

ROSEBUD GROVE, INC.

Financial Statements and Supplementary Information with Independent Auditors' Reports
For the Year Ended June 30, 2018

ROSEBUD GROVE, INC.

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information:	
Supplementary Information Required by HUD	11-18
Schedule of Expenditures of Federal & State Awards	19
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>	20-21
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	22-23
Schedule of Findings and Questioned Costs	24
Schedule of Prior Audit Findings	25
Owner's and Management Company Certifications	26
Independent Auditors' Report on Applying Agreed-Upon Procedures	27-28

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rosebud Grove, Inc.
Hobart, Oklahoma

Report on the Financial Statements

We have audited the accompanying statement of financial position of Rosebud Grove, Inc. (a nonprofit organization), HUD Project No.118-HD029, as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Rosebud Grove, Inc. as of June 30, 2018, and the changes in its net assets and its

cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 10 to 18 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated September 8, 2018, on our consideration of the internal control over financial reporting of Rosebud Grove, Inc. and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance of Rosebud Grove, Inc.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
September 8, 2018

Rosebud Grove, Inc.
Statement of Financial Position
June 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 1,118
Tenant Accounts Receivable	6
Accounts Receivable - HUD	534
Prepaid Expenses	<u>6,817</u>
Total Current Assets	8,475

PROPERTY AND EQUIPMENT

Land and Buildings	941,131
Furniture and Equipment	19,293
Less: Accumulated Depreciation	<u>(269,301)</u>
Net Property and Equipment	691,124

OTHER ASSETS

Tenant Deposits Held in Trust	6,529
Other Deposits	327
Restricted Deposit Accounts	<u>20,536</u>
	27,392

TOTAL ASSETS	<u><u>\$ 726,991</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ <u>35,154</u>
Total Current Liabilities	35,154

LONG TERM LIABILITIES

Tenant Security Deposits	3,204
Mortgage Payables	<u>929,600</u>
Total Long-Term Liabilities	<u>932,804</u>

NET ASSETS

Unrestricted	<u>(240,967)</u>
Total Net Assets	<u>(240,967)</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 726,991</u></u>
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Rosebud Grove, Inc.
Statement of Activities
For the Year Ended June 30, 2018

REVENUES

Net Rental Revenue	\$ 76,640
Interest Income	173
Other Revenue	<u>1,786</u>
Total Revenues	78,599

EXPENSES

Project Services:

Administration Expenses	44,044
Utilities Expenses	17,655
Operating and Maintenance Expenses	22,674
Taxes and Insurance	73
Financial Expenses	-
Depreciation	<u>25,321</u>
Total Project Expenses	<u>109,766</u>

Net Increase (Decrease) in Net Assets \$ (31,167)

Net Assets, Beginning of Year (209,800)

Net Assets, End of Year \$ (240,967)

The accompanying notes are an integral part of these financial statements

Rosebud Grove, Inc.
Statement of Cash Flows Data
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Rental Receipts	76,860
Interest Income	173
Other Operating Receipts	1,786
Cash Inflows From Operating Activities	<u>78,819</u>
Administrative	(7,070)
Management Fee	(7,435)
Utilities	(17,655)
Salaries and Wages	(31,340)
Operating and Maintenance	(10,934)
Real Estate Taxes	-
Property Insurance	-
Miscellaneous Taxes & Insurance	(73)
Tenant Security Deposits	(931)
Interest on Mortgages	-
Mortgage Insurance Premium	-
Cash Outflows From Operating Activities	<u>(75,437)</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,382</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Deposits to Reserve for Replacements and Interest Retained	135
Withdrawals from Reserve for Replacements	9,531
Purchase of Fixed Assets	<u>(13,925)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(4,259)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Mortgage Principal Payments	-
Net Cash Provided (Used in) Financing Activities	<u>-</u>
Net Increase (Decrease) in Cash	(876)

Beginning of Period: Cash - Operations	<u>1,994</u>
End of Period: Cash - Operations	<u><u>\$ 1,118</u></u>

Reconciliation of Change in Net Assets to Net Cash Provided

By Operating Activities:

Increase (Decrease) in Net Assets	(31,167)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided	
By Operating Activities:	
Depreciation Expense	25,321
Decrease (Increase) in Tenant Accounts Receivable	220
Decrease (Increase) in Prepaid Expenses	(6,625)
Decrease (Increase) in Tenants Deposits Held in Trust	(1,516)
Decrease (Increase) in Insurance Escrow	-
Increase (Decrease) in Accounts Payable	16,565
Increase (Decrease) in Tenant Security Deposits	585
Decrease (Increase) in Interest Reduction Payment	-
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 3,382</u></u>

The accompanying notes are an integral part of these financial statements

ROSEBUD GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Rosebud Grove, Inc. is a non-profit corporation organized to provide affordable, quality housing to developmentally disabled adults in the Hobart, Oklahoma area. Rosebud Grove, Inc. operates a 14-unit housing projects (group homes) for the developmentally disabled. The apartment complex (14 units) is organized under Section 811 of the National Affordable Housing Act. Such projects are regulated by the Department of Housing and Urban Development (HUD) as to construction costs, rent charges and operating methods. The Section 811 Capital Advance is the only major HUD Program. The Organization was incorporated January 5, 2004, but the houses were not occupied until January 2007.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Rosebud Grove, Inc. reports information regarding its financial position and changes in net assets according to three classes of net assets, based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - expendable amounts available for use without restriction.

Temporarily Restricted - amounts which have been temporarily restricted by donors or grantors for specific purposes or time periods.

Permanently Restricted - amounts restricted by donors or grantors to be maintained in perpetuity with income generated by such amounts available for expenditure, if applicable.

ESTIMATES

The preparation of financial statements in conformity with U.S. 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 statement. Actual results could differ from those estimates. It is at least reasonably possible that the significant estimates used will change within the next year.

CASH AND CASH EQUIVALENTS

Rosebud Grove, Inc. considers highly liquid investments with original maturities of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment with initial values of \$1,000 or more are capitalized and depreciated over their estimated useful lives on a straight-line basis.

INCOME TAXES

Rosebud Grove, Inc. is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes. The Organization is subject to review by tax authorities. It is not currently under review. The open years are 2015 through 2018.

CONTRIBUTIONS

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Rosebud Grove, Inc. reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services, provided they meet the following criteria:

- Create or enhance non-financial assets; or
- Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

NOTE 2 — SIGNIFICANT RISK

Rosebud Grove, Inc. receives a significant amount of its support from the federal and state government. A significant reduction in the level of this support, if this were to occur, may have a significant adverse effect on South Central Housing Inc.'s programs.

NOTE 3 — SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 8, 2018, which is the date the financial statements were available to be issued.

NOTE 4 — HUD PROGRAM FOOTNOTES

The following footnote disclosures are related only to the HUD Project:

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

- (B) **TENANT SECURITY DEPOSITS** - Tenant security deposits are held in a separate account in the name of the Project. At June 30, 2018, the cash set aside in the separate bank account equals the security deposit liability account.
- (C) **REPLACEMENT RESERVE DEPOSITS** - A monthly deposit of \$268.75 is required to be paid into a separate escrow fund for replacement of major items. Withdrawals from this escrow can be made only with HUD approval. The balance in the account at year end 2018 was \$20,536.
- (D) **RESIDUAL RECEIPTS ACCOUNT** - Use of the residual receipts account is contingent upon HUD's prior written approval. The balance in the account at year end 2018 was \$-0-.
- (E) **PROPERTY AND EQUIPMENT** - Property and equipment at June 30, 2018 is summarized as follows:

Land	\$ 14,000
Buildings & Improvements	927,132
Furniture & Fixtures	18,358
Office Equipment	935
Totals	<u>\$ 960,425</u>

All property and equipment are pledged as collateral for the capital advance (Note F).

- (F) **CAPITAL ADVANCE** - HUD made capital advances of \$929,600 to the Corporation during 2006 to purchase the land and construct the apartment building. This advance is secured by a mortgage on all property and all funds received by the Project. The advance bears no interest and requires no repayment so long as the housing remains available for no less than forty years for very low-income individuals with disabilities.
- (G) **REGULATORY AGREEMENT** - Certain agreements are in effect between the Corporation and HUD which regulate the activities of the Project. HUD makes housing assistance payments on behalf of qualified individuals and families; these rent supplement payments amounted to \$26,065 during the year ended June 30, 2018. To ensure the Project remains well maintained and managed, HUD imposes certain restrictions upon the Corporation. These restrictions included tenant rental charges, maintenance, marketing, accounting and record keeping. The regulatory agreement stipulates that the Project will not make distributions of assets or income to any of its officers or directors. Under the regulatory agreement, the Project may not increase rents charged to tenants without prior HUD approval.

The Project's major HUD program is the Section 811 Capital Advance. The Project's nonmajor HUD program is the Section 8 Housing Assistance Payments Program.

- (H) **MANAGEMENT FEE** — Gorman Management Company, Inc. manages the property and charges a fee of 9.48% of receipts.
- (I) **DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS** - The carrying amounts of cash equals its fair value. It is not practicable to estimate the fair value of the long-term debt because of the unique nature of the Project and its dependence on the HUD housing assistance payments.

- (J) **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS** - The Project's sole operating asset is a 14-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to acts of Congress and administrative changes mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with changes.

Supplementary Information

Rosebud Grove, Inc.
Project No. 118-HD029
Statement of Financial Position Data
June 30, 2018

CURRENT ASSETS

1120	Cash in Bank - Operations	\$	1,118
1130	Tenant Accounts Receivable		6
1135	Accounts Receivable - HUD		534
1600	Deposits Receivable		327
1200	Prepaid Expenses		6,817
1100T	Total Current Assets		<u>8,801</u>
1191	TENANT DEPOSIT HELD IN TRUST		6,529

Restricted Deposits

1320	Replacement Reserve		20,536
1300T	Total Restricted Deposits		<u>20,536</u>

PROPERTY AND EQUIPMENT

1410	Land		14,000
1420	Building		927,131
1450	Furniture for Project/Tenant Use		2,593
1465	Office Equipment and Equipment		935
1470	Maintenance Equipment		14,475
1490	Miscellaneous Fixed Assets		1,290
1400T	Total Fixed Assets		<u>960,425</u>
1495	Accumulated Depreciation		<u>(269,301)</u>
1400N	Net Fixed Assets		<u>691,124</u>
1000T	TOTAL ASSETS	\$	<u><u>726,991</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

2110	Accounts Payable - Operations	\$	35,154
2122T	Total Current Liabilities		<u>35,154</u>
2191	TENANT SECURITY DEPOSITS		3,204
2320	MORTGAGE PAYABLE, less current portion		929,600
2300T	Total Long-Term Liabilities		<u>929,600</u>
2000T	Total Liabilities		<u>967,958</u>
3131	NET ASSETS (DEFICITS) - Unrestricted		<u>(240,967)</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>726,991</u></u>

Rosebud Grove, Inc.
Project No. 118-HD029
Statement of Activities Data
For the Year Ended June 30, 2018

REVENUES

5120	Rental Revenues - Gross Potential	41,279
5121	Tenant Assistant Payments	39,641
5100T	Total Rental Revenue	<u>80,920</u>
5220	Vacancies - Apartments	<u>(4,280)</u>
5200T	Total Vacancies	<u>(4,280)</u>
5152N	Net Rental Revenues	76,640
5410	Interest - Security Deposits	38
5440	Revenue from Investments - HUD Replacement Reserve	135
5440	Revenue from Investments - Replacement Reserve	-
5400T	Total Financial Revenues	<u>173</u>
5910	Laundry and Vending Revenue	-
5920	Tenant Charges	1,349
5990	Misc. Revenues	437
5900T	Total Other Revenues	<u>1,786</u>
5000T	TOTAL REVENUES	78,599

EXPENSES

Administrative Expenses

6210	Advertising and Marketing	896
6311	Office Expenses	7,740
6320	Management Fees	7,435
6330	Manager Salary	19,599
6340	Legal Expense	-
6350	Auditing Fees	5,500
6351	Bookkeeping/Accounting Fees	2,184
6390	Misc. Admin. Expenses	689
6263T	Total Administrative Expenses	<u>44,044</u>

Utilities Expenses

6450	Electricity	10,023
6451	Water	5,555
6452	Gas	2,077
6453	Sewer	-
6455	Telephone	-
6400T	Total Utilities Expenses	<u>17,655</u>

Operating and Maintenance Expenses

6510	Payroll	11,740
6515	Supplies	1,982
6520	Contracts	2,696
6525	Garbage and Trash Removal	1,519
6530	Security Contract	1,155
6547	Maintenance & Repairs	3,582
6570	Vehicle & Maintenance Expenses	-
6500T	Total Operating and Maintenance Expenses	<u>22,674</u>

Rosebud Grove, Inc.
Project No. 118-HD029
Statement of Activities Data
For the Year Ended June 30, 2018

Taxes and Insurance

6710	Property Taxes	-
6711	Payroll Taxes (Project Share)	-
6720	Property and Liability Insurance (Hazard)	-
6721	Fidelity Bond Insurance	28
6722	Workman's Compensation Insurance	-
6790	Misc. Taxes, Licenses, Permits, and Insurance	45
6700T	Total Taxes and Insurance	<u>73</u>

Financial Expenses

6850	Mortgage Insurance Premium/Service Charge	-
6800T	Total Financial Expense	<u>-</u>
6000T	Total Cost of Operations before Depreciation	<u>84,445</u>
5060T	Profit (Loss) before Depreciation	(5,846)
6600	Depreciation	<u>25,321</u>
5060N	Operating Profit or (Loss)	(31,167)
7100T	Net Entity Expenses	<u>-</u>
3247	Change in Unrestricted Net Assets	<u>(31,167)</u>
3250	Change in Total Net Assets	<u><u>\$ (31,167)</u></u>

S1000-010	Total Mortgage (or bond) principal payments required during the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured first mortgages.	-
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	3,225
S1000-030	Replacement reserve or residual receipts releases which are included as expense items in this statement of activities	13,296
S1000-040	Project improvement reserve release under the flexible subsidy program that are included as expense items in this statement of activities	-

Rosebud Grove, Inc.
Project No. 118-HD029
Statement of Changes in Equity Data
For the Year Ended June 30, 2018

S1100-060	Previous Year Unrestricted Net Assets	\$ (209,800)
3247	Change in Unrestricted Net Assets from Operations	(31,167)
S1100-065	Other Changes in Unrestricted Net Assets	-
		<u>\$ (240,967)</u>

Rosebud Grove, Inc.
Project No. 118-HD029
Statement of Cash Flows Data
For the Year Ended June 30, 2018

Cash Flows From Operating Activities:

Receipts:

S1200-010	Rental Receipts	76,860
S1200-020	Interest Receipts	173
S1200-030	Other Operating Receipts	1,786
S1200-040	Total Receipts	<u>78,819</u>

Disbursements:

S1200-050	Administrative	(7,070)
S1200-070	Management Fee	(7,435)
S1200-090	Utilities	(17,655)
S1200-100	Salaries and Wages	(31,340)
S1200-110	Operating and Maintenance	(10,934)
S1200-120	Real Estate Taxes	-
S1200-140	Property Insurance	-
S1200-150	Miscellaneous Taxes & Insurance	(73)
S1200-160	Tenant Security Deposits	(931)
S1200-180	Interest on Mortgages	-
S1200-210	Mortgage Insurance Premium	-
S1200-230	Total Disbursements	<u>(75,437)</u>

S1200-240	Net Cash Provided by (Used in) Operating Activities	3,382
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Cash Flows From Investing Activities:

S1200-250	Net Deposits to the Reserve for Replacement	9,667
S1200-255	Net Deposits to Other Reserves	-
S1200-260	Net Deposits to the Residual Receipts	-
S1200-330	Net Purchase of Fixed Assets	(13,925)
S1200-350	Net Cash Provided by (Used in) Investing Activities	<u>(4,260)</u>

Cash Flows From Financing Activities:

S1200-360	Mortgage Principal Payments	-
S1200-460	Net Cash Provided (Used in) Financing Activities	-
S1200-470	Net Increase (Decrease) in Cash	(877)
S1200-480	Beginning of Period: Cash - Operations	<u>1,995</u>
S1200T	End of Period: Cash - Operations	<u>\$ 1,118</u>

Reconciliation of Change in Net Assets to Net Cash Provided By

Operating Activities:

3250	Increase (Decrease) in Net Assets	(31,167)
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Adjustments to Reconcile Change in Net Assets to Net Cash Provided By

Operating Activities:

6600	Depreciation Expense	25,321
S1200-490	Decrease (Increase) in Tenant Accounts Receivable	220
S1200-520	Decrease (Increase) in Prepaid Expenses	(6,625)
S1200-530	Decrease (Increase) in Tenants Deposits Held in Trust	(1,516)
S1200-540	Increase (Decrease) in Accounts Payable	32,653
S1200-560	Increase (Decrease) in Accrued Liabilities	(16,088)
S1200-580	Increase (Decrease) in Tenant Security Deposits	585
S1200-600	Decrease (Increase) in Interest Reduction Payment	-
S1200-610	Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,382</u>

Rosebud Grove, Inc.
Project No. 118-HD029
Computation of Surplus Cash - Annual
For the Year Ended June 30, 2018

S1300-010	Cash	\$	1,118	
S1300-010	Tenants Security Deposit Account		<u>6,529</u>	7,647
1135	Accounts Receivable - HUD			<u>534</u>
				8,181
	Current Obligations:			
S1300-075	Accounts Payable			35,154
S1300-100	Accrued Expenses, not escrowed			-
2191	Tenant Security Deposits			<u>3,204</u>
S1300-140	Total Current Obligations			<u>38,358</u>
S1300-150	Surplus Cash (Deficiency)	\$		<u><u>(30,177)</u></u>

Rosebud Grove, Inc.
Project No. 118-HD029
For the Year Ended June 30, 2018

SCHEDULE OF RESERVE FOR REPLACEMENTS

Balance at Beginning of Year	\$	30,202
Total Monthly Deposits		3,494
Other Deposits		
Interest Income		135
Approved Withdrawals		<u>(13,295)</u>
Balance at End of Year	\$	<u><u>20,536</u></u>

SCHEDULE OF RESIDUAL RECEIPTS RESERVE

Balance at Beginning of Year	-
Deposit of Prior Year's Surplus Cash	-
Other Deposits	
Interest Income	-
Other Income - Transfer from Reserve	-
Approved Withdrawals to Operating for Deficit	-
Other Withdrawals	<u>-</u>
Balance at End of Year	<u><u>\$ -</u></u>

Rosebud Grove, Inc.
Project No. 118-HD029
Schedule of Changes in Fixed Asset Accounts
For the Year Ended June 30, 2018

Description	Balance 6/30/17	Additions	Dispositions	Balance 6/30/18	Method	Life in Year
Land	\$ 14,000	\$ -	\$ -	\$ 14,000	SL	
Buildings	919,733	7,399	-	927,131	SL	40
Furniture for Project/Tenant Use	2,593	-	-	2,593	SL	7
Office Furniture and Equipment	935	-	-	935	SL	7
Maintenance Equipment	7,949	6,526	-	14,475	SL	7
Miscellaneous Fixed Assets	1,290	-	-	1,290	SL	7
Total	\$ 946,499	\$ 13,925	\$ -	\$ 960,425		
Accumulated Depreciation	(243,980)	(25,321)	-	(269,301)		
Net Book Value	<u>\$ 702,519</u>	<u>\$ (11,395)</u>	<u>\$ -</u>	<u>\$ 691,124</u>		

Rosebud Grove, Inc.
Project No. 118-HD029
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA No.	Pass Through Identifying No	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Section 811 Capital Advances	14.181		929,600
Section 8 Housing Assistance Payments	14.195		<u>39,641</u>
Total Expenditures of Federal Awards			<u>\$ 969,241</u>

*Principal unpaid balance at June 30, 2018

See accompanying notes to schedule of expenditures of federal awards.

Rosebud Grove, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rosebud Grove, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rosebud Grove, Inc., it is intended to and does not present the financial position, changes in net assets, or cash flows of Rosebud Grove, Inc..

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Rosebud Grove, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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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 the Board of Directors
Rosebud Grove, Inc.
Hobart, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rosebud Grove, Inc., HUD Project No. 118-HD029, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Rosebud Grove, Inc. 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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Russell + William CPA's P.C.

Oklahoma City, Oklahoma
September 8, 2018

Russell & Williams CPA's, P.C.

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

To the Board of Directors
Rosebud Grove, Inc.
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the compliance of Rosebud Grove, Inc., HUD Project No. 118-HD029, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs of Rosebud Grove, Inc., for the year ended June 30, 2018. Rosebud Grove, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rosebud Grove, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rosebud Grove, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Rosebud Grove, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Rosebud Grove, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rosebud Grove, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rosebud Grove, Inc.'s internal control over compliance.

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

Russell + Williams CPA's P.C.

Oklahoma City, Oklahoma
September 8, 2018

Rosebud Grove, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

SECTION I – Summary of Auditors’ Results

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of Rosebud Grove, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Rosebud Grove, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor’s report on compliance for the major federal award programs for Rosebud Grove, Inc. expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

CFDA No. 14.181 – Capital Advance (Sec. 811)
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Rosebud Grove, Inc. was determined to be a low-risk auditee.

SECTION II – Findings Required to be Reported in Accordance with *Government Auditing Standards*:

No matters are reportable.

SECTION III - Findings Required to be Reported in Accordance with the Uniform Guidance:

No matters are reportable.

Rosebud Grove, Inc.
Summary Schedule of Prior Audit Findings
Year ended June 30, 2018

Prior Year Audit Findings:

None

CERTIFICATION OF OFFICERS

We hereby certify that we have examined the accompanying financial statements and supplemental data of Rosebud Grove, Inc., HUD Project No. 118-HD029 and, to the best of our knowledge and belief, the same are accurate and complete.

President

Vice President

EIN: 76-0777160

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of Rosebud Grove, Inc., HUD Project No. 118-HD029 and, to the best of our knowledge and belief, the same are accurate and complete.

Shirley Linville
Searchlight Center, Inc.
EIN: 73-1219094

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

To Rosebud Grove, Inc.

We have performed the procedure described in the second paragraph of this report, which was agreed to by Rosebud Grove, Inc. and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Rosebud Grove, Inc. is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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

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

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by Rosebud Grove, Inc. as of and for the year ended June 30, 2018, and have issued our reports thereon dated September 8, 2018. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 8, 2018, was expressed in relation to the basic financial statements of Rosebud Grove, Inc. taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Rosebud Grove, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the “UFRS Rule Information” column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
September 8, 2018

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the Audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and 53600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, 53700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees