to restrictions under agreements with the Michigan State Housing Development Authority (MSHDA) as to rental charges, operating policies and distributions to Partners. Distributions may not exceed 12% of the Partners' initial equity investment for the first year of operations and an additional 1% each year, to a maximum return on equity of 25%.

Partners' Personal Interests - These statements do not give effect to any assets the Partners may have outside their interests in the business nor to any personal obligations, including income taxes, of the Partners.

Replacement Reserve - A reserve for replacement is to be funded annually as required by MSHDA.

Tenant Security Deposits - Partnership maintains accounts for security deposits received from tenants. The cash is restricted for reimbursement of the security deposits unless there is evidence of default by a tenant under the lease agreement.

Tax and Insurance Reserve - Tax and insurance reserve is restricted cash for payments of real estate taxes and insurance. Partnership is required to establish and maintain a reserve account. This account is used to receive monthly deposits sufficient to pay annual real estate taxes and insurance premiums that are paid from the account.

Operating Reserve - An operating reserve was established to remain in place for the duration of the compliance period. The reserve is to be used for operating expenses and other expenses benefiting the Project.

Operating Assurance Reserve - An operating reserve was established at the time of the initial disbursement of the loan proceeds from MSHDA. The reserve may be used for operating shortfalls, replacement reserve needs, or other underfunded escrows and obligations to MSHDA.

Advertising Costs - Advertising costs are expensed as incurred.

Payments in Lieu of Taxes - The Partnership is a participant in a tax abatement program with the City of Alpena providing payment of a service fee in lieu of regular property taxes. The service fee is computed as 3% of rents collected less utility expenses. The payments are expensed in the year in which the related rental income and utilities expense are incurred. This abatement shall remain so long as the Project is subject to the mortgage.

Partners' Capital and Earnings - The Partnership agreement provides that items such as income and loss are allocated among the partners in proportion to their percentage ownership. The general and limited partners' interests are .01% and 99.99%, respectively.

Revenue Recognition - The Partnership recognized net rental income in the period in which the rent is earned. Revenue received from contracts with tenants for housing and related services is recorded over the period of the lease term. Performance obligations identified in the contracts are satisfied on a monthly basis as housing and other services are provided to each tenant. Revenue is recognized in an amount that reflects consideration the Partnership expects to be entitled to in exchange for the housing and other related services provided. In accordance with the RD financial reporting requirements, total rental income represents total possible rent revenue as if all units are 100% occupied during the year less vacancies. Rents collected in advance are deferred until the rental income is earned.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following schedule shows the Partnership's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31:

	2020	2019
Contract revenue recognized at a point in time		
Resident charges	\$ 21,129	\$ 21,781
Contract revenue recognized over time		
Net rental revenue	306,716	304,971
Total contract revenue	327,845	326,752
Interest revenue	6,734	8,041
Total revenue	\$ 334,579	\$ 334,793

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES**

Alpena Pines Limited Dividend Housing Association Limited Partnership was organized in 2007 under the laws of the State of Michigan to develop, own, and operate a 48-unit rental housing project located in Alpena, Michigan, for seniors of low to moderate income. Operations commenced in 2008. The Project is currently operating under the name of Alpena Pines Senior Housing. The major activities of the Partnership are governed by the partnership agreement and the Michigan State Housing Development Authority (MSHDA).

Under the terms of the Regulatory Agreement executed in connection with obtaining the mortgage loan, MSHDA regulates rental rates and distributions.

The Partnership's general partners and respective ownership follows:

Alpena Pines Development, Inc.	0.01%
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The Partnership's limited partner and its respective ownership is as follows:

NEF Assignment Corporation	99.99%
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The Partnership is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Partnership to concentrations of credit risk, consist principally of temporary cash investments. The Partnership places its temporary cash investments with FDIC insured financial institutions and MSHDA. Although such investments and cash balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk.

The Partnership evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through March 11, 2021, which is the date the financial statements were available to be issued.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on tenants, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain. On January 20, 2021, the Center for Disease Control and Prevention (CDC) extended the federal moratorium on tenant evictions until March 31, 2021.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of 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 may differ from estimated amounts.

**NOTE 3 - CONTRACT ASSETS AND CONTRACT LIABILITIES**

Opening and closing balances of accounts receivable, prepaid revenue, and tenant security deposits liability consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Contract assets:		
Accounts receivable, beginning of year	<u>\$ 16</u>	<u>\$ 12</u>
Accounts receivable, end of year	<u>\$ 175</u>	<u>\$ 16</u>
Contract liabilities:		
Prepaid revenue, beginning of year	<u>\$ 742</u>	<u>\$ 269</u>
Prepaid revenue, end of year	<u>\$ 443</u>	<u>\$ 742</u>
Tenant security deposits liability, beginning of year	<u>\$ 24,328</u>	<u>\$ 24,035</u>
Tenant security deposits liability, end of year	<u>\$ 22,818</u>	<u>\$ 24,328</u>

