

---

Presbyterian Village Holly d/b/a The Village of  
Holly Woodlands

(a not-for-profit corporation)

HUD Project No. 044-11106

---

**Financial Report**  
**with Supplemental Information**  
**June 30, 2020**

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Certificate of Officers**

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-11106, Presbyterian Village Holly d/b/a The Village of Holly Woodlands, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of June 30, 2020.

---

William W. Walters  
Chair

---

September 17, 2020  
Date

---

Pauline Kenner  
Vice Chair

---

September 17, 2020  
Date

---

ID# 38-2588668  
Employer Identification Number

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Management Agent's Certification**

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-11106, Presbyterian Village Holly d/b/a The Village of Holly Woodlands, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of June 30, 2020.

\_\_\_\_\_  
Cheryl Carney  
Management Agent Representative

\_\_\_\_\_  
September 17, 2020  
Date

\_\_\_\_\_  
(248) 281-2020  
Telephone Number

\_\_\_\_\_  
ID# 38-1387145  
Management Company Employer Identification  
Number

\_\_\_\_\_  
Deanna Coggins  
Property Manager

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands  
HUD Project No. 044-11106**

---

**Contents**

---

<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Balance Sheet	3-4
Statement of Activities	5-6
Statement of Changes in Deficiency in Net Assets	7
Statement of Cash Flows	8-9
Notes to Financial Statements	10-14
<b>Supplemental Information</b>	15
<b>Independent Auditor's Report on Supplemental Information</b>	16
Balance Sheet Data	17-18
Statement of Activities Data	19-21
Statement of Changes in Deficiency in Net Assets Data	22
Statement of Cash Flows Data	23-24
Supplemental Information	25-26
Schedule of Changes in Fixed Asset Accounts	27
Schedule of Expenditures of Federal Awards	28
Computation of Surplus Cash	29
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	30-32
<b>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance</b>	33-35
<b>Schedule of Findings and Questioned Costs</b>	36-39

## Independent Auditor's Report

To the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

### Report on the Financial Statements

We have audited the accompanying financial statements of Presbyterian Village Holly d/b/a The Village of Holly Woodlands (the "Organization"), which comprise the balance sheet as of June 30, 2020 and 2019 and the related statements of activities, changes in deficiency in net assets, 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 audits 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 Presbyterian Village Holly d/b/a The Village of Holly Woodlands as of June 30, 2020 and 2019 and the results of its operations, changes in deficiency in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of Presbyterian Village Holly d/b/a The Village of Holly Woodlands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Presbyterian Village Holly d/b/a The Village of Holly Woodlands' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 17, 2020

By: Linda A. Yudasz, CPA  
Engagement Partner  
2601 Cambridge Court, Suite 500  
Auburn Hills, MI 48326  
Federal ID Number: 38-1357951  
Phone Number: (248) 375-7100

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Balance Sheet**

**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash - Operations	\$ 63,126	\$ 59,582
Tenant accounts receivable	-	5
Prepaid expenses	18,768	18,251
Total current assets	81,894	77,838
<b>Deposits - Held in Trust</b>		
Tenant deposits held in trust	29,694	28,059
<b>Deposits - Funded</b>		
Escrow deposits	33,406	31,322
Replacement reserve	97,396	79,778
Residual receipts reserve	16,172	68,346
Total deposits - Funded	146,974	179,446
<b>Fixed Assets</b>		
Land and land improvements	396,678	396,678
Buildings and building improvements	4,129,180	4,115,152
Building equipment	532,447	517,692
Furniture for project/tenant use	69,098	69,098
Office furniture and equipment	68,606	54,939
Maintenance equipment	80,979	80,979
Motor vehicles	102,929	102,929
Total fixed assets	5,379,917	5,337,467
Accumulated depreciation	(3,990,484)	(3,806,000)
Net fixed assets	1,389,433	1,531,467
Total assets	<b>\$ 1,647,995</b>	<b>\$ 1,816,810</b>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Balance Sheet (Continued)**

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Liabilities and Deficiency in Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable - Operations (Note 4)	\$ 39,830	\$ 45,308
Accrued wages payable	13,030	6,014
Accrued payroll taxes payable	1,393	-
Accrued interest payable - First mortgage	8,864	8,876
Mortgage payable - First mortgage (Note 3)	98,982	95,582
Residual receipts liability	18,808	69,520
	<u>180,907</u>	<u>225,300</u>
<b>Deposits - Held in Trust (Contra)</b>		
Tenant deposits held in trust (contra)	27,067	26,269
<b>Long-term Liabilities</b>		
Mortgage payable - First mortgage - Net of current portion and unamortized financing costs (Note 3)	2,756,958	2,845,666
Miscellaneous long-term liabilities (Note 3)	34,171	35,825
	<u>2,791,129</u>	<u>2,881,491</u>
Total long-term liabilities	<u>2,791,129</u>	<u>2,881,491</u>
Total liabilities	2,999,103	3,133,060
<b>Deficiency in Net Assets</b>		
Without donor restrictions	<u>(1,351,108)</u>	<u>(1,316,250)</u>
Total deficiency in net assets	<u>(1,351,108)</u>	<u>(1,316,250)</u>
Total liabilities and deficiency in net assets	<u><u>\$ 1,647,995</u></u>	<u><u>\$ 1,816,810</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Activities**

