

BRECKENRIDGE MANOR, INC.

Project No. 117-HD034

Financial Statements and Supplementary Information
with Independent Auditors' Reports

For the years ended June 30, 2018 and 2017

John Flusché
Certified Public Accountant
6851 South Canton Avenue
Tulsa, Oklahoma 74136-3405

BRECKENRIDGE MANOR
Project No. 117-HD034

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BRECKENRIDGE MANOR
Project No. 117-HD034

LEAD AUDITOR DISCLOSURE INFORMATION

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Member: American Institute of Certified Public Accountants (AICPA)
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Registered with the Oklahoma Accountancy Board (OAB) to perform audits of Governmental Entities

Date of Submission: September 21, 2018

John Flusché
Certified Public Accountant
6851 South Canton Avenue
Tulsa, Oklahoma 74136-3405

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
BRECKENRIDGE MANOR, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of BRECKENRIDGE MANOR INC., Project No. 117-HD034, (the Project) which comprise the statement of financial position as of June 30, 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 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.

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 June 30, 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 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 21, 2018, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
September 21, 2018

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF FINANCIAL POSITION

June 30, 2018 and 2017

A S S E T S

CURRENT ASSETS	2018	2017
Cash - Operations	\$ 12,292	8,763
Accounts Receivable	14,840	21,765
PrePaid Expense	2,511	2,119
Total Current Assets	29,643	32,647
PROPERTY AND EQUIPMENT		
Buildings and Improvements	\$ 916,099	916,099
Office Furniture and Equipment	35,058	35,058
Total Fixed Assets	\$ 951,157	951,157
Accumulated Depreciation	291,077	265,767
Land	34,000	34,000
Total Property and Equipment	694,080	719,390
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenant Security Deposits	3,758	3,197
Replacement Reserve	11,931	8,416
Residual Receipts	28,266	28,046
Insurance Escrow	20,300	15,104
Total Deposits	60,497	51,566
Other Assets	-	-
Total Other Assets	-	-
TOTAL ASSETS	\$ 787,978	806,800

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF FINANCIAL POSITION

June 30, 2018 and 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	2018	2017
Accounts Payable	\$ 2,594	2,654
Accrued Liabilities	702	7,670
Total Current Liabilities	3,296	10,324
DEPOSITS LIABILITIES		
Tenant Deposits Held in Trust	3,758	3,197
LONG-TERM LIABILITIES		
Capital Advance	994,700	994,700
Notes Payable	-	-
Total Long-term Liabilities	994,700	994,700
TOTAL LIABILITIES	\$ 1,001,754	1,008,221
NET ASSETS (Deficit)		
Owners Contribution	-	-
Net Assets without Donor Restrictions	(213,776)	(201,421)
TOTAL NET ASSETS	(213,776)	(201,421)
TOTAL LIABILITIES AND NET ASSETS	\$ 787,978	806,800

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2018 and 2017

REVENUES:	2018	2017
Rental revenue	\$ 91,025	84,990
Financial	286	103
Other Revenue	186	149
Total Revenue	91,497	85,242
EXPENSES:		
Administrative	36,335	37,657
Utilities	16,877	17,091
Operating and Maintenance	10,549	18,554
Taxes and Insurance	14,781	14,125
Depreciation	25,310	25,005
Total Expenses	103,852	112,432
Change in Net Assets from Operations	(12,355)	(27,190)
Prior Period Adjustment	-	-
Net Assets without Donor Restrictions, beginning of Year	(201,421)	(174,231)
Net Assets without Donor Restrictions, end of Year	\$ (213,776)	(201,421)

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF CASH FLOWS

For the years ended June 30, 2018 and 2017

Cash Flows from Operating Activities	2018	2017
Rent Receipts	\$ 91,950	84,722
Interest Income	286	103
Other Operating Receipts	6,186	6,149
Total Receipts	98,422	90,974
Administrative	(17,759)	(19,081)
Administrative - Management Fee	(8,370)	(7,776)
Utilities	(16,877)	(17,091)
Salaries and Wages	(10,800)	(10,800)
Operating and Maintenance	(10,609)	(19,326)
Property Insurance	(15,173)	(14,375)
Payroll Taxes and Insurance	-	-
Tenant Security Deposits	-	-
Total Disbursements	(79,588)	(88,449)
Net Cash Provided by Operating Activities	18,834	2,525
Cash Flows from Investing Activities		
Net Deposits to the Reserve for Replacement	(3,515)	(3,204)
Net Deposits to Other Reserves	(5,196)	2,699
Net Deposits to Residual Receipts	(220)	(7,949)
Other Investing Activities	(6,374)	6,374
Net Cash used in Investing	(15,305)	(6,358)
Cash Flows from Financing Activities		
Other Financing Activities	-	-
Net Cash used in Financing Activities	-	-
Net Increase (decrease) in Cash and Cash Equivalents	3,529	(3,833)
Cash at Beginning of Year	8,763	12,596
Cash at End of Year	\$ 12,292	8,763

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF CASH FLOWS

For the years ended June 30, 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	\$ (12,355)	(27,190)

Adjustments to reconcile Change in Net Assets to

Net Cash provided by Operating Activities

Depreciation Expense	25,310	25,005
Decrease (Increase) in Accounts Receivable	6,925	5,732
Decrease (Increase) in PrePaid Expenses	(392)	(250)
Increase (Decrease) in Accounts Payable	(654)	(772)
Increase (Decrease) in Accrued Liabilities	-	-
Increase (Decrease) in Tenant Security	-	(2)
Increase (Decrease) in Other	-	-

Net Cash provided by Operating Activities	\$ 18,834	2,523
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See Independent Auditor's Report and accompanying notes to Financial Statements.

BRECKENRIDGE MANOR
Project No. 117-HD034

NOTES TO FINANCIAL STATEMENTS

(A) ORGANIZATION AND PRESENTATION

BRECKENRIDGE MANOR (the Project) is a 18 unit residential apartment complex located in Guthrie, Oklahoma. The Project is operated under Section 811 of the National Affordable Housing Act for low-income persons with disabilities. Such projects are regulated by the U. S. Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The Project also is subject to a Project Rental Assistance Contract (PRAC) agreement with HUD. A significant portion of the Project's rental income is received from HUD. The Project's major program is the Section 811 Capital Advance.

(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 to expense when incurred. Expenditures greater than \$1,500, which are new capital additions or significantly extends 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.

See Independent Auditor's Report

BRECKENRIDGE MANOR
Project No. 117-HD034

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 those estimates.

8. Rent Increases

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

See Independent Auditor's Report

BRECKENRIDGE MANOR
Project No. 117-HD034

NOTES TO FINANCIAL STATEMENTS

- (C) **TENANT SECURITY DEPOSITS** - Tenant security deposits are held in separate accounts in the name of the Project. At June 30, 2018, the cash set aside in the separate bank account equaled the security deposit liability account.
- (D) **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 deposit into this reserve account of \$265.33 per month, were made during the year as agreed.
- (E) **RESIDUAL RECEIPTS** – Use of the residual receipts account is contingent upon HUD’s prior written approval. All deposits to the account are made from the yearly surplus cash calculation. There was \$7,874 in surplus cash during the June 30, 2016 year, which the property was to place into the replacement reserve account to be accounted for separately as residual receipts. Only \$1,500 of the \$7,874 was deposited into the residual receipts account leaving a shortage of \$6,374. Management deposited the remaining funds into the account during September, 2017 (see Prior Year Finding 2017-0001). There is \$8,996 in surplus cash in the current year to be deposited into the residual receipts account after completion of the audit.
- (F) **ESCROW DEPOSITS** –The Property maintains a separate bank account for insurance and audit escrow. There was no balance in the account as of June 30, 2018.
- (G) **PROPERTY AND EQUIPMENT** - Property and equipment at June 30, 2018, is summarized as follows:

Land	\$ 34,000
Buildings and Improvements	916,099
Building Equipment	30,169
Furniture	<u>4,889</u>
Total	<u>\$ 985,157</u>

All property and equipment are pledged as collateral for the capital advance. Building and improvements are depreciated over 40 year and furniture and equipment over 5-7 year on the straight line method.

- (H) **ACCOUNTS AND NOTES RECEIVABLE** – During prior periods, the Project was included in insurance policies with Logan County Association for Retarded Citizens dba New Horizons. The annual reimbursements from the Project to New Horizons were in excess of New Horizons share of the insurance costs. The excess payments are being repaid by New Horizons at a rate of \$500 per month. These payments were made as agreed during the year. As of June 30, 2018, the balance due to the Project was \$14,840.

See Independent Auditor’s Report

BRECKENRIDGE MANOR
Project No. 117-HD034

NOTES TO FINANCIAL STATEMENTS

- (I) **MANAGEMENT FEE** - The Project entered into an agreement with Pearson Property Management, LLC to manage the property. The management fee for the year ended June 30, 2018 was paid as agreed.
- (J) **CAPITAL ADVANCE** - The Project entered into a Mortgage note with HUD in 2005 for \$994,700, for the construction of a housing facility for low income persons with disabilities. The 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 low-income persons with disabilities.
- (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 qualified 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 officers or directors.

The Project's major HUD program is the Section 811 Capital Advance. The Project's non-major HUD program is the Section 8 Housing Assistance Payments 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 18-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.
- (N) **IDENTITY OF INTEREST** – The executive director of the sponsor agency is the manager of the Project. The manager was paid \$10,800 for manager's salary in the current year.
- (O) **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.

See Independent Auditor's Report

BRECKENRIDGE MANOR
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BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF FINANCIAL POSITION

June 30, 2018 and 2017

A S S E T S

CURRENT ASSETS		2018	2017
1120	Cash In Bank	\$ 12,292	8,763
1130	Accounts Receivable - Tenants	-	925
1135	Accounts Receivable - HUD	-	-
1140	Accounts Receivable - Operations	14,840	20,840
1200	PrePaid Expense	2,511	2,119
1100T	Total Current Assets	29,643	32,647
RESTRICTED DEPOSITS AND FUNDED RESERVES			
1191	Tenant Security Deposits	3,758	3,197
1310	Escrow Deposits	20,300	15,104
1320	Replacement Reserve	11,931	8,416
1340	Residual Receipts	28,266	28,046
1300T	Total Deposits	60,497	51,566
PROPERTY AND EQUIPMENT			
1410	Land	34,000	34,000
1420	Building and Improvements	916,099	916,099
1440	Building Equipment	30,169	30,169
1450	Furniture & Fixtures	4,889	4,889
1465	Office Furniture	-	-
1490	Miscellaneous Fixed Assets	-	-
1400T	Total Fixed Assets	985,157	985,157
1495	Accumulated Depreciation	(291,077)	(265,767)
1400N	Net Fixed Assets	694,080	719,390
1590	Miscellaneous Other Assets	-	-
1500T	Total Other Assets	-	-
1000T	TOTAL ASSETS	\$ 787,978	806,800

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF FINANCIAL POSITION

June 30, 2018 and 2017

LIABILITIES AND NET ASSETS

		2018	2017
CURRENT LIABILITIES			
2110	Accounts Payable - Operations	\$ 2,594	2,654
2113	Accounts Payable - Entity	-	-
2120	Accrued Wages Payable	-	-
2123	Accrued Management Fee Payable	702	1,296
2190	Miscellaneous Current Liabilities	-	6,374
2122T	Total Current Liabilities	3,296	10,324
DEPOSIT LIABILITIES			
2191	Tenant Deposits Held in Trust	3,758	3,197
LONG-TERM LIABILITIES			
2310	Notes Payable - Long Term	-	-
2390	Capital Advance	994,700	994,700
2300T	Total Long-term Liabilities	994,700	994,700
2000T	Total Liabilities	\$ 1,001,754	1,008,221
NET ASSETS			
3131	Net Assets without Donor Restrictions	(213,776)	(201,421)
3132	Owner Contribution	-	-
3130	Total Net Assets	(213,776)	(201,421)
2033T	TOTAL LIABILITIES AND NET ASSETS	\$ 787,978	806,800

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2018 and 2017

REVENUES:		2018	2017
5120	Rental Revenue - Potential	\$ 63,561	65,174
5121	Tenant Assistance Payments	32,991	31,378
5193	Special Claims Revenue	-	-
5100T	Total Rental Revenue	<u>96,552</u>	<u>96,552</u>
5220	Apartment Vacancies	5,527	11,562
5200T	Total Vacancies	<u>5,527</u>	<u>11,562</u>
5152N	Net Rental Revenue	<u>91,025</u>	<u>84,990</u>
5410	Financial Revenue - Project Operations	-	8
5430	Financial Revenue - Residual Receipts	220	-
5440	Financial Revenue - Replacement Reserve	66	95
5400T	Total Financial Revenue	<u>286</u>	<u>103</u>
5910	Laundry & Vending	-	-
5920	Tenant Charges	186	149
5990	Misc. Revenue	-	-
5900T	Total Other Revenue	<u>186</u>	<u>149</u>
5000T	Total Revenues	<u><u>\$ 91,497</u></u>	<u><u>85,242</u></u>
COST & EXPENSES			
6210	Advertising and Marketing	\$ -	-
6310	Office Salaries	-	-
6311	Office Expense	12,311	13,833
6320	Management Fee	7,776	7,776
6330	Manager or Supervisor Salaries	10,800	10,800
6340	Legal	-	-
6350	Audit Expense	4,800	4,600
6351	Bookkeeping Fees	648	648
6390	Miscellaneous Administrative Expense	-	-
6263T	Total Administrative Expense	<u>36,335</u>	<u>37,657</u>
6450	Electricity	9,102	10,076
6451	Water	5,189	4,879
6452	Gas	2,586	2,136
6453	Sewer	-	-
6400T	Total Utilities	<u>\$ 16,877</u>	<u>17,091</u>

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - Continued

For the years ended June 30, 2018 and 2017

COSTS & EXPENSES - Continued		2018	2017
6510 Payroll - Maintenance		\$ -	-
6515 Supplies		394	4,422
6520 Contracts		8,198	12,216
6525 Trash		1,957	1,916
6530 Security		-	-
6546 Heat, Cooling Repairs & Maintenance		-	-
6570 Vehicle & Equip. Repairs & Maintenance		-	-
6500T Total Operating and Maintenance Expense		<u>10,549</u>	<u>18,554</u>
6711 Payroll Taxes		-	-
6720 Property and Liability Insurance		14,781	14,125
6721 Fidelity Bond Insurance		-	-
6722 Workmen's Compensation Insurance		-	-
6723 Health Insurance & Other Employee Benefits		-	-
6790 Misc. Taxes, Licenses, Permits, and Insurance		-	-
6700T Total Taxes and Insurance		<u>14,781</u>	<u>14,125</u>
6000T Total Cost of Operations before Depreciation		<u>78,542</u>	<u>87,427</u>
5060T Change in Net Assets before Depreciation and Amortization		12,955	(2,185)
6600 Depreciation		<u>25,310</u>	<u>25,005</u>
5060N Change in Net Assets from Operations		(12,355)	(27,190)
3247 Change in Net Assets without Donor Restrictions		(12,355)	(27,190)
3250 Change in Total Net Assets		<u>\$ (12,355)</u>	<u>(27,190)</u>
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.	3,184	3,184
S1000-030	Replacement Reserves or Residual Receipts and releases which are included as expense items on the Profit and Loss Statement	-	-

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

BRECKENRIDGE MANOR
Project No. 117-HD034

EQUITY DATA

For the years ended June 30, 2018 and 2017

		2018	2017
S1100-060	Previous Year Net Assets without Donor Restrictions	\$ (201,421)	(174,231)
3247	Change in Net Assets without Donor Restrictions	(12,355)	(27,190)
3131	Net Assets without Donor Restrictions, End of Year	(213,776)	(201,421)
S1100-070	Previous Year Net Assets with Donor Restrictions	-	-
3132	Total Net Assets with Donor Restrictions	-	-
S1100-050	Previous Year Total Net Assets	(201,421)	(174,231)
3250	Change in Total Net Assets	(12,355)	(27,190)
3130	Total Net Assets	\$ (213,776)	(201,421)

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF CASH FLOWS

For the years ended June 30, 2018 and 2017

		2018	2017
Cash Flows from Operating Activities			
S1200-010	Rent Receipts	\$ 91,950	84,722
S1200-020	Interest Income	286	103
S1200-030	Other Operating Receipts	6,186	6,149
S1200-040	Total Receipts	<u>98,422</u>	<u>90,974</u>
S1200-050	Administrative	(17,759)	(19,081)
S1200-070	Management Fee	(8,370)	(7,776)
S1200-090	Utilities	(16,877)	(17,091)
S1200-100	Salaries and Wages	(10,800)	(10,800)
S1200-110	Operating and Maintenance	(10,609)	(19,326)
S1200-140	Property Insurance	(15,173)	(14,375)
S1200-150	Payroll Taxes and Insurance	-	-
S1200-160	Tenant Security Deposits	-	-
S1200-230	Total Disbursements	<u>(79,588)</u>	<u>(88,449)</u>
S1200-240	Net Cash Provided by Operating Activities	18,834	2,525
Cash Flows from Investing Activities			
S1200-250	Net Deposits to the Replacement Reserve	(3,515)	(3,204)
S1200-255	Net Deposits to Other Reserves	(5,196)	2,699
S1200-260	Net Deposits to Residual Receipts	(220)	(7,949)
S1200-330	Net purchase of Fixed Assets	-	(4,278)
S1200-340	Other Investing Activities	(6,374)	6,374
S1200-350	Net Cash used in Investing	<u>(15,305)</u>	<u>(6,358)</u>
Cash Flows from Financing Activities			
S1200-450	Other Financing Activities	-	-
S1200-460	Net Cash used in Financing Activities	<u>-</u>	<u>-</u>
S1200-470	Net Increase (decrease) in Cash and Cash Equivalents	<u>3,529</u>	<u>(3,833)</u>
S1200-480	Cash at Beginning of Year	8,763	12,596
S1200T	Cash at End of Year	<u>\$ 12,292</u>	<u>8,763</u>

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

BRECKENRIDGE MANOR
Project No. 117-HD034

STATEMENT OF CASH FLOWS

For the years ended June 30, 2018 and 2017

Reconciliation of Changes in Net Assets to

Net Cash provided by Operating Activities:

		2018	2017
		<u> </u>	<u> </u>
3250	Change in Total Net Assets from Operations	\$ (12,355)	(27,190)

Adjustments to reconcile Change in Net Assets to

Net Cash provided by Operating Activities

6600	Depreciation Expense	25,310	25,005
S1200-490	Decrease (Increase) in Tenant Accounts Receivable	925	(268)
S1200-500	Decrease (Increase) in Accounts Receivable -Other	6,000	6,000
S1200-520	Decrease (Increase) in PrePaid Expenses	(392)	(250)
S1200-530	Decrease (Increase) in Cash Restricted for Tenant Security	(561)	2
S1200-540	Increase (Decrease) in Accounts Payable	(654)	(772)
S1200-560	Increase (Decrease) in Accrued Liabilities	-	-
S1200-580	Increase (Decrease) in Tenant Security	561	(2)
S1200-600	Increase (Decrease) in Other	<u>-</u>	<u>-</u>
S1200-610	Net Cash provided by Operating Activities	<u>\$ 18,834</u>	<u>2,525</u>

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

BRECKENRIDGE MANOR
Project No. 117-HD034

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

June 30, 2018 and 2017

Replacement Reserve:

	2018	2017
1320P Balance, Beginning of Year	\$ 8,416	5,212
1320DT Monthly Deposits	3,184	3,184
1320OD1 Other Deposits	265	
1320INT Interest Earned	66	20
1320WT Withdrawals - approved by HUD	-	-
1320OW Other Withdrawals - Rounding	-	-
	<hr/>	<hr/>
1320 Balance, End of Year	\$ 11,931	8,416
	<hr/>	<hr/>
1320R Deposits Suspended or Waived Indicator	N	N

Residual Receipts:

	2018	2017
1340P Balance, Beginning of Year	\$ 28,046	20,097
1340DT Deposits	-	7,874
1340INT Interest Earned	220	75
1340WT Withdrawals - approved by HUD	-	-
1340OW Other Withdrawals	-	-
	<hr/>	<hr/>
1340 Balance, End of Year	28,266	28,046
	<hr/>	<hr/>

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

BRECKENRIDGE MANOR
Project No. 117-HD034

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

June 30, 2018 and 2017

Computation of Surplus Cash, Distributions, and Residual Receipts – Annual:

Part A		2018	2017
S1300-010	Cash Accounts(1120,1191)	\$ 16,050	11,960
S1300-040	Total Cash	16,050	11,960
Current Obligations			
S1300-075	Accounts Payable	2,594	2,654
S1300-100	Accrued Expenses	702	1,296
	2190 Miscellaneous Current Liabilities	-	6,374
	2191 Tenant Deposit Liability	3,758	3,197
S1300-140	Total Current Obligations	7,054	13,521
S1300-150	Surplus Cash (Deficiency)	\$ 8,996	(1,561)
S1300-210	Due Residual Receipts	\$ 8,996	-

Changes in Fixed Assets:

For Year Ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 34,000	\$ -	\$ -	\$ 34,000
Building and Improvements	916,099	-	-	916,099
Building Equipment	30,169	-	*	30,169
Furniture and Equipment	4,889	-	-	4,889
Miscellaneous Fixed Assets	-	-	-	-
Totals	985,157	\$ -	\$ -	\$ 985,157
Accumulated Depreciation	\$ 265,767	25,310	-	291,077
Total	\$ 719,390	(25,310)	-	\$ 694,080

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

BRECKENRIDGE MANOR, INC.
Project No. 117-HD034

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

Major Program:			
U.S. Department of Housing and Urban Development			
Section 811 Capital Advance	CFDA 14.181	\$	994,700
Non Major Program:			
Section 8 Housing Assistance Payments	CFDA 14.195		<u>32,991</u>
Total Federal Awards Expended		\$	<u>1,027,691</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

NOTE A - BASIS OF PRESENTATION⁶

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BRECKENRIDGE MANOR, INC., HUD Project No. 117-HD034, 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 Project Rental Assistance Contract payments, and the Section 811 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.

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

John Flusché
Certified Public Accountant
6851 South Canton Avenue
Tulsa, Oklahoma 74136-3405

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
BRECKENRIDGE MANOR, 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 BRECKENRIDGE MANOR, INC., (the Project), which comprise the statement of financial position as of June 30, 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 September 21, 2018.

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 FINANCIAL
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 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.



John Flusche, CPA
Tulsa, Oklahoma
September 21, 2018

John Flusché
Certified Public Accountant
6851 South Canton Avenue
Tulsa, Oklahoma 74136-3405

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

Board of Directors
BRECKENRIDGE MANOR, INC.

Report on Compliance for Each Major Federal Program

We have audited BRECKENRIDGE MANOR, 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 ended June 30, 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 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 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 June 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which is 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.

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.

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

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.

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
September 21, 2018

BRECKENRIDGE MANOR
Project No. 117-HD034

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

Major Program - Section 811 Capital Advance CFDA# 14.181

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, Contracts 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	Modified
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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BRECKENRIDGE MANOR
Project No. 117-HD034

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING No. 2017-001:

Statement of Condition for Previous Finding: The Project did not submit \$6,374 of the required \$7,784 residual receipts deposit.

Status Indicator: Cleared

Previous Response for Finding: The Project's management deposited the funds into the Residual Receipts account on September 21, 2017.

Narrative: The Project's management deposited the funds into the Residual Receipts account on September 21, 2017.

BRECKENRIDGE MANOR

Project No. 117-HD034

CERTIFICATE OF OWNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of BRECKENRIDGE MANOR, INC., d/b/a BRECKENRIDGE MANOR and, to the best of our knowledge and belief, the same are complete and accurate.

Officers of the Corporation:

James Miller
President

September 21, 2018

Date

Phyllis Stroup
Secretary

September 21, 2018

Date

CERTIFICATE OF MANAGEMENT COMPANY

I hereby certify that I have examined the accompanying financial statements and supplemental data of BRECKENRIDGE MANOR, INC., d/b/a BRECKENRIDGE MANOR and, to the best of my knowledge and belief, the same are complete and accurate.

Barbara Pearson, CEO EIN 45-3546467

Pearson Property Management, LLC. as agent for BRECKENRIDGE MANOR, INC.

September 21, 2018

Date

John Flusché
Certified Public Accountant
6851 South Canton Avenue
Tulsa, Oklahoma 74136-3405

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE

Board of Directors
BRECKENRIDGE MANOR, INC.

We have performed the procedure described in the second paragraph of this report, which was agreed to by BRECKENRIDGE MANOR, 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 non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

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 June 30, 2018, and have issued our reports thereon dated September 21, 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 21, 2018, was expressed in relation to the basic financial statements of BRECKENRIDGE MANOR, INC., Inc. taken as a whole.

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, PIH-REAC.

This report is intended solely for the information and use of BRECKENRIDGE MANOR, 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
September 21, 2018

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 Supplemental Data (account S3400-100)	Auditor's Report on Supplementary Information	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees