

LOUIS SANDMAN SENIOR HOUSING, INC.

Project No. 118-EE042

Financial Statements and Supplementary Information
With Independent Auditors' Reports

For the Years ended December 31, 2018 and 2017

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LEAD AUDITOR DISCLOSURE INFORMATION

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Date of Submission: March 12, 2019

John Flusché
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louis Sandman Senior Housing, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of LOUIS SANDMAN SENIOR HOUSING, Project No. 118-EE042, (the Project) which comprise the statement of financial position as of December 31, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, 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 evaluation the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluation 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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the Project as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 is presented for the 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 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 March 12, 2019, on our consideration of the Projects internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Project's internal control over financial reporting and compliance.

John Flusche, CPA
Tulsa, Oklahoma
March 12, 2019

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS

CURRENT ASSETS	2018	2017
Cash - Operations	\$ 7,404	3,473
PrePaid Expense	6,122	6,023
Total Current Assets	13,526	9,496
PROPERTY AND EQUIPMENT		
Buildings and Improvements	\$ 1,164,270	1,164,270
Building Equipment	5,150	5,150
Furniture & Fixtures	15,258	10,034
Office Furniture and Fixtures	5,640	5,640
Total Fixed Assets	\$ 1,190,318	1,185,094
Accumulated Depreciation	438,447	395,281
Land	1,000	1,000
Total Property and Equipment	752,871	790,813
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenant Security Deposits	5,294	4,903
Replacement Reserve	58,787	50,743
Residual Receipts	19,064	17,317
Insurance Escrow	20,000	15,500
Total Deposits	103,952	89,661
TOTAL ASSETS	\$ 875,643	894,873

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	2018	2017
Accounts Payable	\$ 1,338	1,264
Total Current Liabilities	<u>1,839</u>	<u>1,737</u>
DEPOSITS LIABILITIES		
Tenant Deposits Held in Trust	5,294	4,903
LONG-TERM LIABILITIES		
Capital Advance	<u>1,204,700</u>	<u>1,204,700</u>
Total Long-term Liabilities	1,204,700	1,204,700
TOTAL LIABILITIES	<u>\$ 1,211,833</u>	<u>1,211,340</u>
NET ASSETS (Deficit)		
Net Assets with Donor Restrictions	6,101	6,101
Net Assets without Donor Restrictions	<u>(342,291)</u>	<u>(322,568)</u>
TOTAL NET ASSETS	(336,190)	(316,467)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 875,643</u>	<u>894,873</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years ended December 31, 2018 and 2017

REVENUES:	2018	2017
Rental revenue	\$ 81,534	74,901
Financial	44	40
Other Revenue	4,317	2,207
Total Revenue	85,895	77,148
EXPENSES:		
Administrative	31,462	30,343
Utilities	4,452	4,584
Operating and Maintenance	13,767	19,906
Taxes and Insurance	12,771	11,731
Depreciation	43,166	42,701
Total Expenses	105,618	109,265
Change in Net Assets without Donor Restrictions	(19,723)	(32,117)
Prior Period Adjustment	-	-
Net Assets without Donor Restrictions at Beginning of Year	(322,568)	(290,451)
Net Assets without Donor Restrictions at End of Year	\$ (342,291)	(322,568)

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF CASH FLOW

For the Years ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Rent Receipts	\$ 81,534	74,901
Interest Income	44	40
Other Operating Receipts	4,317	2,207
Total Receipts	<u>85,895</u>	<u>77,148</u>
Administrative	(13,706)	(22,822)
Administrative - Management Fee	(5,788)	(5,410)
Utilities	(4,452)	(4,584)
Salaries and Wages	(11,940)	(11,577)
Operating and Maintenance	(13,693)	(18,968)
Property Insurance	(10,953)	(10,777)
Payroll Taxes and Insurance	<u>(1,917)</u>	<u>(1,287)</u>
Total Disbursements	<u>(62,449)</u>	<u>(75,425)</u>
Net Cash Provided by Operating Activities	23,446	1,723
Cash Flows from Investing Activities		
Net Deposits to the Reserve for Replacement	(8,044)	(4,862)
Net Deposits to Other Reserves	(4,500)	-
Net Deposits to Residual Receipts	(1,747)	(905)
Net Purchase of Fixed Assets	<u>(5,224)</u>	<u>(5,150)</u>
Net Cash used in Investing	<u>(19,515)</u>	<u>(10,917)</u>
Cash Flows from Financing Activities		
Net Increase (decrease) in Cash and Cash Equivalents	<u>3,931</u>	<u>(9,194)</u>
Cash at Beginning of Year	9,574	18,768
Cash at End of Year	<u><u>\$ 13,505</u></u>	<u><u>9,574</u></u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF CASH FLOW