**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Rent Revenue</b>		
Rent revenue - Gross potential	\$ 284,307	\$ 230,095
Tenant assistance payments	587,997	625,409
Total rent revenue (potential at 100% occupancy)	872,304	855,504
<b>Vacancies</b>		
Apartments	(1,147)	(8,223)
Residual receipts adjustment	(9,381)	(1,163)
Total vacancies	(10,528)	(9,386)
Net rent revenue (rent revenue less vacancies)	861,776	846,118
<b>Financial Revenue</b>		
Project operations	33	14
Investments - Residual receipts	4	5
Investments - Replacement reserve	22	32
Total financial revenue	59	51
<b>Other Revenue</b>		
Laundry and vending revenue	179	226
Tenant charges	366	124
Miscellaneous revenue	22,900	21,677
Total other revenue	23,445	22,027
Total revenue	885,280	868,196
<b>Administrative Expenses</b>		
Conventions and meetings	2,090	1,287
Management consultants	16,996	30,980
Advertising and marketing	2,137	2,005
Other renting expenses	164	224
Office salaries	66,885	39,049
Office expenses	35,271	34,292
Management fee (Note 4)	39,192	37,488
Manager or superintendent salaries	37,620	40,152
Legal expenses	50	292
Auditing expenses	7,547	6,800
Bookkeeping fees/Accounting services (Note 4)	8,520	8,520
Bad debts	-	460
Miscellaneous administrative expenses	12,101	10,095
Total administrative expenses	228,573	211,644
<b>Utilities Expenses</b>		
Electricity	20,107	21,710
Water	45,348	44,755
Gas	4,861	4,889
Sewer	20,279	20,585
Total utilities expenses	90,595	91,939

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Activities (Continued)**

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating and Maintenance Expenses</b>		
Payroll	\$ 82,262	\$ 73,210
Supplies	33,074	42,998
Contracts	86,313	62,095
Garbage and trash removal	5,053	4,938
Snow removal	13,394	15,561
Vehicle and maintenance equipment operation and repairs	1,605	3,789
Miscellaneous operating and maintenance expenses	11,495	15,790
	<u>233,196</u>	<u>218,381</u>
<b>Taxes and Insurance</b>		
Payroll taxes (FICA)	13,361	10,716
Property and liability insurance (hazard)	25,081	23,984
Workers' compensation	3,596	3,380
Health insurance and other employee benefits	14,402	11,342
	<u>56,440</u>	<u>49,422</u>
<b>Financial Expenses</b>		
Interest on first mortgage payable	110,010	115,116
Mortgage insurance premium/service charge	16,776	13,884
Miscellaneous financial expenses	64	118
	<u>126,850</u>	<u>129,118</u>
Total costs of operations before depreciation	<u>735,654</u>	<u>700,504</u>
<b>Change in Net Assets before Depreciation</b>	149,626	167,692
<b>Depreciation Expense</b>	<u>184,484</u>	<u>186,094</u>
<b>Change in Total Net Assets</b>	<u><u>\$ (34,858)</u></u>	<u><u>\$ (18,402)</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Statement of Changes in Deficiency in Net Assets**

---

**Years Ended June 30, 2020 and 2019**

<b>Deficiency in Net Assets</b> - July 1, 2018	\$ (1,297,848)
Increase in deficiency in net assets	<u>(18,402)</u>
<b>Deficiency in Net Assets</b> - June 30, 2019	(1,316,250)
Increase in deficiency in net assets	<u>(34,858)</u>
<b>Deficiency in Net Assets</b> - June 30, 2020	<u><b>\$ (1,351,108)</b></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Cash Flows**

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Receipts:		
Rental	\$ 811,069	\$ 838,802
Interest	59	51
Other cash receipts	<u>23,445</u>	<u>22,027</u>
Total receipts	834,573	860,880
Disbursements:		
Administrative	(79,122)	(89,076)
Management fee	(39,192)	(37,488)
Utilities	(91,292)	(89,441)
Salaries and wages	(186,767)	(152,411)
Operating and maintenance	(152,656)	(139,516)
Property insurance	(25,260)	(23,283)
Miscellaneous taxes and insurance	(32,100)	(22,705)
Tenant security deposits	797	(805)
Interest payments - First mortgage	(101,402)	(108,267)
Mortgage insurance premium	(16,776)	(13,884)
Miscellaneous financial	<u>(64)</u>	<u>(118)</u>
Total disbursements	<u>(723,834)</u>	<u>(676,994)</u>
Net cash and restricted cash provided by operating activities	110,739	183,886
<b>Cash Flows Used in Investing Activities</b> - Net purchase of capital assets	(42,450)	(63,995)
<b>Cash Flows Used in Financing Activities</b> - Principal payments - First mortgage	<u>(95,582)</u>	<u>(92,300)</u>
<b>Net (Decrease) Increase in Cash and Restricted Cash</b>	(27,293)	27,591
<b>Cash and Restricted Cash</b> - Beginning of year	<u>267,087</u>	<u>239,496</u>
<b>Cash and Restricted Cash</b> - End of year	<u><u>\$ 239,794</u></u>	<u><u>\$ 267,087</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Cash Flows (Continued)**

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Change in Deficiency in Net Assets to Net Cash and Restricted Cash Provided by Operating Activities</b>		
Change in deficiency in net assets	\$ (34,858)	\$ (18,402)
Adjustments to reconcile change in deficiency in net assets to net cash and restricted cash from operating activities:		
Depreciation	184,484	186,094
Amortization on financing costs	10,274	8,772
Decrease (increase) in assets:		
Tenant accounts receivable	5	(465)
Accounts receivable - Other	-	1,222
Prepaid expenses	(517)	1,989
(Decrease) increase in liabilities:		
Accounts payable - Operations	(5,478)	18,858
Accrued liabilities	8,409	(3,841)
Accrued interest payable	(12)	(269)
Tenant security deposits held in trust	798	(805)
Other changes to reconcile change in deficiency in net assets to net cash and restricted cash provided by operating activities	<u>(52,366)</u>	<u>(9,267)</u>
Net cash and restricted cash provided by operating activities	<u><u>\$ 110,739</u></u>	<u><u>\$ 183,886</u></u>
<b>Classification of Cash and Restricted Cash</b>		
Cash - Operations	\$ 63,126	\$ 59,582
Tenant deposits held in trust	29,694	28,059
Deposits - Funded	<u>146,974</u>	<u>179,446</u>
Total cash and restricted cash	<u><u>\$ 239,794</u></u>	<u><u>\$ 267,087</u></u>

**June 30, 2020 and 2019**

**Note 1 - Nature of Business**

Presbyterian Village Holly d/b/a The Village of Holly Woodlands (the "Organization") is a nonprofit corporation that owns and operates a 71-unit affordable housing rental project for elderly persons (the "Project"). The Project is located in Holly, Michigan; is operating under HUD 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. These financial statements reflect the financial activities of the Project subject to the mortgage from HUD.

The Organization is sponsored by Presbyterian Villages of Michigan (PVM). PVM is a comprehensive, diverse, and faith-based organization serving seniors in multiple settings since 1945. Its mission, guided by its Christian heritage, is to serve seniors of all faiths and to create new possibilities for quality living. PVM's tradition of social accountability and servant leadership is further reflected in its statement of beliefs and values and its various operational philosophies and practices.

**Note 2 - Significant Accounting Policies**

***Basis of Accounting***

The Organization maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Presbyterian Village Holly d/b/a The Village of Holly Woodlands and is presented on the same basis of accounting as the financial statements. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

***Tenant Accounts Receivable***

Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit is charged to bad debt expense. There was no allowance for bad debts at June 30, 2020 and 2019.

***Deposits Held in Trust***

In accordance with the Regulatory Agreement with HUD, the Organization is required to maintain a tenant security deposit trust account. The amount of the trust account must at all times be equal to or exceed the aggregate of all outstanding obligations to tenants for refundable security deposits. The tenant security deposits fund consists of cash.

**June 30, 2020 and 2019**

**Note 2 - Significant Accounting Policies (Continued)**

***Deposits Funded***

The funds controlled by the Organization represent escrows and restricted funds for a replacement reserve, a residual receipts reserve, and another escrow. The escrow deposits represent deposits made by the Organization to offset painting and insurance expenses. The replacement reserve consists of deposits by the Organization to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. Future monthly commitments for the funding of the replacement reserve account total \$2,028. The residual receipts reserve consists of surplus funds calculated based on a HUD-prescribed formula and can be disbursed only at HUD's discretion. Excess residual receipts are required to be remitted to HUD upon termination of the HAP contract. Excess residual receipts that are deemed probable to be paid to or recaptured by HUD are recorded as a liability. The excess residual receipts liability was \$18,808 and \$69,520 at June 30, 2020 and 2019, respectively, and is included in current liabilities on the balance sheet. Each year, the liability is adjusted to reflect current year activity to the residual receipts, including required deposits, earned interest, approved withdrawals, and any adjustments to the amounts deemed probable to be paid to or recaptured by HUD.

***Fixed Assets***

Land and land improvements, buildings, equipment, and furniture are recorded at cost when purchased or appraised value if donated. Depreciation is computed principally on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

Maintenance, repairs, and renewals that do not involve any substantial betterments are charged to expense when incurred. Expenditures that increase the useful life of the property are capitalized.

***Impairment or Disposal of Long-lived Assets***

The Organization recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment of the Organization's rental property has occurred.

***Financing Costs***

Financing costs were incurred in conjunction with the original refinancing and subsequent modification of the mortgage with HUD and will be amortized over the life of the mortgage. These costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

***Classification of Net Assets***

Deficiencies in net assets of the Organization are classified as net assets with donor restrictions or net assets without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. All net assets of the Organization at June 30, 2020 and 2019 are considered net assets without donor restrictions.