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - MORTGAGES PAYABLE**

Mortgages payable at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Mortgage payable - MSHDA requires monthly installments of \$10,222 including interest of 4.5%. Interest of 0.5% is deferred until the sale of the development or the refinancing of the loan. All such deferred interest shall be due and payable in full with the last payment on the mortgage loan. The mortgage matures June 1, 2044 and is secured by land and real property owned by the Partnership.	\$ 1,777,267	\$ 1,818,934
HOME loan - MSHDA will not accrue interest until the first mortgage is paid in full, after which the note will bear interest at a rate of 5.0% per annum. So long as the mortgage loan is outstanding, annual principal payments are required on the HOME loan equal to 25% of surplus funds. After the first mortgage is paid in full, monthly payments of principal and interest equal to that required on the first mortgage shall be made until either the HOME loan is paid in full or June 1, 2044, whichever occurs first.	<u>1,120,460</u>	<u>1,120,460</u>
	2,897,727	2,939,394
Less current portion of long-term debt	<u>(43,581)</u>	<u>(41,667)</u>
	<u><u>\$ 2,854,146</u></u>	<u><u>\$ 2,897,727</u></u>

Maturities of mortgages payable and deferred interest are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 43,581
2022	45,583
2023	47,677
2024	49,867
2025	52,158
2026 and thereafter	<u>2,658,861</u>
	<u><u>\$ 2,897,727</u></u>

The fair value of the mortgages payable is estimated based on the current rates offered to the Partnership for debt of the same remaining maturities. At December 31, 2020 and 2019, the fair value of the mortgages payable approximates the amounts recorded in the financial statements.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - DEVELOPER FEE PAYABLE**

The Partnership has incurred a developer fee to Alpena Village, LLC, a related party, for services rendered to the Partnership for overseeing the construction and development of the Project. Developer fees in the amount of \$822,254 have been recorded. As required by the partnership agreement, the general partner was required to make a capital contribution of \$369,809, sufficient to satisfy the remaining portion of the developer fee, which in turn was immediately payable to the developer for the year ended December 31, 2020. For statement of cash flow purposes, the deemed capital contribution is considered a non-cash transaction.

**NOTE 6 - SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow information for the year ended December 31, is as follows:

	<u>2020</u>	<u>2019</u>
Cash paid during the year for interest	<u>\$ 80,999</u>	<u>\$ 82,829</u>

**NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES**

The following are descriptions of transactions with related parties and identity of interest companies as defined by MSHDA guidelines. Related party transactions for the year ending December 31, 2020 are summarized as follows:

Name of Related Party	Relationship	Brief Description of Work/Services Performed	Partnership or Operating Account	Balance, 12/31/2019	2020 Services Invoiced	2020 Payments	Balance, 12/31/2020	Terms of Settlement
Alpena Village, LLC	Affiliate of general partner	Developer fees	Partnership	\$ 369,809	\$ -	\$ (369,809)	\$ -	Deferred
LHM Asset Management, LLC	Affiliate of general partner	Management fees	Operating	6,234	25,632	(29,730)	2,136	Current payable
LHM Asset Management, LLC	Affiliate of general partners	Premium management fees	Operating	-	3,936	(3,936)	-	Current expense
Wellspring Lutheran Services	Affiliate of general partner	Wages and benefits	Operating	4,255	45,837	(40,873)	9,219	Current payable

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (continued)**

Name of Related Party	Relationship	Brief Description of Work/Services Performed	Partnership or Operating Account	Balance, 12/31/2018	2019 Services Invoiced	2019 Payments	Balance, 12/31/2019	Terms of Settlement
Alpena Village, LLC	Affiliate of general partner	Developer fees	Partnership	\$ 369,809	\$ -	\$ -	\$ 369,809	Deferred
LHM Asset Management, LLC	Affiliate of general partner	Management fees	Operating	2,060	25,296	(21,122)	6,234	Current payable
LHM Asset Management, LLC	Affiliate of general partners	Premium management fees	Operating	-	3,888	(3,888)	-	Current expense
Wellspring Lutheran Services	Affiliate of general partner	Wages and benefits	Operating	4,547	51,502	(51,794)	4,255	Current payable

**NOTE 8 - DISTRIBUTION OF CASH FLOW**

In accordance with the partnership agreement, cash flow shall be distributed in the following order and priority:

- (i) First, 25% of the balance to the payment of the HOME loan.
- (ii) Second, to the limited partner to satisfy any credit reduction payment required. Due to shortage on tax credits a reduction payment of \$25,783 is due to the limited partner.
- (iii) Third, 75% of the balance to pay any unpaid balance on the deferred development fee.
- (iv) Fourth, the asset manager to pay any accrued asset management fee.
- (v) Fifth, to the operating reserve account until such time as such account is equal to the operating reserve target amount of \$96,197.
- (vi) Sixth, to the limited partner to satisfy any loans made to the Partnership.
- (vii) Seventh, to the general partner to satisfy any loans made to the Partnership.
- (viii) Eighth, to the general partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest).
- (ix) Ninth, \$14,806, increased annually by 3%, to the general partner as a partnership management fee, on a cumulative basis.
- (x) Tenth, during the compliance period, 80% of the balance to the general partner as an incentive partnership management fee.
- (xi) Eleventh, of the remaining balance, 0.01% to the general partner pro rata, and 99.99% to the limited partner pro rata.

**ALPENA PINES LIMITED DIVIDEND HOUSING ASSOCIATION  
LIMITED PARTNERSHIP  
MSHDA DEVELOPMENT NO. 3072  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

Concentration in Affordable Housing Market

The Partnership's operations are concentrated in the real estate rental market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, MSHDA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by MSHDA. 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 10 - CARES ACT FUNDING**

During 2020, the management company applied for and received funding from the Paycheck Protection Program established by the CARES Act. Accrued payroll related to PPP qualifying expenses of \$3,820 is recorded as a liability for the Partnership as of December 31, 2020. As of December 31, 2020, the management company has not received forgiveness of the loan. Management anticipates full loan forgiveness from the SBA and anticipates sharing the benefit of this program with the Partnership.

## **SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DIFFERENCES TO  
MONTHLY INCOME AND EXPENDITURE REPORTS  
DECEMBER 31, 2020**

**Compliance Variance Notes**

**Account Balance Variances**

Account 1	<b>Deferred Developer Fee Payable (PL1)</b>		
If "Other" selected above, provide name of account			
<b>RECONCILIATION</b>			
	Balance per MIE:	369,809	
	Balance per Balance Sheet or Income Statement:	0	
	Variance	369,809	
	Variance Percentage	#####	
		Balance per MIE:	369,809
		Reconciling Items:	
		Amounts	
General partner deemed capital contribution		(369,809)	
Total Adjustments:			(369,809)
		Balance Per Balance Sheet or Income Statement:	0
Explanation:			
<p>General partner made a deemed capital contribution during 2020 in order to satisfy the due date of the deferred developer fee.</p>			

# ALPENA PINES SENIOR HOUSING MSHDA NO. 3072

## SCHEDULE I FUNDS AVAILABLE FOR DISTRIBUTION December 31, 2020

### SECTION 1

1	<a href="#">Operating Cash</a>	\$ 1,972	
2	<a href="#">MSHDA-Held Operating Reserve Account</a>	1	
3	<a href="#">Other Non-Restricted Cash Reserve Accounts</a>	-0-	
4	TOTAL AVAILABLE CASH (PER AUDIT) (ADD Lines 1 through Line 3)		\$ 1,973

### SECTION 2

#### ADD:

5	<a href="#">Resident Rent Receivable</a>	\$ 175	
6	<a href="#">Other Resident Charges</a>	-0-	
7	<a href="#">Non-Resident Receivable</a>	-0-	
8	<a href="#">Unadjusted Items-Accounts Receivable</a>	-0-	
9	<a href="#">Subsidy Receivable</a>	-0-	
10	<a href="#">Development Cost Escrow Interest</a>	-0-	
11	<a href="#">Tax/Insurance Escrow Surplus (Deficit)</a>	-0-	
12	<a href="#">Escrow Draws Receivable</a>	-0-	
13	TOTAL ADDITIONS (ADD Lines 5 through Line 12)		\$ 175
14	TOTAL CASH AND ADDITIONS (Line 4 PLUS Line 13)		2,148

### SECTION 3

#### DEDUCT:

15	<a href="#">Trade Accounts And Surcharges Payable, Accrued Expenses</a>	\$ 27,287	
	<a href="#">Liabilities And Other Short-term Operating Liabilities</a>		
16	<a href="#">Subsidy Payable</a>	-0-	
17	<a href="#">Unadjusted Items-Liabilities</a>	-0-	
18	<a href="#">Unused Authorized Section 236 Excess Income</a>	-0-	
19	<a href="#">Unapproved Section 236 Excess Income Payable to HUD</a>	-0-	
20	<a href="#">Authorized Section 236 Excess Income Payable to HUD</a>	-0-	
21	<a href="#">Approved Undisbursed Limited Dividend (L.D.) Payments</a>	-0-	
22	<a href="#">Prepaid Rent/Unearned Rental Income</a>	443	
23	<a href="#">Delinquent Mortgage Principal Payments or Deferred Mortgage</a>		
	<a href="#">Principle Payment as a Result of Mortgage Workout</a>	-0-	
24	<a href="#">Delinquent Interest Payment or Deferred Mortgage Interest</a>		
	<a href="#">Payment as a Result of Mortgage Workout</a>	-0-	
25	<a href="#">R/R Deferrals, Delinquent MSHDA Loans/Grants</a>	-0-	
26	<a href="#">Security Deposit Not Funded (Over Funded)</a>	-0-	
27	<a href="#">One Month's Gross Rent Potential</a>	26,858	
28	TOTAL DEDUCTIONS (ADD Lines 15 through 27)		\$ 54,588

29	<b>SURPLUS FUNDS</b> (Line 14 MINUS Line 28). Insert the actual amount even if it is negative.	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ (52,440)</div>
----	--	--

**SECTION 4**

30	<a href="#">Replacement Reserve Needs</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">\$ -0-</div>
31	Subtotal (Line 29 MINUS Line 30)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">(52,440)</div>
32	<a href="#">Amenity Improvement/Deferred Maintenance Loan</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
33	Subtotal (Line 31 MINUS Line 32)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">(52,440)</div>
34	<a href="#">Amount of Workout Repayment Obligations</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
35	Subtotal (Line 33 MINUS Line 34)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">(52,440)</div>
36	<a href="#">Amount of MSHDA Subsidy Repayment Obligations</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
37	Subtotal (Line 35 MINUS Line 36)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">(52,440)</div>

