
Redford Cottages Limited Dividend Housing
Association Limited Partnership
HUD Project No. 044-35657

Financial Report
with Supplemental Information
December 31, 2020

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Certificate of Partners

I certify that I have examined the attached financial statements and supplemental information of HUD Project No. 044-35657, Redford Cottages Limited Dividend Housing Association Limited Partnership, and to the best of my knowledge and belief, the same is a true statement of the financial condition as of December 31, 2020.

Brian W. Carnaghi
Presbyterian Villages of Michigan,
Redford Cottages, LLC - General Partner

March 11, 2021
Date

ID# 46-2927154
Employer Identification Number

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Management Agent's Certification

We certify that we have examined the attached financial statements and supplemental information of HUD Project No. 044-35657, Redford Cottages Limited Dividend Housing Association Limited Partnership, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2020.

Cheryl Carney
Presbyterian Villages of Michigan
Vice President of Housing

March 11, 2021
Date

(248) 281-2038
Telephone Number

ID# 38-1387145
Management Company Employer Identification
Number

Presbyterian Villages of Michigan
Property Manager

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

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Independent Auditor's Report

To the Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of HUD Project No. 044-35657, Redford Cottages Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2020 and 2019 and the related statements of profit and loss, partners' equity (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 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 HUD Project No. 044-35657, Redford Cottages 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.

To the Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

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 Redford Cottages 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, 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 Redford Cottages Limited Dividend Housing Association Limited Partnership's internal control over financial reporting and compliance.



March 11, 2021

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

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Balance Sheet

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash - Operations	\$ 284,462	\$ 182,554
Tenant accounts receivable	11,694	7,533
Prepaid expenses	35,291	27,469
Total current assets	331,447	217,556
Deposits - Held in Trust (Note 2)		
Tenant deposits held in trust	66,228	66,052
Deposits - Funded (Note 2)		
Escrow deposits	34,314	47,684
Replacement reserve	126,406	101,970
Partnership reserves	47,178	36,000
Total deposits - Funded	207,898	185,654
Fixed Assets		
Land and land improvements	2,114,171	2,114,171
Buildings and building improvements	12,795,865	12,761,624
Building equipment (portable)	5,608	5,608
Furnishings	209,842	209,842
Technology	26,759	26,759
Total fixed assets	15,152,245	15,118,004
Accumulated depreciation	(2,976,837)	(2,491,091)
Net fixed assets	12,175,408	12,626,913
Other Assets		
Deferred costs - Net of accumulated amortization	17,133	21,297
Total assets	\$ 12,798,114	\$ 13,117,472

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Balance Sheet (Continued)

	December 31, 2020 and 2019	
	<u>2020</u>	<u>2019</u>
Liabilities and Partners' Deficit		
Current Liabilities		
Accounts payable - Operations (Note 4)	\$ 116,840	\$ 54,802
Accrued investor services fee (Note 4)	45,912	9,396
Accrued wages payable (Note 4)	3,310	2,502
Accrued payroll taxes payable (Note 4)	253	189
Accrued management fee payable (Note 4)	47,178	36,000
Accrued interest payable - First mortgage (Note 3)	26,692	27,037
Accrued interest payable - Other loans and notes (surplus cash) (Note 4)	2,451,900	2,091,900
Accrued property taxes	7,352	7,288
Mortgage payable - First mortgage (Note 3)	103,291	99,080
Prepaid revenue	6,580	825
	<u>2,809,308</u>	<u>2,329,019</u>
Deposits - Held in Trust (Contra)		
Tenant deposits held in trust (contra)	64,733	56,879
Long-term Liabilities		
Mortgage payable - First mortgage net of deferred financing costs (Note 3)	7,289,391	7,378,905
Other loans and notes payable - Surplus cash (Note 4)	4,664,996	4,664,996
Deferred developer fee (Note 4)	670,564	730,811
	<u>12,624,951</u>	<u>12,774,712</u>
Total long-term liabilities	12,624,951	12,774,712
Total liabilities	15,498,992	15,160,610
Partners' Deficit	<u>(2,700,878)</u>	<u>(2,043,138)</u>
Total liabilities and partners' deficit	<u>\$ 12,798,114</u>	<u>\$ 13,117,472</u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Profit and Loss

Years Ended December 31, 2020 and 2019

	2020	2019
Rent Revenue		
Gross potential	\$ 1,128,924	\$ 1,115,676
Miscellaneous rent revenue	2,835	14,432
Total rent revenue (potential at 100 percent occupancy)	1,131,759	1,130,108
Vacancies - Apartments	(76,934)	(67,951)
Net rent revenue (rent revenue less vacancies)	1,054,825	1,062,157
Financial Revenue		
Investments - Replacement reserve	136	108
Investments - Miscellaneous	12	45
Total financial revenue	148	153
Other Revenue	50,627	2,021
Total revenue	1,105,600	1,064,331
Administrative Expenses		
Conventions and meetings	950	350
Management consultants	20,712	15,468
Advertising and marketing	51	431
Other renting expenses	1,329	598
Office salaries (Note 4)	33,313	33,137
Office expenses	10,723	12,383
Management fee (Note 4)	44,712	44,712
Manager or superintendent salaries (Note 4)	33,637	30,429
Legal expenses	-	71
Auditing expenses	8,600	21,750
Bad debts	-	11,568
Miscellaneous administrative expenses	12,264	2,619
Total administrative expenses	166,291	173,516
Utilities Expenses		
Electricity	3,177	3,156
Water	29,369	30,019
Gas	2,108	1,426
Total utilities expenses	34,654	34,601

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Profit and Loss (Continued)

Years Ended December 31, 2020 and 2019

	2020	2019
Operating and Maintenance Expenses		
Payroll (Note 4)	\$ 4,514	\$ 39,311
Supplies	9,697	9,633
Contracts	53,650	27,670
Garbage and trash removal	2,000	1,876
Security payroll/contract	25,283	22,140
Heating/Cooling repairs and maintenance	-	662
Snow removal	33,040	36,220
Miscellaneous operating and maintenance expenses	104,169	44,315
Total operating and maintenance expenses	232,353	181,827
Taxes and Insurance		
Real estate taxes	28,538	28,419
Payroll taxes (FICA) (Note 4)	6,408	7,517
Property and liability insurance (hazard)	36,821	31,760
Workers' compensation (Note 4)	1,768	1,695
Health insurance and other employee benefits (Note 4)	13,582	12,849
Total taxes and insurance	87,117	82,240
Financial Expenses		
Interest on first mortgage payable (Note 3)	335,991	340,045
Mortgage insurance premium/service charge	35,053	35,427
Total financial expenses	371,044	375,472
Total costs of operations before depreciation, amortization, and entity expenses	891,459	847,656
Profit before Depreciation, Amortization, and Entity Expenses	214,141	216,675
Depreciation Expense	498,327	497,445
Amortization Expense	4,164	4,164
Corporate or Mortgagor Entity Expenses		
Interest on notes payable (Note 4)	360,000	360,000
Other expenses - Investor services fee (Note 4)	9,390	9,396
Net entity expenses	369,390	369,396
Net Loss	\$ (657,740)	\$ (654,330)

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Partners' Equity (Deficit)

Years Ended December 31, 2020 and 2019

	<u>General Partner</u>	<u>Investor Limited Partner</u>	<u>Total</u>
Balance - January 1, 2019	\$ (1,702,618)	\$ 313,810	\$ (1,388,808)
Net loss	<u>(359,198)</u>	<u>(295,132)</u>	<u>(654,330)</u>
Balance - December 31, 2019	(2,061,816)	18,678	(2,043,138)
Net loss	<u>(360,030)</u>	<u>(297,710)</u>	<u>(657,740)</u>
Balance - December 31, 2020	<u>\$ (2,421,846)</u>	<u>\$ (279,032)</u>	<u>\$ (2,700,878)</u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Receipts:		
Rental	\$ 1,056,419	\$ 1,057,219
Interest	148	153
Other cash receipts	50,627	3,795
Total receipts	1,107,194	1,061,167
Disbursements:		
Administrative	(49,859)	(46,513)
Management fee	(33,534)	(33,712)
Utilities	(34,654)	(34,601)
Salaries and wages	(70,656)	(104,524)
Operating and maintenance	(64,052)	(142,516)
Real estate taxes	(28,474)	(28,305)
Property insurance	(44,790)	(35,864)
Miscellaneous taxes and insurance	(21,694)	(21,951)
Tenant security deposits	7,854	8,141
Interest payments - First mortgage	(322,560)	(326,599)
Mortgage insurance premium	(34,906)	(35,287)
Entity/Construction disbursements	(8,100)	(9,396)
Total disbursements	(705,425)	(811,127)
Net cash and restricted cash provided by operating activities	401,769	250,040
Cash Flows from Investing Activities		
Net withdrawal from the mortgage escrow account	13,370	4,695
Net deposit to the reserve for replacement account	(24,436)	(12,121)
Net purchase of fixed assets	(118,115)	(24,065)
Net cash and restricted cash used in investing activities	(129,181)	(31,491)
Cash Flows from Financing Activities		
Principal payments - First mortgage	(99,079)	(95,040)
Entity/Construction financing activities	(60,247)	-
Net cash and restricted cash used in financing activities	(159,326)	(95,040)
Net Increase in Cash and Restricted Cash	113,262	123,509
Cash and Restricted Cash - Beginning of year	284,606	161,097
Cash and Restricted Cash - End of year	\$ 397,868	\$ 284,606

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Cash Flows (Continued)

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Net Loss to Net Cash and Restricted Cash Provided by Operating Activities		
Net loss	\$ (657,740)	\$ (654,330)
Adjustments to reconcile net loss to net cash and restricted cash from operating activities:		
Depreciation	498,327	497,445
Amortization	4,164	4,164
Amortization of debt issuance costs	13,776	13,776
(Increase) decrease in assets:		
Tenant accounts receivable	(4,161)	(4,593)
Accounts receivable - Other	-	1,774
Prepaid expenses	(7,822)	(3,964)
Increase (decrease) in liabilities:		
Accounts payable - Operations	98,554	7,157
Accrued liabilities	12,114	9,577
Accrued interest payable	359,655	359,670
Tenant security deposits held in trust	7,854	8,141
Prepaid revenue	5,755	(345)
Other changes to reconcile net loss to net cash and restricted cash provided by operating activities	71,293	11,568
Net cash and restricted cash provided by operating activities	<u><u>\$ 401,769</u></u>	<u><u>\$ 250,040</u></u>
Classification of Cash and Restricted Cash		
Cash - Operations	\$ 284,462	\$ 182,554
Tenant deposits held in trust	66,228	66,052
Other reserves - Partnership operating reserves	47,178	36,000
Total cash and restricted cash	<u><u>\$ 397,868</u></u>	<u><u>\$ 284,606</u></u>

December 31, 2020 and 2019

Note 1 - Nature of Business

Redford Cottages Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed on June 6, 2013 under the Michigan Uniform Limited Partnership Act for the purpose of acquiring, owning, constructing, and operating an 81-unit residential rental complex (the "Project") to serve the elderly population, financed in part with the proceeds of a mortgage insured by the U.S. Department of Housing and Urban Development (HUD) under Section 221(d)(4) of the National Housing Act obtained on February 21, 2014.

The Project qualified for and was allocated total low-income housing tax credit of \$2,671,370 pursuant to a Regulatory Agreement with the Michigan State Housing Development Authority (MSHDA) signed on November 12, 2014 pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the Partnership has executed an extended low-income housing agreement that requires the utilization of the Project pursuant to Section 42 for a minimum of 40 years beginning on the first year of the compliance period, even if the Partnership disposes of the Project.

Operations of the Partnership are limited to the rental of units owned by the Partnership. In addition to the MSHDA Regulatory Agreement, a Regulatory Agreement was executed with HUD in connection with obtaining the mortgage loan, further regulating rents and distributions to partners. Of the 81 units of the Project, no less than 46 units will be leased to individuals whose income does not exceed 60 percent of the area median gross income, and 35 units will be leased to tenants at the area market rate.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Partnership 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.

Cash

The Partnership maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. Management believes the Partnership is not exposed to any significant credit risk on cash.

Tenant Accounts Receivable and Allowance for Doubtful Accounts

Tenant accounts receivable are stated at net rent amounts. An allowance for doubtful accounts is recorded when a tenant receivable is no longer expected to be collected. Any amount no longer expected to be collected is charged to bad debt. There was no allowance for doubtful accounts as of December 31, 2020 and 2019.

Fixed Assets

Land, buildings, and other depreciable assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of assets, ranging from 10 to 40 years. Depreciation expense was \$498,327 and \$497,445 for the years ended December 31, 2020 and 2019, respectively. For income tax purposes, accelerated lives and methods are used. 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.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Impairment of Assets

The Partnership 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 Partnership's rental property has occurred.

Deferred Costs

Tax credit fees of \$41,641 are amortized annually using the straight-line method over the compliance period. Total accumulated amortization related to these costs is \$24,508 and \$20,344 as of December 31, 2020 and 2019, respectively.

Debt issuance costs were incurred by the Partnership in connection with obtaining the mortgage. These costs are recorded as a reduction in the recorded balance of the outstanding debt. These costs are amortized over the term of the related debt and reported as a component of interest expense.

Partner Contributions and Distributions

The Partnership has one general partner, Redford Cottages, LLC (the "General Partner"), with a 0.01 percent interest, and one investor limited partner, Great Lakes Capital Fund for Housing Limited Partnership XXVIII (the "Investor Limited Partner"), with a 99.99 percent interest. Presbyterian Villages of Michigan (PVM), a related party, is the sole member of the General Partner.

In accordance with the partnership agreement, the Investor Limited Partner has contributed \$2,156,712 as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the General Partner had contributed \$30,294.

Partner Allocation of Profits and Losses

Profits or losses from operations of the Partnership are allocated annually between the General Partner and Investor Limited Partner in the ratio of 0.01 percent to 99.99 percent, respectively. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Partnership's assets will be specially allocated, as prioritized in the partnership agreement. Additionally, the partnership agreement provides for other instances in which special allocation of profits, losses, and distributions may be required. For the years ended December 31, 2020 and 2019, a special allocation of deferred interest on the seller's note was allocated to the General Partner totaling \$360,000 each year.

Net cash flows, as more completely described in the partnership agreement, are mainly calculated based on all cash received from rents, lease payments, and certain other sources, minus all cash expenditures, including expenses unpaid and properly accrued, which have been incurred in the operation of the Partnership's business, payments on loans, and deposits to reserves.

Net cash flow, as defined by the partnership agreement and all amendments thereto, is distributed as follows:

- (1) First, to the Investor Limited Partner to the extent of any amount that the Investor Limited Partner is entitled to receive from cash flow as payment to satisfy any Investor Limited Partner loans, any credit reduction payments that have not been satisfied as of the date of the distribution, and any other payments owed to the Investor Limited Partner pursuant to the terms of the partnership agreement, guarantee, or development agreement
- (2) Second, to the developers to pay any unpaid deferred development fee

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

- (3) Third, 75 percent to Presbyterian Villages Redford (the "Seller") until all interest, if any, and principal have been paid in full on the seller note
- (4) Fourth, to the General Partner, an annual, noncumulative payment of the partnership management fee not to exceed \$31,000, or collectively with the incentive management fee below, 49.9 percent of the remaining cash flow
- (5) Fifth, out of a maximum of 90 percent of the balance of net cash flow, an incentive management fee payment to the General Partner not to exceed \$30,000, or collectively with the partnership management fee above, 49.9 percent of the remaining cash flow per year on a noncumulative basis
- (6) Sixth, any remaining cash flow should be distributed (a) 49.9 percent to the General Partner and (b) 50.1 percent to the Investor Limited Partner.

Syndication Costs

Syndication costs of \$47,500 were incurred in connection with the Project's financing. The Investor Limited Partner's equity is presented net of these syndication costs. No additional syndication costs were incurred in 2019 or 2020.

Rental Income

The Partnership records apartment rentals at gross potential rent adjusted for vacancy loss. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Income Taxes

No income tax provision has been recorded in the financial statements since income or loss of the Partnership is required to be reported by the respective partners on their individual tax returns.

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.

Deposits - Funded

The funds held by the mortgagee represent escrows and restricted funds for taxes, insurance, and a replacement reserve. The taxes and insurance escrows and the replacement reserve consist of deposits by the Partnership to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. According to the Regulatory Agreement, the required monthly deposit to the replacement reserve is \$2,025 per month, as authorized by HUD.

Deposits Held in Trust

In accordance with the Regulatory Agreement with HUD, the Partnership is required to maintain a tenant security deposit trust account. The amount 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.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Partnership Operating Reserves

In accordance with the partnership agreement, a partnership operating reserve was to be established in the total amount of \$494,500 to be deposited with Love Funding Corporation, of which the initial amount of \$167,418 was funded as required from the Investor Limited Partner's fourth capital contribution in 2014. As of December 31, 2018, all remaining funds in this reserve were paid out to cover operating expenses or other expenses benefiting the Project per the partnership agreement.

Subsequent to the use of all of the operating reserves, the Investor Limited Partner required the restoration of the partnership operating reserve in the amount of \$167,922, originally funded with the Investor Limited Partner's equity. An initial deposit into this reserve of \$25,000 was made by PVM on December 31, 2018. Future funding of the reserve will be equal to 25 percent of annual management fees otherwise payable to PVM (approximately \$11,000) until the reserve is restored to \$167,922. This partnership operating reserve will be held to be used for operating expenses or other expenses approved in advance by the Investor Limited Partner and for any payment of Investor Limited Partner exit taxes upon project or partnership interest disposition, as provided in the partnership agreement. During 2020, an additional \$11,178 was funded to the reserve. The balance in the reserve was \$47,178 and \$36,000 as of December 31, 2020 and 2019, respectively.

The Partnership also funded a working capital escrow in the original amount of \$327,132 in 2014 in accordance with the working capital escrow agreement and HUD commitment. Funds in this escrow were released with HUD approval for specific purposes, as outlined in the working capital escrow agreement. Any unused funds in this escrow released by HUD were to be transferred into the partnership operating reserve. There are no amounts remaining in this reserve.

Regulatory Agreement

Regulatory Agreements with HUD and MSHDA were signed in connection with the HUD-insured mortgage note and the allocation of low-income housing tax credit by MSHDA. No violations of these agreements were noted for the years ended December 31, 2020 or 2019.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. This outbreak has impacted millions of individuals worldwide and continues to have global impact on businesses and the economy, and the ultimate impact to the Partnership and its operations cannot be predicted. Management immediately responded to the outbreak with personal protective equipment purchases, additional sanitization procedures, limitations on visitors and outside contractors, and the postponing of certain capital projects. The Partnership has been able to maintain reasonably normal operating levels, and no permanent impairments have been recognized at December 31, 2020. The extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 11, 2021, which is the date the financial statements were available to be issued.

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Long-term Debt

The Partnership entered into a mortgage note payable with Love Funding Corporation insured by HUD under Section 221(d)(4) of the National Housing Act in the amount of \$8,178,300. The mortgage bears interest at 4.17 percent. Beginning on September 1, 2016 through maturity on March 1, 2055, the note is payable in monthly principal and interest installments of \$35,137. The mortgage may be prepaid in whole or in part subject to a prepayment premium. The mortgage is collateralized by the rental property included in the accompanying balance sheet and is guaranteed by HUD.

Mortgage costs of \$354,097 are shown net of the primary mortgage and amortized over the term of the mortgage loan using the effective interest method. Total accumulated amortization related to these costs is \$65,553 and \$51,777 at December 31, 2020 and 2019, respectively. Related amortization expense of \$13,776 for the years ended December 31, 2020 and 2019 is included in interest expense on the statement of profit and loss.

Minimum principal payments to maturity as of December 31, 2020 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 103,291
2022	107,682
2023	112,259
2024	117,030
2025	122,005
Thereafter	7,118,959
Unamortized debt issuance costs	<u>(288,544)</u>
Total	<u>\$ 7,392,682</u>

Note 4 - Related Party Transactions

Related Party Payable

Accounts payable - operations at December 31, 2020 and 2019 includes amounts due of \$989 and \$10,832, respectively, to Presbyterian Villages of Michigan, as the management company, for normal operations of the Partnership.

Salaries and Wages

Salaries and wages and related payroll taxes and benefits for the employees of the Partnership are paid by (PVM), as the management agent. The Partnership reimburses (PVM) for these expenses. During the years ended December 31, 2020 and 2019, the Partnership paid (PVM) \$108,416 and \$126,475, respectively, for reimbursable payroll costs. The balance due to (PVM) is \$3,563 and \$2,691 at December 31, 2020 and 2019, respectively, and is recorded as accrued wages and payroll taxes payable.

Property Acquisition and Development

The Partnership purchased the Project for \$6,300,000 from an affiliate of the General Partner for the purpose of substantial rehabilitation of existing buildings, razing of two residential buildings, and development of six new residential buildings. Instrumental to the financing of the development was the involvement of the Investor Limited Partner and financing provided by MSHDA and HUD. The total completed project cost was \$16,474,532.

December 31, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

Related Party Note Payable

The Partnership has a \$4,664,996 note payable to an affiliate of the General Partner. The proceeds of this note were used for the acquisition and rehabilitation of the Project. Interest accrues at a rate of 7.65 percent per annum on the principal only, with payments of interest and principal due yearly. Payments were scheduled to begin in 2016 based on the availability of surplus cash, with any remaining principal and interest due no later than March 1, 2055. No payments were made on the principal or interest to date. Accrued interest on the loan totaled \$2,451,900 and \$2,091,900 at December 31, 2020 and 2019, respectively. Total interest expense incurred on the loan was \$360,000 at December 31, 2020 and 2019.

Developer Fees

Developer fees are payable to an affiliate of the General Partner for services rendered in negotiating, coordinating, and supervising the planning architectural, engineering, and construction services necessary for construction of the Project. The development agreement specifies total payment of \$1,975,000. The developer fees incurred have been capitalized as part of the building and improvements and have been earned and recognized in accordance with the development fee agreement. As of December 31, 2020 and 2019, \$1,304,436 and \$1,244,189 of the developer fee has been paid, and \$670,564 and \$730,811, respectively, remains deferred and outstanding in accordance with the development agreement. Per the terms of the development agreement, any remaining balance of the developer fees is due in 2024, 10 years after the date of completion of the Project.

Management Fees

The Partnership contracted with (PVM) to provide management services to the Partnership. For the years ended December 31, 2020 and 2019, the monthly management fee is not to exceed 4.17 and 4.22 percent of residential income, respectively, or \$552 per unit per year. For the years ended December 31, 2020 and 2019, \$44,712 had been incurred. A total of \$47,178 and \$36,000 of these fees was accrued as of December 31, 2020 and 2019, respectively. The increase in the management fees accrual corresponds to the required annual funding to restore the partnership operating reserve (see Note 2).

Investor Services Fees

The Partnership incurs an annual cumulative investor services fee payable from surplus cash to the Investor Limited Partner in the amount of \$8,100, beginning in 2014 pro rata, which should increase annually by 3 percent pursuant to the terms of the partnership agreement and the investor services agreement. As of December 31, 2020 and 2019, an investor services fee of \$9,390 and \$9,396, respectively, was recognized as an entity expense and accrued. At December 31, 2020, in addition to the current year investor services fee accrued, the liability at December 31, 2020 includes past unbilled estimated fees of \$35,519, which were previously included in accounts payable at December 31, 2019. Of the \$45,912 payable at December 31, 2020, \$9,396 is payable to PVM as reimbursement of the 2019 investor services fee.

Incentive Partnership Management Fee

The Partnership incurs an annual noncumulative incentive management fee in an amount equal to the lesser of 90 percent of the partnership cash flows permitted to be distributed or \$30,000 payable to the General Partner. In accordance with provisions in the partnership agreement, unpaid incentive management fees at the end of each year may only be paid to the extent funds are available from the current year's cash flow and paid in the priority order set forth in the partnership agreement. No amounts have been incurred at December 31, 2020 and 2019.

Notes to Financial Statements

December 31, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

Operating Deficit Guarantee

As provided for in the partnership agreement, the General Partner will provide loans to the Partnership for operating deficits incurred in the 15 years after breakeven operations have occurred. The loans are unsecured and non-interest bearing and will be repaid from future excess cash flows of the Partnership. During the years ended December 31, 2020 and 2019, the General Partner did not provide any loans to the Partnership to fund operating deficits, and there were no loans outstanding.

Note 5 - Current Vulnerability Due to Certain Concentrations

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

Note 6 - Contingency

The Project's low-income housing tax credit is contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credit plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Limited Partner.

Note 7 - Low-income Housing Tax Credit - Unaudited

The Partnership received an allocation of low-income housing tax credit in the total amount of \$2,671,370. Initial pro rata credit was claimed in 2014 and 2015 totaling \$25,133 and \$247,362, respectively, based on the placed-in-service date and lease-up of units. Annual credit of \$267,137 from that point forward will be claimed until the final year of credit, anticipated to be \$242,004 in 2024. Total credit anticipated to be claimed has been adjusted to \$2,651,595. The Investor Limited Partner is expected to exit in 2030. As of December 31, 2020, \$1,608,180 of tax credit will have been claimed.

The expected availability of the remaining credit for the following years is as follows:

Years Ending	Amount
2021	\$ 267,137
2022	267,137
2023	267,137
2024	242,004
Total	<u>\$ 1,043,415</u>

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

We have audited the financial statements of HUD Project No. 044-35657, Redford Cottages Limited Dividend Housing Association Limited Partnership, as of and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated March 11, 2021, which contained an unmodified opinion on those financial statements. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 19 through 29 is presented for the purpose of additional analysis 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 profit and loss, partners' equity (deficit), 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

March 11, 2021

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Balance Sheet Data

December 31, 2020

		Assets	
Current Assets			
1120	Cash - Operations		\$ 284,462
1130	Tenant accounts receivable		11,694
1200	Prepaid expenses		<u>35,291</u>
1100T	Total current assets		331,447
Deposits - Held in Trust			
1191	Tenant deposits held in trust		66,228
Deposits - Funded			
1310	Escrow deposits		34,314
1320	Replacement reserve		126,406
1330	Partnership reserves		<u>47,178</u>
1300T	Total deposits - Funded		207,898
Fixed Assets			
1410	Land and land improvements		2,114,171
1420	Buildings and building improvements		12,795,865
1440	Building equipment (portable)		5,608
1460	Furnishings		209,842
1465	Office furniture and equipment		<u>26,759</u>
1400T	Total fixed assets		15,152,245
1495	Accumulated depreciation		<u>(2,976,837)</u>
1400N	Net fixed assets		12,175,408
Other Assets			
1520	Deferred costs		<u>17,133</u>
1000T	Total assets		<u><u>\$ 12,798,114</u></u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Balance Sheet Data (Continued)

December 31, 2020

Liabilities and Partners' Deficit		
Current Liabilities		
2110	Accounts payable - Operations	\$ 116,840
2113	Accrued investor services fees	45,912
2120	Accrued wages payable	3,310
2121	Accrued payroll taxes payable	253
2123	Accrued management fee payable	47,178
2131	Accrued interest payable - First mortgage	26,692
2133	Accrued interest payable - Other loans and notes (surplus cash)	2,451,900
2150	Accrued property taxes	7,352
2170	Mortgage payable - First mortgage	103,291
2210	Prepaid revenue	6,580
2122T	Total current liabilities	2,809,308
Deposits - Held in Trust (Contra)		
2191	Tenant deposits held in trust (contra)	64,733
Long-term Liabilities		
2320	Mortgage payable - First mortgage net of deferred financing costs	7,289,391
2323	Other loans and notes payable - Surplus cash	4,664,996
2324	Deferred developer fee	670,564
2300T	Total long-term liabilities	12,624,951
2000T	Total liabilities	15,498,992
3130	Partners' Deficit	(2,700,878)
2033T	Total liabilities and partners' deficit	\$ 12,798,114

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Profit and Loss Data

Year Ended December 31, 2020

	Rent Revenue	
5120	Gross potential	\$ 1,128,924
5190	Miscellaneous rent revenue	<u>2,835</u>
5100T	Total rent revenue (potential at 100% occupancy)	1,131,759
	Vacancies	
5220	Apartments	<u>(76,934)</u>
5200T	Total vacancies	<u>(76,934)</u>
5152N	Net rent revenue (rent revenue less vacancies)	1,054,825
	Financial Revenue	
5440	Investments - Replacement reserve	136
5490	Investments - Miscellaneous	<u>12</u>
5400T	Total financial revenue	148
	Other Revenue	
5920	Tenant charges	770
5990	Miscellaneous revenue	<u>49,857</u>
5900T	Total other revenue	<u>50,627</u>
5000T	Total revenue	1,105,600
	Administrative Expenses	
6203	Conventions and meetings	950
6204	Management consultants	20,712
6210	Advertising and marketing	51
6250	Other renting expenses	1,329
6310	Office salaries	33,313
6311	Office expenses	10,723
6320	Management fee	44,712
6330	Manager or superintendent salaries	33,637
6350	Auditing expenses	8,600
6390	Miscellaneous administrative expenses	<u>12,264</u>
6263T	Total administrative expenses	166,291
	Utilities Expenses	
6450	Electricity	3,177
6451	Water	29,369
6452	Gas	<u>2,108</u>
6400T	Total utilities expenses	34,654

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Profit and Loss Data (Continued)

Year Ended December 31, 2020

	Operating and Maintenance Expenses	
6510	Payroll	\$ 4,514
6515	Supplies	9,697
6520	Contracts	53,650
6525	Garbage and trash removal	2,000
6530	Security payroll/contract	25,283
6548	Snow removal	33,040
6590	Miscellaneous operating and maintenance expenses	<u>104,169</u>
6500T	Total operating and maintenance expenses	232,353
	Taxes and Insurance	
6710	Real estate taxes	28,538
6711	Payroll taxes (FICA)	6,408
6720	Property and liability insurance (hazard)	36,821
6722	Workers' compensation	1,768
6723	Health insurance and other employee benefits	<u>13,582</u>
6700T	Total taxes and insurance	87,117
	Financial Expenses	
6820	Interest on first mortgage payable	335,991
6850	Mortgage insurance premium/service charge	<u>35,053</u>
6800T	Total financial expenses	<u>371,044</u>
6000T	Total costs of operations before depreciation, amortization, and entity expenses	<u>891,459</u>
5060T	Profit before Depreciation, Amortization, and Entity Expenses	214,141
6600	Depreciation Expense	498,327
6610	Amortization Expense	4,164
	Corporate or Mortgagor Entity Expenses	
7141	Interest on notes payable	360,000
7190	Other expenses - Investor services fee	<u>9,390</u>
7100T	Net entity expenses	<u>369,390</u>
3250	Net Loss	<u><u>\$ (657,740)</u></u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Profit and Loss Data (Continued)

**Supplemental Information
Year Ended December 31, 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	\$	99,079
S1000-020	2	Replacement reserve deposits required by the Regulatory Agreement or amendments thereto, even if payments may be temporarily suspended or waived		24,300
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

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Partners' Equity (Deficit) Data

Year Ended December 31, 2020

		<u>General Partner</u>	<u>Investor Limited Partner</u>	<u>Total</u>
S1100-010	Balance - December 31, 2019	\$ (2,061,816)	\$ 18,678	\$ (2,043,138)
3250	Net loss	<u>(360,030)</u>	<u>(297,710)</u>	<u>(657,740)</u>
3130	Balance - December 31, 2020	<u>\$ (2,421,846)</u>	<u>\$ (279,032)</u>	<u>\$ (2,700,878)</u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Cash Flows Data

Year Ended December 31, 2020

Cash Flows from Operating Activities		
	Receipts:	
S1200-010	Rental	\$ 1,056,419
S1200-020	Interest	148
S1200-030	Other cash receipts	<u>50,627</u>
S1200-040	Total receipts	1,107,194
	Disbursements:	
S1200-050	Administrative	(49,859)
S1200-070	Management fee	(33,534)
S1200-090	Utilities	(34,654)
S1200-100	Salaries and wages	(70,656)
S1200-110	Operating and maintenance	(64,052)
S1200-120	Real estate taxes	(28,474)
S1200-140	Property insurance	(44,790)
S1200-150	Miscellaneous taxes and insurance	(21,694)
S1200-160	Tenant security deposits	7,678
S1200-180	Interest payments - First mortgage	(322,560)
S1200-210	Mortgage insurance premium	(34,906)
S1200-225	Entity/Construction disbursements	<u>(8,100)</u>
S1200-230	Total disbursements	<u>(705,601)</u>
S1200-240	Net cash provided by operating activities	401,593
	Cash Flows from Investing Activities	
S1200-245	Net withdrawal from the mortgage escrow account	13,370
S1200-250	Net deposit to the reserve for replacement account	(24,436)
S1200-255	Net deposit to the other reserve	(11,178)
S1200-330	Net purchase of fixed assets	<u>(118,115)</u>
S1200-350	Net cash used in investing activities	(140,359)
	Cash Flows from Financing Activities	
S1200-360	Principal payments - First mortgage	(99,079)
S1200-455	Entity/Construction financing activities	<u>(60,247)</u>
S1200-460	Net cash used in financing activities	<u>(159,326)</u>
S1200-470	Net Increase in Cash	101,908
S1200-480	Cash - Beginning of year	<u>182,554</u>
S1200T	Cash - End of year	<u><u>\$ 284,462</u></u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Statement of Cash Flows Data (Continued)

Year Ended December 31, 2020

Reconciliation of Net Loss to Net Cash from Operating Activities		
3250	Net loss	\$ (657,740)
	Adjustments to reconcile net loss to net cash from operating activities:	
6600	Depreciation	498,327
6610	Amortization	4,164
S1200-486	Amortization of debt issuance costs	13,776
	Increase in assets:	
S1200-490	Tenant accounts receivable	(4,161)
S1200-520	Prepaid expenses	(7,822)
S1200-530	Cash restricted for tenant security deposits	(176)
	Increase in liabilities:	
S1200-540	Accounts payable - Operations	98,554
S1200-560	Accrued liabilities	12,114
S1200-570	Accrued interest payable	359,655
S1200-580	Tenant security deposits held in trust	7,854
S1200-590	Prepaid revenue	5,755
S1200-600	Other changes to reconcile net loss to net cash from operating activities	<u>71,293</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 401,593</u></u>

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Supplemental Information

Year Ended December 31, 2020

1. Schedule of Reserve for Replacements

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

1320P	Balance - January 1, 2020	\$ 101,970
1320DT	Monthly deposits (\$2,025.00 x 12)	24,300
1320INT	Interest	136
1320	Balance - December 31, 2020	<u><u>\$ 126,406</u></u>

2. Schedule of Residual Receipts - N/A

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:

1330	Partnership operating reserves	<u><u>\$ 47,178</u></u>
5990	Insurance proceeds	<u><u>\$ 49,857</u></u>
6590	Lawn maintenance	\$ 15,083
	Condo dues - Maintenance	9,034
	Connectivity	8,640
	Exterminating and miscellaneous admin	119
	Loss on disposal of fixed assets	71,293
	Total	<u><u>\$ 104,169</u></u>
S1200-225	Investor service fees	<u><u>\$ (8,100)</u></u>
S1200-455	Payment on deferred developer fee	<u><u>\$ (60,247)</u></u>
S1200-600	Loss on disposal of fixed assets	<u><u>\$ 71,293</u></u>
S1300-030	Partnership operating reserves	<u><u>\$ 47,178</u></u>
S1300-110	Required January principal payment	\$ 8,444
	Required January replacement reserve deposit	2,025
	Total	<u><u>\$ 10,469</u></u>

Redford Cottages Limited Dividend Housing Association Limited Partnership
HUD Project No. 044-35657

Schedule of Changes in Fixed Asset Accounts

Year Ended December 31, 2020

		Assets			Accumulated Depreciation				Net Book Value	
		Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020	Balance January 1, 2020	Current Provision	Deductions	Balance December 31, 2020	December 31, 2020
1410	Land and land improvements	\$ 2,114,171	\$ -	\$ -	\$ 2,114,171	\$ 677,539	\$ 148,417	\$ -	\$ 825,956	\$ 1,288,215
1420	Buildings and building improvements	12,761,624	118,115	83,874	12,795,865	1,678,458	325,539	12,581	1,991,416	10,804,449
1440	Building equipment (portable)	5,608	-	-	5,608	1,960	711	-	2,671	2,937
1460	Furnishings	209,842	-	-	209,842	109,051	20,984	-	130,035	79,807
1465	Technology	26,759	-	-	26,759	24,083	2,676	-	26,759	-
Total		\$ 15,118,004	\$ 118,115	\$ 83,874	\$ 15,152,245	\$ 2,491,091	\$ 498,327	\$ 12,581	\$ 2,976,837	\$ 12,175,408

Fixed Asset Addition Detail:

Buildings and building improvements:	
Carpet	\$ 2,371
Drywall	5,700
Electrical	17,550
Building repairs	92,494
Total	\$ 118,115

Fixed Asset Disposal Detail:

Buildings and building improvements - Roof and structure	\$ 83,874
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**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Computation of Surplus Cash

December 31, 2020

S1300-010	Cash	\$	350,690
S1300-030	Other		<u>47,178</u>
S1300-040	Total cash		397,868
Current Obligations			
S1300-050	Accrued mortgage (or bond) interest payable		26,692
S1300-075	Accounts payable - 30 days		116,840
S1300-100	Accrued expenses (not escrowed)		50,741
2210	Prepaid revenue		6,580
2191	Tenant/Patient deposits held in trust (contra)		64,733
S1300-110	Other current obligations		<u>10,469</u>
S1300-140	Total current obligations		<u>276,055</u>
S1300-150	Surplus cash	\$	<u>121,813</u>
S1300-200	Amount available for distribution during next fiscal period	\$	<u>121,813</u>

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 Partners
Redford Cottages 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 Redford Cottages Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2020 and the related statements of profit and loss, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Partnership's 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 the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Partnership's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To Management and the Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

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 Partnership'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 Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 11, 2021

Report on Compliance for Each Major HUD
Program and Report on Internal Control Over
Compliance Required by the *Consolidated Audit
Guide for Audits of HUD Programs*

Report on Compliance for Each Major HUD Program and Report on Internal Control Over Compliance Required
by the *Consolidated Audit Guide for Audits of HUD Programs*

Independent Auditor's Report

To the Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

Report on Compliance for Each Major HUD Program

We have audited Redford Cottages Limited Dividend Housing Association Limited Partnership's (the "Partnership") compliance with the types of compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "audit guide") that could have a direct and material effect on the Partnership's major U.S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2020. The Partnership's major HUD program is the mortgage, which is insured by HUD under Section 221(d)(4).

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Partnership's major HUD 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 guide. Those standards and the audit guide 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 HUD program occurred. An audit includes examining, on a test basis, evidence about the Partnership'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 HUD program. However, our audit does not provide a legal determination of the Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, the Partnership 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 HUD program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Partnership 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 Partnership's internal control over compliance with the types of requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the audit guide, 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 Partnership's internal control over compliance.

To Partners
Redford Cottages Limited Dividend Housing
Association Limited Partnership

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 HUD 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 HUD 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 HUD 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 audit guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

March 11, 2021

Schedule of Findings and Questioned Costs

**Redford Cottages Limited Dividend Housing Association Limited
Partnership
HUD Project No. 044-35657**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

1. Corrective Actions Not Started or in Progress

Reference Number	Finding	Questioned Costs
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Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* or the *Consolidated Audit Guide for Audits of HUD Programs*.

2. Corrective Actions Completed

Reference Number	Finding	Questioned Costs
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Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* or the *Consolidated Audit Guide for Audits of HUD Programs*.

Schedule of Status of Prior Audit Findings and Questioned Costs

**Schedule of Status of Prior Audit Findings
and Questioned Costs**

Year Ended December 31, 2020

1. Findings Reported in Previous Audit Reports

Reference Number	Finding
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There were no findings reported in previous audit periods.

2. Findings from Audit, Attestation, or Other Studies Performed by HUD, Other Federal Agencies, or a Contract Administrator

Reference Number	Finding
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There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. Findings from Letters or Reports Issued by HUD Management

Reference Number	Finding
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There were no reports issued by HUD management during the period covered by this audit.