***Rental Income***

Units are designated for occupancy by eligible low-income tenants under a HUD Section 8 housing assistance payment contract expiring on June 26, 2031. These tenants contribute a portion of the contract rent based on formulas prescribed by the Department of Housing and Urban Development. Housing assistance payments are received for the balance of contract rent from HUD.

**June 30, 2020 and 2019**

**Note 2 - Significant Accounting Policies (Continued)**

***Income Taxes***

No provision for income taxes has been included in the financial statements since the Organization is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code.

***Regulatory Agreement***

A Regulatory Agreement with HUD was signed in connection with the mortgage note. No violations of this agreement were noted for the years ended June 30, 2020 and 2019.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including September 17, 2020, which is the date the financial statements were available to be issued.

***Change in Accounting Principle***

As of July 1, 2019, the Organization adopted new guidance related to the presentation of restricted cash on the statement of cash flows. Under the new guidance, which was applied retrospectively to all years presented, transfers between restricted cash and unrestricted cash are no longer presented on the statement of cash flows. Additionally, the beginning and ending balances of cash on the statement of cash flows now include restricted cash balances.

**Note 3 - Mortgage Payable**

The Organization has a HUD-insured mortgage with Berkadia. The mortgage is insured under HUD Section 223(f) of the National Housing Act. The loan bears an effective interest rate of 3.50 percent. The loan is payable in monthly installments of principal and interest payments totaling \$16,714 through February 1, 2041. The mortgage is collateralized by the underlying value of the rental property included in the accompanying balance sheet and the assignment of all rents and income of the Organization.

Unamortized financing costs, which are presented as a component of mortgage payable on the accompanying balance sheet, totaled \$91,570 and \$101,844 as of June 30, 2020 and 2019, respectively. Amortization reported as a component of interest expense on the statement of activities totaled \$10,274 and \$8,772 for the years ended June 30, 2020 and 2019, respectively.

The Organization was permitted to prepay the first mortgage note starting on November 1, 2015 with a prepayment penalty of 10 percent through October 31, 2016, decreasing 1 percent annually thereafter. The note may be repaid without penalty beginning on November 1, 2025.

Under agreements with the mortgage lender and HUD, the Organization is required to make escrow deposits for taxes, insurance, and replacement of project assets and is subject to restrictions for their release as to operating policies and distributions without prior approval from HUD.

**Notes to Financial Statements**

**June 30, 2020 and 2019**

**Note 3 - Mortgage Payable (Continued)**

During the modification of the Organization's HUD-insured loan, the mortgage lender paid the prepayment penalty and certain financing costs totaling \$41,889. The premium that resulted from this transaction is included in miscellaneous long-term liabilities on the balance sheet and is reported net of accumulated amortization of \$7,718 and \$6,064 at June 30, 2020 and 2019, respectively. Such costs are being amortized over the respective terms of the debt agreement. The amortization is reported as a reduction to interest expense and totaled \$1,654 for the years ended June 30, 2020 and 2019.

Interest expense for the years ended June 30, 2020 and 2019, exclusive of amortized financing costs noted above, was \$101,390 and \$107,998, respectively. Accrued interest totaled \$8,864 and \$8,876 as of June 30, 2020 and 2019, respectively.

Minimum principal payments on the mortgage note payable to maturity as of June 30, 2020 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 98,982
2022	102,502
2023	106,148
2024	109,923
2025	113,833
Thereafter	<u>2,416,122</u>
Total	2,947,510
Less current portion	(98,982)
Less unamortized financing costs	<u>(91,570)</u>
Total - Net	<u><u>\$ 2,756,958</u></u>

**Note 4 - Related Party Transactions**

Director appointments are approved by Presbyterian Villages of Michigan, a related not-for-profit organization that is also the HUD-approved management agent.

The property management agreement provides that a management fee in the amount of 4.53 percent and 6.03 percent of gross rents collected be paid to PVM, limited to \$46 per unit per month for the years ended June 30, 2020 and 2019, respectively. In addition, the Organization pays accounting service fees to PVM, which are included in the annual budget. The Organization incurred management fees of \$39,192 and \$37,488 for the years ended June 30, 2020 and 2019, respectively. In addition, accounting service fees of \$8,520 were incurred to PVM for the years ended June 30, 2020 and 2019.

**Note 5 - Current Vulnerability Due to Certain Concentrations**

The Organization's sole asset is Presbyterian Village Holly d/b/a The Village of Holly Woodlands. The Project's operations are concentrated in the senior housing 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 additional administrative burden, to comply with a change.

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Notes to Financial Statements**

**June 30, 2020 and 2019**

**Note 6 - Functional Expenses**

For the year ended June 30, 2020, expenses are functionally allocated as follows:

	Program	Management and General	Total
Administrative expenses:			
Salaries and wages	\$ 30,096	\$ 7,524	\$ 37,620
Management fees	-	39,192	39,192
Other administrative expenses	114,352	37,409	151,761
Total administrative expenses	144,448	84,125	228,573
Utilities, operating, and maintenance	318,080	5,711	323,791
Taxes and insurance	50,168	6,272	56,440
Financial expenses	126,850	-	126,850
Depreciation	184,484	-	184,484
Total	<u>\$ 824,030</u>	<u>\$ 96,108</u>	<u>\$ 920,138</u>

For the year ended June 30, 2019, expenses are functionally allocated as follows:

	Program	Management and General	Total
Administrative expenses:			
Salaries and wages	\$ 32,121	\$ 8,031	\$ 40,152
Management fees	-	37,488	37,488
Other administrative expenses	99,434	34,570	134,004
Total administrative expenses	131,555	80,089	211,644
Utilities, operating, and maintenance	304,631	5,689	310,320
Taxes and insurance	44,334	5,088	49,422
Financial expenses	129,118	-	129,118
Depreciation	186,094	-	186,094
Total	<u>\$ 795,732</u>	<u>\$ 90,866</u>	<u>\$ 886,598</u>

Costs have been allocated between program services and management and general on several bases and estimates, including time and effort and square footage. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts. There were no fundraising expenses during 2020 and 2019.

**Note 7 - Liquidity and Availability of Resources**

The Organization has \$63,126 and \$59,587 of financial assets available within one year of June 30, 2020 and 2019 to meet cash needs for general expenditure consisting of cash of \$63,126 and \$59,582 and accounts receivable of \$0 and \$5, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization 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. The Organization maintains financial assets on hand to meet 30 days of normal operating expenses. In addition, the Organization maintains funds in a reserve for replacement and a residual receipts reserve. These funds are used for the benefit of the tenants and/or the Project and are required by HUD. The funds may be withdrawn only with the approval of HUD.

---

## Supplemental Information

---

**Independent Auditor's Report on Supplemental Information**

To the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

We have audited the financial statements of Presbyterian Village Holly d/b/a The Village of Holly Woodlands as of and for the year ended June 30, 2020 and have issued our report thereon dated September 17, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, including the schedule of expenditures of federal awards, is presented for the purpose of additional analysis, as required by HUD and the Uniform Guidance, and is not a required part of the financial statements. For the purpose of electronic submission to the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), the supplemental information is also deemed to include the financial data template information presented in the balance sheet and the statements of activities, changes in deficiency in net assets, and cash flows. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

September 17, 2020

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Balance Sheet Data**

**June 30, 2020**

		<b>Assets</b>	
		<b>Current Assets</b>	
1120	Cash - Operations		\$ 63,126
1200	Prepaid expenses		18,768
			<hr/>
1100T	Total current assets		81,894
		<b>Deposits - Held in Trust</b>	
1191	Tenant deposits held in trust		29,694
		<b>Deposits - Funded</b>	
1310	Escrow deposits		33,406
1320	Replacement reserve		97,396
1340	Residual receipts reserve		16,172
			<hr/>
1300T	Total deposits - Funded		146,974
		<b>Fixed Assets</b>	
1410	Land and land improvements		396,678
1420	Buildings and building improvements		4,129,180
1440	Building equipment		532,447
1450	Furniture for project/tenant use		69,098
1465	Office furniture and equipment		68,606
1470	Maintenance equipment		80,979
1480	Motor vehicles		102,929
			<hr/>
1400T	Total fixed assets		5,379,917
1495	Accumulated depreciation		<hr/> (3,990,484)
1400N	Net fixed assets		<hr/> 1,389,433
1000T	Total assets		<hr/> <b>\$ 1,647,995</b> <hr/>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Balance Sheet Data (Continued)**

**June 30, 2020**

<b>Liabilities and Deficiency in Net Assets</b>		
<b>Current Liabilities</b>		
2110	Accounts payable - Operations	\$ 39,830
2120	Accrued wages payable	13,030
2121	Accrued payroll taxes payable	1,393
2131	Accrued interest payable - First mortgage	8,864
2170	Mortgage payable - First mortgage	98,982
2190	Residual receipts liability	<u>18,808</u>
2122T	Total current liabilities	180,907
<b>Deposits - Held in Trust (Contra)</b>		
2191	Tenant deposits held in trust (contra)	27,067
<b>Long-term Liabilities</b>		
2320	Mortgage payable - First mortgage - Net of current portion and unamortized financing costs	2,756,958
2390	Miscellaneous long-term liabilities	<u>34,171</u>
2300T	Total long-term liabilities	<u>2,791,129</u>
2000T	Total liabilities	2,999,103
<b>Deficiency in Net Assets</b>		
3131	Without donor restrictions	<u>(1,351,108)</u>
3130	Total deficiency in net assets	<u>(1,351,108)</u>
2033T	Total liabilities and deficiency in net assets	<u><b>\$ 1,647,995</b></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Activities Data**

**Year Ended June 30, 2020**

	<b>Rent Revenue</b>		
5120	Rent revenue - Gross potential	\$	284,307
5121	Tenant assistance payments		587,997
			<hr/>
5100T	Total rent revenue (potential at 100% occupancy)		872,304
	<b>Vacancies</b>		
5220	Apartments		(1,147)
5290	Miscellaneous		(9,381)
			<hr/>
5200T	Total vacancies		(10,528)
5152N	Net rent revenue (rent revenue less vacancies)		861,776
	<b>Financial Revenue</b>		
5410	Project operations		33
5430	Investments - Residual receipts		4
5440	Investments - Replacement reserve		22
			<hr/>
5400T	Total financial revenue		59
	<b>Other Revenue</b>		
5910	Laundry and vending revenue		179
5920	Tenant charges		366
5990	Miscellaneous revenue		22,900
			<hr/>
5900T	Total other revenue		23,445
5000T	Total revenue		885,280
	<b>Administrative Expenses</b>		
6203	Conventions and meetings		2,090
6204	Management consultants		16,996
6210	Advertising and marketing		2,137
6250	Other renting expenses		164
6310	Office salaries		66,885
6311	Office expenses		35,271
6320	Management fee		39,192
6330	Manager or superintendent salaries		37,620
6340	Legal expenses		50
6350	Auditing expenses		7,547
6351	Bookkeeping fees/Accounting services		8,520
6390	Miscellaneous administrative expenses		12,101
			<hr/>
6263T	Total administrative expenses		228,573
	<b>Utilities Expenses</b>		
6450	Electricity		20,107
6451	Water		45,348
6452	Gas		4,861
6453	Sewer		20,279
			<hr/>
6400T	Total utilities expenses		90,595

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Activities Data (Continued)**

**Year Ended June 30, 2020**

	<b>Operating and Maintenance Expenses</b>	
6510	Payroll	\$ 82,262
6515	Supplies	33,074
6520	Contracts	86,313
6525	Garbage and trash removal	5,053
6548	Snow removal	13,394
6570	Vehicle and maintenance equipment operation and repairs	1,605
6590	Miscellaneous operating and maintenance expenses	<u>11,495</u>
6500T	Total operating and maintenance expenses	233,196
	<b>Taxes and Insurance</b>	
6711	Payroll taxes (FICA)	13,361
6720	Property and liability insurance (hazard)	25,081
6722	Workers' compensation	3,596
6723	Health insurance and other employee benefits	<u>14,402</u>
6700T	Total taxes and insurance	56,440
	<b>Financial Expenses</b>	
6820	Interest on first mortgage payable	110,010
6850	Mortgage insurance premium/service charge	16,776
6890	Miscellaneous financial expenses	<u>64</u>
6800T	Total financial expenses	<u>126,850</u>
6000T	Total costs of operations before depreciation	<u>735,654</u>
5060T	<b>Change in Net Assets before Depreciation</b>	149,626
6600	<b>Depreciation Expense</b>	<u>184,484</u>
3250	<b>Change in Total Net Assets</b>	<u><u>\$ (34,858)</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Statement of Activities Data (Continued)**

---

**Supplemental Information**  
**Year Ended June 30, 2020**

S1000-010	1	Total principal required under the mortgage, even if payments under a workout agreement are less or more than those required under the mortgage	\$	95,582
S1000-020	2	Replacement reserve deposits required by the Regulatory Agreement or amendments thereto, even if payments may be temporarily suspended or waived		24,336
S1000-030	3	Replacement reserve or residual receipt releases that are included as expense items on this profit and loss statement		0
S1000-040	4	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement		0

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Statement of Changes in Deficiency in Net Assets Data**

---

**Year Ended June 30, 2020**

S1100-050	<b>Deficiency in Net Assets</b> - July 1, 2019	\$ (1,316,250)
3250	Increase in deficiency in net assets	<u>(34,858)</u>
3130	<b>Deficiency in Net Assets</b> - June 30, 2020	<u><b>\$ (1,351,108)</b></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Cash Flows Data**

**Year Ended June 30, 2020**

<b>Cash Flows from Operating Activities</b>		
	Receipts:	
S1200-010	Rental	\$ 811,069
S1200-020	Interest	59
S1200-030	Other cash receipts	<u>23,445</u>
S1200-040	Total receipts	834,573
	Disbursements:	
S1200-050	Administrative	(79,122)
S1200-070	Management fee	(39,192)
S1200-090	Utilities	(91,292)
S1200-100	Salaries and wages	(186,767)
S1200-110	Operating and maintenance	(152,656)
S1200-140	Property insurance	(25,260)
S1200-150	Miscellaneous taxes and insurance	(32,101)
S1200-160	Tenant security deposits	(837)
S1200-180	Interest payments - First mortgage	(101,402)
S1200-210	Mortgage insurance premium	(16,776)
S1200-220	Miscellaneous financial	<u>(64)</u>
S1200-230	Total disbursements	<u>(725,469)</u>
S1200-240	Net cash provided by operating activities	109,104
	<b>Cash Flows from Investing Activities</b>	
S1200-245	Net deposit to the mortgage escrow account	(2,084)
S1200-250	Net deposit to the reserve for replacement account	(17,618)
S1200-260	Net withdrawal from the residual receipts account	52,174
S1200-330	Net purchase of capital assets	<u>(42,450)</u>
S1200-350	Net cash used in investing activities	(9,978)
	<b>Cash Flows from Financing Activities</b>	
S1200-360	Principal payments - First mortgage	<u>(95,582)</u>
S1200-460	Net cash used in financing activities	<u>(95,582)</u>
S1200-470	<b>Net Increase in Cash</b>	3,544
S1200-480	<b>Cash - Beginning of year</b>	<u>59,582</u>
S1200T	<b>Cash - End of year</b>	<u><u>\$ 63,126</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Statement of Cash Flows Data (Continued)**

**Year Ended June 30, 2020**

<b>Reconciliation of Change in Deficiency in Net Assets to Net Cash Provided by Operating Activities</b>		
3250	Change in deficiency in net assets	\$ (34,858)
	Adjustments to reconcile change in deficiency in net assets to net cash from operating activities:	
6600	Depreciation	184,484
S1200-486	Amortization	10,274
	Decrease (increase) in assets:	
S1200-490	Tenant accounts receivable	5
S1200-520	Prepaid expenses	(517)
S1200-530	Cash restricted for tenant security deposits	(1,635)
	(Decrease) increase in liabilities:	
S1200-540	Accounts payable - Operations	(5,478)
S1200-560	Accrued liabilities	8,409
S1200-570	Accrued interest payable	(12)
S1200-580	Tenant security deposits held in trust	798
S1200-600	Other changes to reconcile change in deficiency in net assets to net cash provided by operating activities	<u>(52,366)</u>
S1200-610	Net cash provided by operating activities	<u><b>\$ 109,104</b></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Supplemental Information**

**Year Ended June 30, 2020**

**1. Schedule of Reserve for Replacements**

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by Key Bank to be used for replacement of property with the approval of HUD as follows:

1320P	<b>Balance</b> - July 1, 2019	\$ 79,778
1320DT	Monthly deposits (\$2,028.03 x 12)	24,336
1320INT	Interest	22
1320WT	Approved withdrawals	<u>(6,740)</u>
1320	<b>Balance</b> - June 30, 2020	<u><u>\$ 97,396</u></u>

**2. Schedule of Residual Receipts**

In accordance with the provisions of the Regulatory Agreement, surplus cash is calculated per the HUD formula and deposited into the residual receipts account. Restricted cash is held by Key Bank to be used for any project purpose with the approval of HUD as follows:

1340P	<b>Balance</b> - July 1, 2019	\$ 68,346
1340DT	Deposit of surplus cash	1,174
1340INT	Interest	4
1340WT	Approved withdrawals	<u>(53,352)</u>
1340	<b>Balance</b> - June 30, 2020	<u><u>\$ 16,172</u></u>

**3. Computation of Surplus Cash - Form HUD 93486** - See attached

**4. Schedule of Changes in Fixed Asset Accounts** - See attached

**5. Schedule of 5300 Accounts** - N/A

**6. Schedule of 6900 Accounts** - N/A

**7. Nursing Home Data** - N/A

**8. Detail of Accounts:**

2190	Residual receipts liability	<u><u>\$ 18,808</u></u>
2390	Deferred HUD interest credit - Net of accumulated amortization	<u><u>\$ 34,171</u></u>
5290	Residual receipts liability adjustment	<u><u>\$ (9,381)</u></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Supplemental Information (Continued)**

---

**Year Ended June 30, 2020**

**8. Detail of Accounts (Continued):**

5990	Cable/Satellite TV	\$	22,770
	Miscellaneous revenue		<u>130</u>
	Total	<b>\$</b>	<b><u>22,900</u></b>
S1200-600	Residual receipts liability adjustment	\$	(50,712)
	Decrease in mortgage prepayment penalty premium		<u>(1,654)</u>
	Total	<b>\$</b>	<b><u>(52,366)</u></b>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Schedule of Changes in Fixed Asset Accounts**

**Year Ended June 30, 2020**

	Assets				Accumulated Depreciation				Net Book Value June 30, 2020
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Balance July 1, 2019	Current Provision	Deductions	Balance June 30, 2020	
	1410 Land and land improvements	\$ 396,678	\$ -	\$ -	\$ 396,678	\$ 172,179	\$ 15,885	\$ -	
1420 Buildings and building improvements	4,115,152	14,028	-	4,129,180	2,941,091	148,220	-	3,089,311	1,039,869
1440 Building equipment	517,692	14,755	-	532,447	449,362	9,927	-	459,289	73,158
1450 Furniture for project/tenant use	69,098	-	-	69,098	60,051	952	-	61,003	8,095
1465 Office furniture and equipment	54,939	13,667	-	68,606	50,663	2,089	-	52,752	15,854
1470 Maintenance equipment	80,979	-	-	80,979	69,769	1,405	-	71,174	9,805
1480 Motor vehicles	102,929	-	-	102,929	62,885	6,006	-	68,891	34,038
<b>Total</b>	<b>\$ 5,337,467</b>	<b>\$ 42,450</b>	<b>\$ -</b>	<b>\$ 5,379,917</b>	<b>\$ 3,806,000</b>	<b>\$ 184,484</b>	<b>\$ -</b>	<b>\$ 3,990,484</b>	<b>\$ 1,389,433</b>

**Fixed Asset Addition Detail:**

Buildings and building improvements - Carpet	\$ 14,028
Building equipment:	
Stove shutoff	6,745
Water pump	1,680
Water heaters	6,330
Total building equipment	14,755
Office furniture and equipment - Cameras	13,667
<b>Total</b>	<b>\$ 42,450</b>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Schedule of Expenditures of Federal Awards**

---

**Year Ended June 30, 2020**

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Rental Housing Assistance Payment Program	14.195	\$ 587,997
Mortgage Insurance for the Purchase or Refinance of Existing Multifamily Housing Projects	14.155	<u>3,043,092</u>
Total federal awards		<u><b>\$ 3,631,089</b></u>

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

---

**Computation of Surplus Cash**

---

		<b>June 30, 2020</b>
S1300-010	Cash	\$ 92,820
S1300-040	Total cash	92,820
<b>Current Obligations</b>		
S1300-050	Accrued mortgage (or bond) interest payable	8,864
S1300-075	Accounts payable - 30 days	39,830
S1300-100	Accrued expenses (not escrowed)	14,423
2191	Tenant/Patient deposits held in trust (contra)	27,067
S1300-140	Total current obligations	90,184
S1300-150	Surplus cash (deficiency)	<b>\$ 2,636</b>
S1300-210	Deposit due residual receipts	<b>\$ 2,636</b>

---

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*

---

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*

### Independent Auditor's Report

To Management and the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

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 Presbyterian Village Holly d/b/a The Village of Holly Woodlands (the "Organization"), which comprise the balance sheet as of June 30, 2020 and the related statements of activities, changes in deficiency in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 17, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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. We consider the deficiency, described in the accompanying schedule of findings and questioned costs as Finding 2020-001, to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

#### The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

**Purpose of This Report**

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

*Plante & Moran, PLLC*

September 17, 2020

---

Report on Compliance for Each Major Federal  
Program and Report on Internal Control Over  
Compliance Required by the Uniform Guidance

---

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

**Report on Compliance for Each Major Federal Program**

We have audited Presbyterian Village Holly d/b/a The Village of Holly Woodlands' (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

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

To the Board of Directors  
Presbyterian Village Holly  
d/b/a The Village of Holly Woodlands

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

*Plante & Moran, PLLC*

September 17, 2020

---

## Schedule of Findings and Questioned Costs

---

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands**  
**HUD Project No. 044-11106**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 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?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.155	U.S. Department of Housing and Urban Development - Mortgage Insurance for the Purchase or Refinance of Existing Multifamily Housing Projects	Unmodified

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

Auditee qualified as low-risk auditee?   X   Yes        No

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands  
HUD Project No. 044-11106**

**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2020**

**Section II - Financial Statement Audit Findings**

Reference Number	Finding	Questioned Costs
2020-001	<p><b>Finding Type</b> - Material weakness in internal control over financial reporting</p> <p><b>Title</b> - Segregation of duties</p> <p><b>Finding Resolution Status</b> - Resolved</p> <p><b>Information on Universe and Population Size</b> - N/A</p> <p><b>Sample Size Information</b> - N/A</p> <p><b>Criteria</b> - Adequate segregation of duties surrounding the online banking, cash disbursement, and journal entry processes is necessary to prevent the risk of material misstatement of the financial statements and/or misappropriation of assets.</p> <p><b>Statement of Condition</b> - The Organization does not have the appropriate segregation of duties surrounding its online banking, check disbursement, and journal entry processes.</p> <p><b>Cause</b> - In November 2019, the departure of the vice president of finance led to the shifting of responsibilities to other finance department staff and the lack of segregation of duties relative to the online banking, check disbursement, and journal entry processes.</p> <p><b>Effect or Potential Effect</b> - The Organization is at greater risk for a material misstatement of its financial statements and/or misappropriation of assets.</p> <p><b>Auditor Noncompliance Code</b> - S - Internal control deficiency</p> <p><b>Reporting Views of Responsible Officials</b> - Management agrees with the finding and has put preventive controls in place starting in March 2020 to mitigate the risks identified in this finding. As a result, management does not believe this will be a finding going forward.</p> <p><b>Context</b> - While dual approval is in place for initiating and approving wire transfers and ACH transactions, every individual within the Organization who was designated as an administrator on the bank profile, prior to March 2020, had the ability to add and modify user rights without dual approval. This allowed for potential circumvention of the dual authorization control.</p> <p>Certain users within the finance department had incompatible rights within the accounting system prior to March 2020. Those rights included modifying user security rights, posting journal entries, modifying vendor information, and printing checks with an electronic signature. The member of management performing the review of all check runs prior to disbursement had unlimited access to the financial system.</p> <p><b>Recommendation</b> - The Organization should improve the preventive controls surrounding segregation of duties related to online banking, financial system access, and the check disbursement process.</p> <p><b>Response Indicator</b> - Agree</p>	None

**Presbyterian Village Holly d/b/a The Village of Holly Woodlands  
HUD Project No. 044-11106**

---

**Schedule of Findings and Questioned Costs (Continued)**

---

**Year Ended June 30, 2020**

**Section II - Financial Statement Audit Findings (Continued)**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
2020-001 (Cont'd)	<b>Completion Date</b> - July 16, 2020	

**Section III - Federal Program Audit Findings**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
<b>Current Year</b>	None	