**The following developments have additional surplus cash repayment requirements as identified on Lines 38-41. All others go to Line 42.**

**Duvernay Park #1039**

**The Depot #971**

**Maplewood Manor #3180**

38	<b>DUVERNAY PARK</b> - Surplus cash to be distributed to replacement reserve. (Line 37 if positive, if negative enter -0-)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
39	<b>THE DEPOT</b> - Surplus cash to be distributed to deferred interest (25% of Line 37, if negative enter -0-)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
40	<b>MAPLEWOOD MANOR #3180</b> (25%) <b>OR VILLAGE OF APPLIEDORN #3539</b> (50%) - % of Outstanding Balance of Preservation Fund Loan	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
41	<b>MAPLEWOOD MANOR #3180 OR VILLAGE OF APPLIEDORN #3539</b> - Surplus cash to be distributed to Preservation Fund Loan (Less of Line 37 or Line 40, if Line 37 negative enter -0-)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
42	<b>SURPLUS FUNDS</b> (LINE 37 MINUS LINES 38, 39 AND 41)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">\$ (52,440)</div>

**All properties with MSHDA HOME Loans complete Lines 43 and 44. All others go to Line 45.**

**SECTION 5**

43	<a href="#">Outstanding Balance of MSHDA HOME Loan</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">1,120,460</div>
44	Amount to be Repaid on HOME Loan Enter 25% Line 42, or if Line 42 is negative enter -0-.  Lakewood Manor #924 is required to submit 60% The following are NOT required to submit HOME loan payments from surplus cash: Gardenview Estates #3181 Orianna Ridge #1074 Research Park #300 Rosewood Park #1022 Rouge Woods #3223 The Depot #971	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">-0-</div>
45	<b>SURPLUS FUNDS AVAILABLE FOR DISTRIBUTION (LINE 42 MINUS LINE 44)</b>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">\$ (52,440)</div>
46	<a href="#">Current Years Maximum Potential L.D. Payment</a>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">311,289</div>
47	Subtotal (Line 45 MINUS Line 46)	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">(363,729)</div>
48	Sum of Lines 2 and 10	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">\$ 1</div>
49	<b>OPERATING RESERVE CASH TO BE SUBMITTED TO MSHDA: DEDUCT LINE 48 FROM LINE 47. If LINE 47 is negative, insert "0".</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ -0-</div>

**SECTION 6****SUMMARY OF CHECKS AND/OR MSHDA-HELD RESERVE TRANSFERS DUE:**

**A SEPARATE CHECK AND/OR MSHDA-HELD RESERVE TRANSFER REQUEST MUST BE SUBMITTED FOR EACH AMOUNT REPORTED ON LINES 50 THROUGH 59 WITHIN 120 DAYS AFTER THE DEVELOPMENT'S YEAR-END. PLEASE INDICATE THE PURPOSE ON EACH CHECK OR MSHDA-HELD RESERVE TRANSFER REQUEST. FAILURE TO COMPLY WITH THIS REQUEST WILL AFFECT THE MANAGEMENT AGENT'S ELIGIBILITY FOR PREMIUM MANAGEMENT FEES.**

50	The amount from Line 11, if a deficit (Tax/Insurance Escrow)	\$ -0-
51	The lesser of Line 31 or Line 32-Amenity Improvement/Deferred Maintenance Loan (If Line 31 is negative, insert "0")	\$ -0-
52	The lesser of Line 33 or Line 34-Workout Repayment Obligations (If Line 33 is negative, insert "0")	\$ -0-
53	The lesser of Line 35 or Line 36-MSHDA Subsidy Repayment Obligations (If Line 35 is negative, insert "0")	\$ -0-
54	The amount from Line 44 (MSHDA HOME Loan)	\$ -0-
55	The amount from Line 49 (Operating Reserve Cash)	\$ -0-
56	The lesser of Line 29 or Line 30-Replacement Reserve Needs (If Line 29 is negative, insert "0").	\$ -0-
57	The amount from Line 38 (Replacement Reserve)	\$ -0-
58	The amount from Line 39 (Deferred Interest)	\$ -0-
59	The amount from Line 41 (Preservation Fund Loan)	\$ -0-

# ALPENA PINES SENIOR HOUSING MSHDA NO.3072

## SCHEDULE II FUNDS AVAILABLE FOR DISTRIBUTION December 31, 2020

1.	OWNER INITIAL EQUITY	\$ 1,353,431
1a.	SECTION 8/236 PRESERVATION	<u>\$ -0-</u>
2.	MAXIMUM L.D. PAYMENT:	<u>\$ 311,289</u>
3.	CUMULATIVE % 23%	<u>\$ 311,289</u>
4.	NON-CUMULATIVE % 0%	<u>\$ -0-</u>
	CUT-OFF DATE: May 23, 2009	
5.	SALE/PRESERVATION TRANSACTION	
	CLOSING DATE:	

I.	II.	III.	IV.	V.
YEAR OF OPERATION	AVAILABLE FOR DISTRIBUTION	POTENTIAL L.D.	L.D. PAID	CARRY FORWARD
2009	24,757	98,782	0	98,782
2010	(8,627)	175,976	0	274,758
2011	(8,533)	189,480	0	464,238
2012	(6,883)	203,015	0	667,253
2013	(2,149)	216,549	0	883,802
2014	1,602	230,083	0	1,113,885
2015	8,220	243,618	0	1,357,503
2016	(3,176)	257,152	0	1,614,655
2017	(24,711)	270,686	0	1,885,341
2018	(41,217)	284,221	0	2,169,562
2019	(51,742)	297,755	0	2,467,317
2020	(52,440)	311,289	0	2,778,606

SCHEDULE I - INPUT			YES	Are all account variances reconciled, Schedule 2, and Surplus Fu
NAME:	ALPENA PINES SENIOR HOUSING		1	Number of account variances from 'Variances' tab (cell J103 of 'V
NO:	3072		1	Number of reconciliations on 'Compliance' tab
PARTNERSHIP NAME:	Alpena Pines LDHA		0	Number of Schedule 2 variances (cell I122 on 'Variances' tab)and
YE:	December 31, 2020		YES	Surplus Funds Detail and Variance Reconciliation (cell C10,C16,I
Schedule 1	1			
<b>CONTACT INFORMATION</b>			Unqualified	Audit Opinion
ACCOUNTING FIRM			Accrual Basis	Basis of Accounting
Firm Name	Maner Costerisan		NO	Was a management letter issued?
Contact Name	Jeff Allen			Compliance Report
Phone Number	(517) 323-7500		NO	Were any material weaknesses noted in internal control?
Email Address	jallen@manercpa.com		InternalControlWeakne	If yes, click cell to left to provide explanation that is noted in report
MANAGEMENT AGENT			YES	If material weaknesses were noted, was explanation provided?
Name	KMG Prestige		YES	Were noncompliance issues noted?
Contact Name	Shannon Hilbrecht		Account Bal Variance(s)	If yes, what type of issues?
Phone Number	517-679-7320		AcctBalVariances	Select cell to left to enter Account Balance Variances
Email Address	shilbrecht@kmgprestige.com		OtherNonCompliance	Select cell to left to enter Account Balance Variances
OWNER			YES	If noncompliance issues were noted, was explanation provided?
Name	Alpena Pines Development, Inc.			
Contact Name	Tim Kalbfleisch			
Phone Number	989-262-7388			
Email Address	tkalbfleisch@wellspringlutheran.com			
Line # From				
Sch 1and/or 2	BALANCE SHEET	Amount		**** If you have a line item that is not included on the balance sheet, but you need to enter it to have the schedule 1 calculate correctly, select an "X" in column E next to the applicable line item. If you have the "X" selected, the total will not be included in the total assets or liabilities.
	Assets			
	Cash			
1	General Operating Cash	1,972		
	Security Deposit Cash	22,818	0	
2	MSHDA-Held Operating Reserve Cash	1	0	
3	Other Non-Restricted Cash Reserve Accounts		0	
	Partnership Cash		0	
			0	
	Escrows		0	
	MSHDA-Held Replacement Reserve	132,898	0	
	MSHDA-Held Tax Escrow	1,264	0	
	MSHDA-Held Insurance Escrow	10	0	
	DCE Principal		0	
10	Development Cost Escrow Interest		0	
	Operating Assurance Reserve (OAR)	119,240	0	
	Sinking Fund		0	
	Operating Reserve		0	
	Subordinate Debt Payment Reserve		0	
	Operating Deficit Reserve (ODR)		0	
	Transition and Stabilization Reserve		0	
	New Reg Residual Receipts			
	New Reg Threshold			
	Other Escrows		0	
			0	
	Accounts Receivable		0	
5	Resident Rent Receivable	175	0	
6	Other Resident Charges		0	
12	Escrow Draws Receivable			
5	Allowance for Doubtful Accounts			
7	Laundry and Carport Receivable			
	Commercial Income Receivable			
	Interest Income Receivable			
7	Receivable from Other Developments			
6	Other Current Resident Receivable			
7	Non-Resident Receivable			
9	HUD Subsidy Receivable			
9	MSHDA Subsidy Receivable - Tenant Based			
9	MSHDA Subsidy Receivable - Development Based			
9	Other Subsidy Receivable			
7	Related Party Receivable			
	Partnership			
	Other Receivables			
	Other Current Asset			
	Prepaid Expenses - Partnership			
	Prepaid Expenses - Operating	22,335		
			INSTRUCTIONS: All yellow shaded cells are entry fields. All blue shaded cells are accounts that are used in the Schedule 1. The numbers in Column A are the corresponding line numbers from the Schedule 1. All bolded accounts are to be separated and not grouped with others.  Select the developments in the pull down list in cell "C2". When you have the development name selected, the corresponding MSHDA Number and Schedule 1 will be automatically filled in cells "C3" and "C6". Enter the applicable year end in cell "C5". Enter the applicable contact information, and accounting basis and internal control and compliance information in the yellow cells	

				The Schedules will automatically calculate on the Schedule 1, Schedule 2, and Schedule 3 tabs.			
	<b>Investment in Rental Property</b>			The prior year Schedule 2 information will automatically fill if you enter the prior year detail in the bottom section of the Input tab.			
	Land	73,776					
	Building	3,787,003					
	Building Improvements	525,534		After you have completed the worksheet verify there are no "Not Acceptable" errors in the following section.			
	Land Improvements			<b>NOTE: This is not all of the items that will be checked by the asset manager.</b>			
	Furniture & Fixtures	244,012					
	Equipment & Vehicles						
	Accumulated Depreciation	(1,864,282)					
	<b>Other Assets</b>			<b>Following are checks that the worksheet is entered correctly. If an item shows "Not Acceptable", view comment on cell for an explanation of the error.</b>			
	Deferred Mortgage Costs, net of amortization			Acceptable	Partnership Name, Year End & Contact Information		
	Organizational Costs, net of amortization			Acceptable	Internal Control and Compliance Letter Detail		
	Syndication Costs, net of amortization			Acceptable	Assets = Liabilities & Owner's Equity		
	Monitoring Fees, net of amortization	4,906		Acceptable	Rent Potential		
	Deposits			Acceptable	Repayable Subsidy		
				Acceptable	Small Size Loan		
	<b>TOTAL ASSETS</b>	<b>3,071,662</b>		Acceptable	Security Loan		
				Acceptable	HOME Preservation Loan		
	<b>Liabilities &amp; Owner's Equity</b>			Acceptable	Schedule 1-B Information (Cash Flow Question)		
				Acceptable	Schedule 1-B & 1-D Surplus Cash Allocation		
	<b>Accounts Payable &amp; Accrued Expenses</b>			Acceptable	Schedule 2 Cut-off Date		
	15 General Trade Payables	18,068		Acceptable	Schedule 2 Owner's Equity		
	Construction Payables			Acceptable	Schedule 2 Cumulative LD		
	Partnership Payables			Acceptable	Schedule 2 Non-Cumulative LD		
	15 Payroll Payable			Acceptable	Current Year Cumulative Carryforward		
	15 Management Fees Payable	9,219					
	15 Utilities Payable						
	15 Auditing Fees Payable						
	15 Short-term Notes Payable - operating						
	Short-term Notes Payable - partnership						
	15 Payable to Other Developments						
	Short-Term Related Party Advances/Liabilities						
	15 Owner Advances - operating						
	Owner Advances - operating - Non-repayable						
	Owner Advances - partnership						
	15 Surcharges Payable						
	15 Related Party Payable						
	16 HUD Subsidy Payable						
	0 Repayable Subsidy						
	16 MSHDA Resident-Based Subsidy Payable						
	16 Other Subsidy Payable						
	22 Unearned Rental Income - operating	443					
	Unearned Rental Income - congregate care						
	Current Mortgage Interest - MSHDA	6,665					
	Current Mortgage Interest - HOME						
	Current Mortgage Interest - Other						
	24 Delinquent Mortgage Interest Payments						
	23 Delinquent Mortgage Principal Payments						
	24 Deferred Mortgage Interest Payments Due to Mortgage Workout (or if Sch 1-J, HOME interest)						
	23 Deferred Mortgage Principal Payments Due to Mortgage Workout (or if Sch 1-J, deferred HOME principal)						
	Real Estate Taxes	8,373					
	Security Deposit Liability	22,818					
	Current Portion of Mortgages	43,581					
	Developer Fees Payable						
	Other Accrued Liabilities - operating (not included on Schedule 1)						
	15 Other Accrued Liabilities - operating						
	Other Accrued Liabilities - partnership						
	<b>Long-term Liabilities</b>						
	Long-term Portion of First Mortgage	1,693,597					
	Deferred Interest on Second and/or Third Mortgage	127,538					
	Accrued Principal on Second and/or Third Mortgage						
	43 MSHDA HOME Loan	1,120,460		<b>*** Only include HOME loans that were processed through MHS</b>			
	0 HOME Perservation Initiative Loan						
	32 Amenity Improvement/Deferred Maintenance Loan						
	0 Small Size Loan						
	0 Security Loan						
	0 Preservation Fund Loan						
	TCAP Loan						
	Deferred Interest on HOME,TCAP, or Preservation Loan						
	1602 Loan						
	0 NSP Loan						
	Other Long-term Liabilities (L11 from MIE Balance Sheet tab)						
	Other Long-term Liabilities (L12 from MIE Balance Sheet tab)						

	Owners' Equity	20,900							
	<b>TOTAL LIABILITIES &amp; OWNERS' EQUITY</b>	<b>3,071,662</b>							
	<b>INCOME STATEMENT INFORMATION</b>								
	<b>INCOME:</b>								
	RENTAL INCOME								
	Apartments	313,082							
	MSHDA Subsidy Income								
	HAP Subsidy Income								
	Other Subsidy Income								
	Total Rent Potential	313,082							
	Vacancy Loss	6,366							
	Net Rental Revenue	306,716							
	OTHER INCOME								
	Carport Income	2,551							
	Sec 236 Interest Subsidy								
	Interest Income	6,734							
	Laundry Income	3,233							
	Tenant Charges								
	Congregate Services Income								
	Commercial Income								
	Other Income	15,345							
	Total Other Income	27,863							
	<b>TOTAL INCOME</b>	<b>334,579</b>							
	<b>EXPENSES:</b>								
	Management Fees (Development's Operating Account)	25,632							
	Management Fees (Partnership's Operating Account)								
	Premium Management Fees	3,936							
	COE Salaries & Travel								
	Marketing								
	Legal								
	Marketing Rent Concession								
	Rent Free Units	2,400							
	General Administrative	6,280							
	Payroll - Marketing								
	Payroll - Administrative	45,837							
	Payroll - Maintenance								
	Payroll - Janitorial								
	Payroll - Grounds								
	Payroll - Security								
	Payroll - Benefits								
	Payroll Taxes								
	Bad Debt								
	Audit Fees	8,100							
	Miscellaneous Administrative (from 7k on MIE)	6,774							
	Utilities	30,163							
	Operating & Maintenance	67,713							
	Property Taxes	8,373							
	Interest	91,626							
	Insurance	15,748							
	Regulatory and Bond Fees								
	ARRA Regulatory Fees								
	Depreciation & Amortization	128,520							
	Partnership Expenses								
	Congregate Services Expense								
	Other								
	Total Expenses	441,102							
	<b>NET INCOME/LOSS</b>	<b>(106,523)</b>							
	<b>Developer Fees Info (Only Applicable to Schedule 1-J and 1-K, and 1-Q)</b>								
	0 Deferred Developer Fees Beginning Balance	0							
	0 Developer Fees Paid in Current Year								
	0 Developer Fees Waived in Current Year								
	0 Deferred Developer Fees Ending Balance	0							
	0 CARRINGTON PLACE only: Amount to amortize principal balance								
	<b>Proforma Information(Only Applicable to Schedule 1-A, 1-J, 1-K, 1-L, and 1-Q)</b>								
	0 Prior Years Cumulative ODR Draws								
	0 Prior Year ODR Payments Made from Surplus Cash								
	0 Current Year ODR Draws								
	0 Cumulative Allowable ODR Draws - Total 1.0 DCR and Maintained								
	0 DCR*								

	<b>SECTION 236 EXCESS INCOME</b>									
18	Unused Authorized Section 236 Excess Income									
19	Unapproved Section 236 Excess Income Payable to HUD									
20	Authorized Section 236 Excess Income Payable to HUD									
	<b>TAX &amp; INSURANCE ESCROW ANALYSIS INFORMATION</b>									
11	Tax/Insurance Escrow Surplus (Deficit)									
	<b>SCHEDULE OF UNADJUSTED ITEMS</b>									
8	Unadjusted Items-Accounts Receivable									
17	Unadjusted Items-Liabilities									
	<b>SMALL SIZE &amp; SECURITY LOAN INFORMATION</b>									
	Small Size Loan									
0	Beginning of Year Balance		0							
0	Current Year Repayments									
0	Current Year Draws									
0	End of Year Balance		0							
0	Amount of Small Size Loan proceeds applied against mortgage payments during current year									
	Security Loan									
0	Beginning of Year Balance		0							
0	Current Year Repayments									
0	Current Year Draws									
0	End of Year Balance		0							
0	Security loan proceeds applied against current year's mortgage payment									
0	Did the development receive security loan proceeds during year?									
0	Is the Security Revenue reported on the mortgage loan commitment report (Developmental Rental Schedule)?									
0	Total Security Expenditures reported on the mortgage loan commitment report (Total Development Expenditures)?									
	Classification of Security Expenditures									
0	Equipment									
0	Payroll & Payroll Taxes									
0	Contractual Services									
0	Other									
	<b>MISCELLANEOUS INFORMATION</b>									
	Surety Bond Coverage									
21	Approved Undisbursed Limited Dividend (L.D.) Payments									
25	R/R Deferrals, Delinquent MSHDA Loans/ Grants									
26	Security Deposit Under (Over) Funded		0							
27	One Month's Gross Rent Potential		26,858							
30	Replacement Reserve Needs									
34	Amount of Workout Repayment Obligations									
36	MSHDA Subsidy portion payable to MSHDA									
	Deferred Mortgage Principal (Applicable only to 1-H)									
	Deferred Mortgage Interest (Applicable only to 1-H)									
0	Restricted DCE Interest - Prior Year									
	Restricted DCE Interest - Current Year									
0	Prior Year's Cumulative L.D. Payment									
	<b>SURPLUS CASH ALLOCATIONS</b>									
	Schedule 1-B and 1-D - If surplus funds are available, are they to be transferred to MSHDA's Community Development Fund, or to a second mortgage?		2nd Mortgage							
	<b>SCHEDULE II INPUT INFORMATION</b>				<b>Current Year Schedule 2 Summary</b>					
	Development does not complete a Schedule 2				Suplus Funds Available for Dist	Potential LD	LD/HOME Paid	Cumulative Carryforward		
1	Owner's Initial Equity		1,353,431							
1A	Section 8/236 Preservation Transaction Recomputed Initial Equity				(52,440)	311,289	0	2,778,576		
3	Cumulative LD Payment Percentage -OR- fixed amount from regulatory agreement		23.00%		You must enter LD % -OR- the fixed amount. Do NOT enter numbers in both fields.					
4	Non-Cumulative LD Payment Percentage -OR- fixed amount from regulatory agreement				You must enter LD % -OR- the fixed amount. Do NOT enter numbers in both fields.					
	Cut-off Date		5/23/2009		** If the cut-off date is the current year, it will calculate the prorated amount for you.					
	Sale/Preservation Transaction Closing Date									
	Prior Year Cumulative Carryforward L.D.		2,467,287							
IV	L.D. Payments Made in Current Year									

	Starting Year of Schedule II	2009							
<b>THE PRIOR YEAR SCHEDULE 2 INFORMATION IS NOT REQUIRED. IF YOU ENTER THE FOLLOWING PRIOR YEAR INFORMATION IT WILL PREPARE THE SCHEDULE 2 THAT IS REQUIRED IN THE AUDIT REPORT.</b>									
	Schedule II Prior Year Information	Surplus Funds Available for Distribution		Potential LD	LD/HOME Paid	Cumulative Carryfwd of L.D.			
	2009	24,757		98,782	0	98,782			
	2010	(8,627)		175,976	0	274,758			
	2011	(8,533)		189,480	0	464,238			
	2012	(6,883)		203,015	0	667,253			
	2013	(2,149)		216,549	0	883,802			
	2014	1,602		230,083	0	1,113,885			
	2015	8,220		243,618	0	1,357,503			
	2016	(3,176)		257,152	0	1,614,655			
	2017	(24,711)		270,686	0	1,885,341			
	2018	(41,217)		284,221	0	2,169,562			
	2019	(51,742)		297,755	0	2,467,317			
						2,467,317			

**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 Partners  
Alpena Pines Limited Dividend Housing  
Association Limited Partnership

We have audited, 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, the financial statements of Alpena Pines Limited Dividend Housing Association Limited Partnership, MSHDA Development No. 3072, which comprise the balance sheet as of December 31, 2020, and the related statements of profit and loss, changes in partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Alpena Pines Limited Dividend Housing Association Limited Partnership'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 Alpena Pines Limited Dividend Housing Association Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alpena Pines Limited Dividend Housing Association Limited Partnership'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 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 Alpena Pines Limited Dividend Housing Association Limited Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including compliance with specific provisions of MSHDA regulatory agreement, MSHDA directives and HUD regulations and procedures included in the HUD subsidy contract HOME requirements and MSHDA multifamily audit guidelines, 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*.

We have compared the December 31, 2020 monthly income and expense report submitted to MSHDA with balances in the financial statements for the year ended December 31, 2020 audited by us and covered by our report dated March 11, 2021. The account balances set forth therein are in material agreement (defined by MSHDA as differences not exceeding 10% and \$3,000).

Additionally, no management letter was issued in relation to our audit of the financial statements of Alpena Pines Limited Dividend Housing Association Limited Partnership as of and for the year ended December 31, 2020.

## Purpose of this Report

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

*Maney Costeiran PC*

March 11, 2021

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Partners  
Alpena Pines Limited Dividend Housing  
Association Limited Partnership

We have performed the procedures described in the second paragraph of this report, which were agreed to by Alpena Pines Limited Dividend Housing Association Limited Partnership and the Michigan State Housing Development Authority (MSHDA), on whether the electronic submission of certain information agrees with the related information included as supplementary information within the audit reporting package. Alpena Pines Limited Dividend Housing Association Limited Partnership is responsible for the accuracy and completeness of the electronic submission. The sufficiency of these procedures is solely the responsibility of Alpena Pines Limited Dividend Housing Association Limited Partnership and MSHDA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the information contained in the electronic submission with the corresponding information included as supplementary information within the annual audited financial statements submitted to MSHDA. The results of the performance of our agreed-upon procedures indicate agreement of the electronically submitted information and related information included as supplementary information with the annual audited financial statements submitted to MSHDA.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission agrees with related information included as supplementary information within the annual audited financial statements submitted to MSHDA. 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 MSHDA *Multi-Family Annual Certified Audit Guidelines* by Alpena Pines Limited Dividend Housing Association Limited Partnership as of and for the year ended December 31, 2020, and have issued our reports thereon dated March 11, 2021. The electronic submission information 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 11, 2021, was expressed in relation to the basic financial statements of Alpena Pines Limited Dividend Housing Association Limited Partnership taken as a whole.

A copy of the reporting package required by the MSHDA *Multi-Family Annual Certified Audit Guidelines*, which includes the auditor's reports, is available in its entirety from Alpena Pines Limited Dividend Housing Association Limited Partnership. 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 MSHDA.

This report is intended solely for the information and use of Alpena Pines Limited Dividend Housing Association Limited Partnership and MSHDA and is not intended to be and should not be used by anyone other than those specified parties. The purpose of this report on applying the agreed-upon procedures is solely to describe the procedures performed relative to the MSHDA electronic submission, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

March 11, 2021

March 11, 2021

To the Partners  
Alpena Pines Limited Dividend Housing Association  
Limited Partnership

We have audited the financial statements of Alpena Pines Limited Dividend Housing Association Limited Partnership for the year ended December 31, 2020, and we will issue our report thereon dated March 11, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Alpena Pines Limited Dividend Housing Association Limited Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Alpena Pines Limited Dividend Housing Association Limited Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets is based on depreciable lives as defined in Note 1 of the financial statements. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

##### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 11, 2021.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Partners and management of Alpena Pines Limited Dividend Housing Association Limited Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Manes Costerian PC*