For the Years ended December 31, 2018 and 2017

Reconciliation of Changes in Net Assets to
Net Cash provided by Operating Activities:

	2018	2017
Change in Total Net Assets from Operations	\$ (19,723)	(32,117)

Adjustments to reconcile Change in Net Assets to
Net Cash provided by Operating Activities:

Depreciation Expense	43,166	42,701
Decrease (Increase) in Accounts Receivable - Other	-	1,500
Decrease (Increase) in PrePaid Expenses	(99)	(333)
Increase (Decrease) in Accounts Payable	74	(9,996)
Increase (Decrease) in Accrued Liabilities	28	(32)
Net Cash provided by Operating Activities	\$ 23,446	1,723

See Independent Auditor's Report and accompanying notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS

(A) ORGANIZATION AND PRESENTATION

Louis Sandman Senior Housing (the Project) is a 17-unit residential apartment complex organized under Section 202 of the Housing Act of 1959. Such projects are regulated by the Department of Housing and Urban Development (HUD) as to construction costs, rent charges and operating methods. The Section 202 Capital Advance is the only major HUD Program. The Project is owned by Louis Sandman Senior Housing, Inc., an Oklahoma not-for-profit corporation (the Corporation). The accompanying financial statements have been prepared on the accrual basis of accounting, include only the transactions of the Project, and do not represent the financial statements of the Corporation.

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, include only the transactions of the Project, and do not represent the financial statements of the Corporation.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, update 2016-14. Under those provisions, net assets and revenues, gains, and losses are classified as without donor-imposed restrictions or with donor-imposed restrictions based on the existence or absence of donor-imposed restrictions. The project currently has no donor-imposed restrictions on net assets, nor does it have any board-imposed restrictions. All net assets are accounted for as without donor restrictions.

3. Property and Equipment

Property and equipment are recorded at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged expense when incurred. Expenditures greater than \$1,500 which are new capital additions or significantly extend the life of the fixed asset, are capitalized. The cost of property and equipment sold or retired and related accumulated depreciation are removed from the accounts when the asset is sold or retired, and any resulting gain or loss is included in operations.

NOTES TO FINANCIAL STATEMENTS

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. Income Taxes

The Project is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Project is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. As a result, no provision for current or deferred income tax liability is recognized in the Project's books or records.

The Project does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax position currently exists, and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Project has no open examination with either the Internal Revenue Service or state taxing authorities.

5. Distributions

The housing project is a not-for-profit operation and therefore, the HUD Regulatory Agreement states that there will be no distributions of surplus cash from current or future operations to any of its officers or directors.

6. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Project considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

7. Estimates

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

8. Rent Increases

Under the Regulatory Agreement, the project may not increase rents charged to tenants without prior HUD approval.

(C) TENANT SECURITY DEPOSITS - The tenant security deposits are held in separate accounts in the name of the Project. At December 31, 2018, the cash set aside in the separate bank account equals the security deposit liability.

See Independent Auditor's Report

NOTES TO FINANCIAL STATEMENTS

- (D) ESCROW DEPOSIT - The property sets aside cash to pay insurance and audit fees when funds are available.
- (E) REPLACEMENT RESERVE - In accordance with the provisions of the HUD Regulatory Agreement, restricted cash is held in an interest-bearing checking account to be used for the replacement of property and other project expenditures with the approval of HUD. The required monthly deposits into this reserve account of \$356 per month were made during the year as agreed.
- (F) RESIDUAL RECEIPTS ACCOUNT - Use of the residual receipts account is contingent upon HUD's prior written approval. The property had \$1,736 in surplus cash at year ended December 31, 2017. This surplus cash from 2017 was deposited into the residual receipts account during 2018.
- (G) PROPERTY AND EQUIPMENT - Property and equipment at December 31, 2018, is summarized as follows.

Land	\$ 1,000
Building and Improvements	1,169,420
Furniture and Equipment	<u>20,898</u>
Total	\$ 1,191,318

All property and equipment are pledged as collateral for the capital advance. Building and improvements are depreciated over 27.5 years and furniture and equipment over 5-7 years on the straight-line method.

- (H) MANAGEMENT FEE - The Project entered into an agreement with Westchester Realty & Management LLC to manage the property. The Management agreement stipulated a fee of 9% of gross rent collections per month. These payments were made in accordance with the management agreement during the current year.
- (I) CAPITAL ADVANCE - HUD made a capital advance commitment of \$1,204,700 to the Corporation to purchase the land, construct the apartment building, and to make the initial funding of the Reserve for Replacement. 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 persons with disabilities.
- (J) MISC REVENUE - ROYALTIES - During 2012, the Project started receiving royalty payments from drilling on the property. When the Project receives a payment, HUD has instructed them to deposit it into the Replacement Reserve account. During the current year, the Project received \$3,740 in royalties.

See Independent Auditor's Report

NOTES TO FINANCIAL STATEMENTS

- (K) **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 qualifying individuals and families. 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 offices or directors.

The Project's major HUD program is the Section 202 Capital Advance. The Project's non-major HUD program is the Section 8 Housing Assistance Payment Program.

- (L) **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.
- (M) **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS** - The Project's sole operating asset is a 17-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 of inadequate funding to pay for the related costs, including the additional administrative burden, to comply with changes.
- (N) **SUBSEQUENT EVENTS** - Subsequent events have been evaluated by management through the date of the audit report, which is the date the financial statements were available to be issued.
- (O) **MISC. REVENUE – INSURANCE CLAIM** – During 2017, the property received an insurance claim for roof damage incurred in 2016 of \$29,593. From the insurance claim, \$28,368 was used towards damage repairs, and the remaining \$1,225 is miscellaneous revenue.

See Independent Auditor's Report

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See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS

		2018	2017
CURRENT ASSETS			
1120	Cash - Operations	\$ 7,404	3,473
1175	Short Term Investments - Entity	6,101	6,101
1200	Prepaid Expenses	6,122	6,023
1100T	Total Current Assets	19,627	15,597
RESTRICTED DEPOSITS AND FUNDED RESERVES			
1191	Tenant/Patient Deposits Held in Trust	5,294	4,903
1310	Escrow Deposits	20,000	15,500
1320	Replacement Reserve	58,787	50,743
1340	Residual Receipts Reserve	19,064	17,317
1300T	Total Deposits	97,851	83,560
PROPERTY AND EQUIPMENT			
1410	Land	1,000	1,000
1420	Buildings	1,164,270	1,164,270
1440	Building Equipment (Portable)	5,150	5,150
1450	Furniture for Project/Tenant Use	15,258	10,034
1465	Office Furniture and Equipment	5,640	5,640
1400T	Total Fixed Assets	1,191,318	1,186,094
1495	Accumulated Depreciation	438,447	395,281
1400N	Net Fixed Assets	752,871	790,813
1000T	Total Assets	\$ 875,643	894,873

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017

LIABILITIES AND NET ASSETS

		2018	2017
CURRENT LIABILITIES			
2110	Accounts Payable - Operations	1,338	1,264
2123	Accrued Management Fee Payable	501	473
2122T	Total Current Liabilities	1,839	1,737
DEPOSIT LIABILITIES			
2191	Tenant/Patient Deposits Held In Trust (Contra)	5,294	4,903
LONG-TERM LIABILITIES			
2390	Miscellaneous Long Term Liabilities	1,204,700	1,204,700
2300T	Total Long Term Liabilities	1,204,700	1,204,700
2000T	Total Liabilities	\$ 1,211,833	1,211,340
NET ASSETS			
3131	Net Assets without Donor Restrictions	(342,291)	(322,568)
3133	Net Assets with Donor Restrictions	6,101	6,101
3130	Total Net Assets	(336,190)	(316,467)
2033T	Total Liabilities and Equity/Net Assets	<u>\$ 875,643</u>	<u>894,873</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years ended December 31, 2018 and 2017

REVENUES:	2018	2017
5120 Rent Revenue - Gross Potential	\$ 43,611	45,551
5121 Tenant Assistance Payments	40,641	38,701
5100T Total Rent Revenue	<u>84,252</u>	<u>84,252</u>
5220 Apartments	2,718	9,351
5200T Total Vacancies	<u>2,718</u>	<u>9,351</u>
5152N Net Rental Revenue (Rent Revenue Less Vacancies)	81,534	74,901
5430 Revenue from Investments - Residual Receipts	11	11
5440 Revenue from Investments - Replacement Reserve	33	29
5400T Total Financial Revenue	<u>44</u>	<u>40</u>
5910 Laundry and Vending Revenue	577	-
5920 Tenant Charges	-	420
5990 Miscellaneous Revenue	3,740	1,787
5900T Total Other Revenue	<u>4,317</u>	<u>2,207</u>
5000T Total Revenue	<u><u>\$ 85,895</u></u>	<u><u>77,148</u></u>
 COST & EXPENSES		
6210 Advertising and Marketing	215	227
6311 Office Expenses	5,009	4,872
6320 Management Fee	5,816	5,378
6330 Manager or Superintendent Salaries	11,940	11,577
6350 Audit Expense	5,100	5,050
6351 Bookkeeping Fees/Accounting Services	864	864
6390 Miscellaneous Administrative Expenses	2,518	2,375
6263T Total Administrative Expenses	<u>31,462</u>	<u>30,343</u>
6450 Electricity	2,927	2,813
6451 Water	1,305	1,511
6452 Gas	-	260
6453 Sewer	220	-
6400T Total Utilities Expense	<u>\$ 4,452</u>	<u>4,584</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - Continued

For the Years ended December 31, 2018 and 2017

COSTS & EXPENSES - Continued		2018	2017
6515	Supplies	1,713	2,091
6520	Contracts	8,735	16,538
6525	Garbage and Trash Removal	814	784
6546	Heating/Cooling Repairs and Maintenance	2,505	493
6500T	Total Operating and Maintenance Expenses	13,767	19,906
6711	Payroll Taxes (Project's Share)	917	889
6720	Property & Liability Insurance (Hazard)	10,854	10,444
6722	Workmen's Compensation	1,000	398
6700T	Total Taxes and Insurance	12,771	11,731
6000T	Total Cost of Operations before Depreciation	62,452	66,564
5060T	Profit (Loss) before Depreciation	23,443	10,584
6600	Depreciation Expenses	43,166	42,701
5060N	Operating Profit or (Loss)	(19,723)	(32,117)
3247	Change in Net Assets without Donor Restrictions	(19,723)	(32,117)
3250	Change in Total Net Assets from Operations	\$ (19,723)	(32,117)
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	4,271	4,271

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF EQUITY DATA

For the Years ended December 31, 2018 and 2017

		2018	2017
S1100-060	Previous Year Net Assets without Donor Restrictions	\$ (322,568)	(290,451)
3247	Change in Net Assets without Donor Restrictions	<u>(19,723)</u>	<u>(32,117)</u>
3131	Net Assets without Donor Restrictions	(342,291)	(322,568)
S1100-080	Previous Year Net Assets with Donor Restrictions	6,101	6,101
3133	Net Assets with Donor Restrictions	<u>6,101</u>	<u>6,101</u>
S1100-050	Previous Year Total Net Assets	(316,467)	(284,350)
3250	Change in Total Net Assets from Operations	<u>(19,723)</u>	<u>(32,117)</u>
3130	Total Net Assets	<u><u>\$ (336,190)</u></u>	<u><u>(316,467)</u></u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF CASH FLOW

For the Years ended December 31, 2018 and 2017

		2018	2017
Cash Flows from Operating Activities			
S1200-010	Rental Receipts	\$ 81,534	74,901
S1200-020	Interest Receipts	44	40
S1200-030	Other Operating Receipts	4,317	2,207
S1200-040	Total Receipts	<u>85,895</u>	<u>77,148</u>
S1200-050	Administrative	(13,706)	(22,822)
S1200-070	Management Fee	(5,788)	(5,410)
S1200-090	Utilities	(4,452)	(4,584)
S1200-100	Salaries and Wages	(11,940)	(11,577)
S1200-110	Operating and Maintenance	(13,693)	(18,968)
S1200-140	Property Insurance	(10,953)	(10,777)
S1200-150	Miscellaneous Taxes and Insurance	(1,917)	(1,287)
S1200-230	Total Disbursements	<u>(62,449)</u>	<u>(75,425)</u>
S1200-240	Net Cash provided by (used in) Operating Activities	23,446	1,723
Cash Flows from Investing Activities			
S1200-245	Net Deposits to the Mortgage Escrow account	(4,500)	-
S1200-250	Net Deposits to the Reserve for Replacement account	(8,044)	(4,862)
S1200-260	Net Deposits to the Residual Receipts account	(1,747)	(905)
S1200-330	Net Purchase of Fixed Assets	(5,224)	(5,150)
S1200-350	Net Cash used in Investing Activities	<u>(19,515)</u>	<u>(10,917)</u>
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	3,931	(9,194)
S1200-480	Beginning of Period Cash	9,574	18,768
S1200T	End of Period Cash	<u>\$ 13,505</u>	<u>9,574</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

STATEMENT OF CASH FLOW

For the Years ended December 31, 2018 and 2017

Reconciliation of Changes in Net Assets to
Net Cash provided by Operating Activities:

	2018	2017
3250 Change in Total Net Assets from Operations	\$ (19,723)	(32,117)

Adjustments to reconcile Change in Net Assets to
Net Cash provided by Operating Activities

6600 Depreciation Expenses	43,166	42,701
S1200-500 Decrease (increase) in Accounts Receivable - Other	-	1,500
S1200-520 Decrease (increase) in Prepaid Expenses	(99)	(333)
S1200-540 Increase (decrease) in Accounts Payable	74	(9,996)
S1200-560 Increase (decrease) in Accrued Liabilities	28	(32)
S1200-610 Net Cash provided by (used in) Operating Activities	<u>\$ 23,446</u>	<u>1,723</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

For the Years ended December 31, 2018 and 2017

Replacement Reserve

		2018	2017
1320P	Balance at Beginning of Year	\$ 50,743	45,881
1320DT	Total Monthly Deposits	4,271	4,271
1320ODT	Other Deposits	3,740	562
1320INT	Interest on Replacement Reserve Accounts	33	29
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 58,787</u>	<u>50,743</u>

Residual Receipts

		2018	2017
1340P	Balance at Beginning of Year	\$ 17,317	16,412
1340DT	Total Deposits	1,736	902
1340INT	Interest on Residual Receipt Accounts	11	3
1340	Balance at Current Fiscal Year End	<u>\$ 19,064</u>	<u>17,317</u>

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

For the Years ended December 31, 2018 and 2017

Computation of Surplus Cash, Distributions, and Residual Receipts - Annual

Part A	2018	2017
S1300-010 Cash	\$ 12,698	8,376
S1300-040 Total Cash	12,698	8,376
Current Obligations		
S1300-075 Accounts Payable - 30 days	1,338	1,264
S1300-100 Accrued Expenses [not escrowed]	501	473
2191 Tenant/Patient Deposits Held In Trust (Contra)	5,294	4,903
S1300-140 Total Current Obligations	7,133	6,640
S1300-150 Surplus Cash (Deficiency)	\$ 5,565	1,736

Changes in Fixed Assets

For Year Ended December 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Building and Improvements	1,164,270	-	-	1,164,270
Building Equipment	5,150	-	-	5,150
Furniture & Fixtures	10,034	5,224 *	-	15,258
Furnishings	-	-	-	-
Office Furniture and Fixtures	5,640	-	-	5,640
Maintenance Equipment	-	-	-	-
Misc. Fixed Assets	-	-	-	-
Totals	1,186,094	\$ 5,224	\$ -	\$ 1,191,318
Accumulated Depreciation	\$ 395,281	43,166	-	438,447
Total Fixed Assets	\$ 790,813	\$ (37,942)	\$ -	\$ 752,871

*Computer System, \$5,224

See Independent Auditor's Report and accompanying notes to the Financial Statements

Louis Sandman Senior Housing
Project No. 118-EE042

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2018

U.S Department of Housing and Urban Development	CFDA #	Total Expenditures
Major Programs:		
Section 202 Capital Advance	14.181	\$ 1,204,700
Non-Major Programs:		
Section 8 Project Rental Assistance Contract	14.195	\$ 40,641
Total Federal Awards		\$ 1,245,341

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal awards includes the federal activity of LOUIS SANDMAN SENIOR HOUSING, HUD Project No. 118-EE042, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the uniform guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

NOTE B - EXPENDITURES

Total Federal awards expended include current year accrued Section 8 Project Rental Assistance Contract payments, and the Section 202 Capital Advance at inception of the Project. No payments of principal or interest are due under the capital advance as long as the project is made available to low-income persons with disabilities. In addition, after 40 years the mortgage is considered paid in full.

NOTE C - INDIRECT COST

The Project has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

John Flusche, CPA

6851 South Canton Avenue
Tulsa, Oklahoma 74136

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Louis Sandman Senior Housing, Inc.

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 Louis Sandman Senior Housing, Inc. (the Project), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINNANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Compliance and Other Matters

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

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 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.

John Flusche, CPA
Tulsa, Oklahoma
March 12, 2019

John Flusche, CPA

6851 South Canton Avenue
Tulsa, Oklahoma 74136

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

Board of Directors
Louis Sandman Senior Housing, Inc.

Report on Compliance for Each Major Federal Program

We have audited Louis Sandman Senior Housing, Inc. (the Project) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year then ended December 31, 2018. The Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Project 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 December 31, 2018.

Other Matters

The results of our auditing procedures disclosed no other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the Project 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 Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the uniform guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project'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.

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

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 of 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.

John Flusche, CPA
Tulsa Oklahoma
March 12, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year ended December 31, 2018

A. SUMMARY OF AUDIT RESULTS

Major Program - Section 202 Capital Advance

Report on Financial Statements and on the Supplementary Schedule of Federal Awards

S3400-020	Opinion	Unmodified
S3400-050	Going Concern" Issue	N

Report on Supplemental Data

S3400-100	Opinion	Unmodified
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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

S3500-020	Instances of Fraud, Non-Compliance, or Abuse of Laws, Regulations, Contractors or Grants That Have A Material Effect on the Financial Statements	N
S3500-030	Significant Deficiencies or Material Weaknesses in Internal Controls Over Financial Reporting Indicator	N

Report on Compliance and Internal Control over Compliance Applicable to Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

S3600-015	Opinion on Compliance with Laws, Regulations, and Contracts Applicable to Each Major Program	Unmodified
S3600-020	Significant Deficiencies or Material Weaknesses in Internal Controls Over Compliance Indicator	N

Schedule of Finding and Questioned Costs

S3700-010	Indicator - Any audit findings disclosed that are required to be reported in accordance with section 200.516 of OMB Uniform Guidance	N
S3700-020	Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
S3700-030	Low-Risk Auditee Indicator	N

B. FINDING - FINANCIAL STATEMENTS AUDIT

Department of Housing and Urban Development:	None
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C. FINDING - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Housing and Urban Development:	None
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.

CERTIFICATE OF OWNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of LOUIS SANDMAN SENIOR HOUSING, INC., and, to the best of our knowledge and belief, the same are complete and accurate.

Officers of the Corporation:

_____ Allen Leaird Chairman	<u>March 12, 2019</u> _____ Date
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_____ Jim Girten Board Member	<u>March 12, 2019</u> _____ Date
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86-1162137

Employer Identification Number (EIN)

CERTIFICATE OF MANAGEMENT COMPANY

I hereby certify that I have examined the accompanying financial statements and supplemental data of LOUIS SANDMAN SENIOR HOUSING, INC., and, to the best of my knowledge and belief, the same are complete and accurate.

Rick Gowin, EIN 20-5383693
Westchester Realty & Management LLC as agent for LOUIS SANDMAN SENIOR HOUSING

March 12, 2019

Date

John Flusche, CPA

6851 South Canton Avenue
Tulsa, Oklahoma 74136

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Directors
LOUIS SANDMAN SENIOR HOUSING

We have performed the procedure described in the second paragraph of this report, which was agreed to by Louis Sandman Senior Housing, Inc. (the Project) 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. The Project 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 no-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 audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Project as of and for the year ended December 31, 2018, and 2017 have issued our reports thereon dated March 12, 2019. The information in the “Hard Copy Documents” column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated March 12, 2019, was expressed in relation to the basic financial statements of Louis Sandman Senior Housing, Inc. taken as a whole.

John Flusche, CPA

6851 South Canton Avenue
Tulsa, Oklahoma 74136

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

A copy of the reporting package required by the Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Project. 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, PHI-REAC.

This report is intended solely for the information and use of Louis Sandman Senior Housing, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
March 12, 2019

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

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)	Supplementary Information 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 S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, 3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees