

**Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of
Wesley Housing Development
Corporation of Northern Virginia)**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2018

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

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**W8sley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)**

December 31, 2018

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplemental data of Wesley Agape House, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

Shelley Murphy, President
Wesley Housing Development Corporation of
Northern Virginia

Date

**Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)**

December 31, 2018

Management Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplemental data of Wesley Agape House, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGEMENT AGENTS

Wesley Property Management Company, LLC

Frank Mooney
President

Management Agent
Employer Identification Number:
45-2281192

Independent Auditor's Report

To The Board of Directors
Wesley Agape House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Wesley Agape House, Inc. (wholly-controlled corporation of Wesley Housing Development Corporation of Northern Virginia), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wesley Agape House, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the Corporation adopted the Financial Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retroactively to all periods presented. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 to 34 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* 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 26, 2019, on our consideration of Wesley Agape House, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wesley Agape House, Inc.'s 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 Wesley Agape House, Inc.'s internal control over financial reporting and compliance.



Bethesda, Maryland
March 26, 2019

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Financial Position
December 31, 2018

Assets

Current assets	
Cash - operations	\$ 10,317
Tenant accounts receivable	1,413
Accounts receivable - HUD	1,009
	<hr/>
Total current assets	12,739
	<hr/>
Deposits held in trust - funded	
Tenant deposits	4,070
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	4,471
Reserve for replacements	51,121
Residual receipts reserve	57,079
	<hr/>
Total restricted deposits and funded reserves	112,671
	<hr/>
Rental property	
Land	200,000
Buildings	1,463,773
Furnishings	188,985
	<hr/>
	1,852,758
Less accumulated depreciation	<hr/> (891,499)
	<hr/>
Total rental property	961,259
	<hr/>
Total assets	<hr/> \$ 1,090,739 <hr/>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Financial Position
Year Ended December 31, 2018

Liabilities and Net Assets

Current liabilities	
Accounts payable - operations	\$ 4,832
Accrued management fee payable	670
Miscellaneous current liabilities	54,079
Prepaid revenue	188
	<hr/>
Total current liabilities	59,769
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	4,002
	<hr/>
Long-term liabilities	
Other mortgages payable (long-term), net	1,145,009
Other loans and notes payable - surplus cash	23,324
	<hr/>
Total long-term liabilities	1,168,333
	<hr/>
Total liabilities	1,232,104
	<hr/>
Contingency	-
Net assets	
Net assets without donor restrictions	(141,365)
	<hr/>
Total net assets	(141,365)
	<hr/>
Total liabilities and net assets	\$ 1,090,739
	<hr/>

See Notes to Financial Statements.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Activities and Change in Net Assets
Year Ended December 31, 2018

Rental revenue	
Rent revenue - gross potential	\$ 61,499
Tenant assistance payments	<u>77,172</u>
Total rental revenue	<u>138,671</u>
Vacancies	
Apartment	<u>(5,707)</u>
Total vacancies	<u>(5,707)</u>
Net rental revenue	<u>132,964</u>
Financial revenue	
Financial revenue - project operations	18
Revenue from investments - residual receipts	272
Revenue from investments - replacement reserve	<u>222</u>
Total financial revenue	<u>512</u>
Total revenue	<u>133,476</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Activities and Change in Net Assets
Years Ended December 31, 2018

Administrative expenses	
Advertising and marketing	236
Office salaries	4,178
Office expenses	7,325
Management fee	8,694
Auditing expense	11,560
Bad debts	45
Miscellaneous administrative expenses	750
	<hr/>
Total administrative expenses	32,788
	<hr/>
Utilities expense	
Electricity	14,602
Water	5,896
	<hr/>
Total utilities expense	20,498
	<hr/>
Operating and maintenance expenses	
Payroll	10,362
Supplies	12,807
Contracts	20,629
Garbage and trash removal	3,837
Snow removal	950
	<hr/>
Total operating and maintenance expenses	48,585
	<hr/>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Activities and Change in Net Assets
Years Ended December 31, 2018

Taxes and insurance	
Payroll taxes	1,217
Property and liability insurance	2,159
Workmen's compensation	389
Health insurance and other employee benefits	2,019
Miscellaneous taxes, licenses, permits and insurance	130
	<hr/>
Total taxes and insurance	5,914
	<hr/>
Financial expenses	
Interest on first mortgage payable	1,103
Miscellaneous financial expenses	18,276
	<hr/>
Total financial expenses	19,379
	<hr/>
Total cost of operations before depreciation	127,164
	<hr/>
Income (loss) before depreciation	6,312
	<hr/>
Depreciation	
Depreciation expense	57,987
	<hr/>
Total depreciation	57,987
	<hr/>
Operating income (loss)	(51,675)
	<hr/>
Corporate or mortgagor entity revenue and expenses	
Other expenses	272
	<hr/>
Net entity expenses	272
	<hr/>
Total expenses	185,423
	<hr/>
Change in net assets	(51,947)
	<hr/>
Net assets without donor restrictions, beginning	(89,418)
	<hr/>
Net assets without donor restrictions, end	<u><u>\$ (141,365)</u></u>

See Notes to Financial Statements.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Rental receipts	\$ 131,150
Interest receipts	512
	<hr/>
Total receipts	131,662
	<hr/>
Administrative expenses paid	(19,871)
Management fees paid	(8,185)
Utilities paid	(18,976)
Salaries and wages paid	(14,540)
Operating and maintenance paid	(35,814)
Property insurance paid	(2,159)
Miscellaneous taxes and insurance paid	(402)
Net tenant security deposits received (paid)	(6)
Other operating expenses paid	(3,625)
	<hr/>
Total disbursements	(103,578)
	<hr/>
Net cash provided by operating activities	28,084
	<hr/>
Cash flows from investing activities	
Net deposits to mortgage escrows	(298)
Net deposits to reserve for replacements	(18,222)
Net deposits to residual receipts reserve	(18,276)
	<hr/>
Net cash used in investing activities	(36,796)
	<hr/>
Net decrease in cash	(8,712)
	<hr/>
Cash, beginning	19,029
	<hr/>
Cash, end	\$ 10,317
	<hr/> <hr/>

See Notes to Financial Statements.

**Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)**

**Notes to Financial Statements
December 31, 2018**

Note 1 - Nature of business and summary of significant accounting policies

Nature of business

Wesley Agape House, Inc. (the "Corporation") was organized as a non-stock, nonprofit corporation in the Commonwealth of Virginia on February 19, 1993, under the Virginia non-stock Corporation Act, Virginia Code, Title 13, Chapter 10. The Corporation was formed to provide housing and services to people disabled as a result of the Human Immunodeficiency Virus ("HIV"), the virus that causes Acquired Immunodeficiency Syndrome ("AIDS"), under Section 811 of the National Affordable Housing Act. The Corporation has built a facility of 12 residential rental units known as Agape House located at 4205 Members Way (11313 Lee Highway) in Fairfax County, Virginia (the "Project"). Construction of the facility was completed in November 1999 at which time rental operations began. The Project's rent and operating methods are regulated by the United States Department of Housing and Urban Development ("HUD").

Affiliated corporations

The Corporation is wholly-controlled by Wesley Housing Development Corporation of Northern Virginia ("WHDC"), a nonprofit corporation. The Articles of Incorporation state that all Directors of the Corporation will be elected by the Board of Directors of WHDC. There are also other corporations under common control of WHDC. The financial effects of control of two or more corporations are most appropriately shown in consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America applicable to consolidations. These financial statements do not include the accounts of WHDC and other corporations under common control and, therefore, do not represent those of the primary (consolidated) reporting entity. References should be made to the consolidated financial statements.

Note 2 - Summary of significant accounting policies

Basis of accounting

The Corporation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Corporation presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Corporation are net assets without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Corporation conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted contributions whose restrictions are met in the same period are recorded as support without donor restrictions in the accompanying statement of activities.

Wesley Agape House, Inc.
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Notes to Financial Statements
December 31, 2018

Rental property

Rental property is carried at cost. Depreciation is recorded using the following methods and estimated useful lives:

	<u>Method</u>	<u>Estimated useful life</u>
Buildings	Straight-line	40 years
Building improvements	Straight-line	30 years
Furniture and fixtures	Straight-line	10 years
Equipment	Straight-line	5 years

Impairment of long-lived assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairments as of December 31, 2018.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Income taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. The Corporation did not have any unrelated business income during the year ended December 31, 2018. Due to its tax-exempt status, the Corporation is not subject to income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements and the Corporation has no other tax positions which must be considered for disclosure. Income tax returns filed by the Corporation will be subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2015 remain open.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Corporation expenses the cost of advertising the first time the advertising taken place. During the year ended December 31, 2018, such costs amounted to \$236.

Wesley Agape House, Inc.
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Notes to Financial Statements
December 31, 2018

Rental income

Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. All leases between the Corporation and tenants of the Project are operating leases.

Functional expenses

The costs of providing program and other activities are summarized on a functional basis in Note 15. Accordingly, certain costs are allocated among program services and supporting services benefitted.

Change in accounting principle

During 2018, the Corporation adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied on a retrospective basis.

Note 3 - Cash - tenant security deposits

The amount of \$4,070, as of December 31, 2018, on the accompanying statements of financial position, represent funds deposited in a savings account with a balance which is at least equal to the tenants' security deposits. Virginia Rent Escrow Law requires the Corporation to maintain a separate account for deposits paid by the tenants, and to credit the deposits annually with interest at 4% below the Federal Reserve Board discount rate as of January 1 of each year. Tenant security deposits are held in a federally insured bank.

Note 4 - Concentration of risk

The Corporation maintains its cash balances in several accounts in various banks. The balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2018.

Note 5 - Rents receivable

Management is of the opinion that all of the Corporation's rents receivable are fully collectible and that no allowance for doubtful accounts is required.

Note 6 - Reserves

The Corporation is required to maintain a replacement reserve account under the terms of the Capital Advance Regulatory Agreement. Monthly deposits are made into an escrow account held at TD Bank. As of December 31, 2018, all required deposits have been funded. The annual deposit required for the year ending December 31, 2018 was \$18,000. At December 31, 2018, the balance was \$51,121.

Wesley Agape House, Inc.
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Notes to Financial Statements
December 31, 2018

In accordance with the terms of the regulatory agreement, the Corporation also funded a residual receipts reserve account. The regulatory agreement provides for deposits into the account of any residual receipts as defined in the Corporation's regulatory agreement. Funds may be disbursed only at the discretion of HUD for a purpose that HUD deems necessary or appropriate. As of December 31, 2018, the balance was \$57,079.

Note 7 - Long-term debt

Long-term debt consists of the following at December 31, 2018:

Capital advance

The Corporation is obligated under the terms of a capital advance agreement with HUD whereby HUD advanced the Corporation \$942,800 for the development of the Project. The capital advance is payable to the Federal Housing Administration ("FHA") and is collateralized by a deed of trust on the rental property. The capital advance bears no interest and is not required to be repaid as long as the housing remains available to eligible very low-income persons with disabilities for a period of 40 years in accordance with Section 811 of the National Affordable Housing Act of 1990. At the expiration of the 40-year period, on June 5, 2037, HUD will release any obligation under the capital advance agreement. In the event of a default, interest at 7.25% per annum will be charged on the advance from the date of the default and payments will be required as described in the deed of trust note. The balance on the capital advance as of December 31, 2018 is \$942,800.

Note payable

The Corporation received a \$225,700 loan from the Fairfax County Redevelopment and Housing Authority in connection with the off-site development of the Project. This loan is collateralized by a deed of trust on the rental property and is in the form of a deferred mortgage with no interest expense or amortization of principal to be paid during the term of the loan. The loan is not required to be repaid as long as the Corporation remains in compliance with the requirements of Section 811 until June 30, 2028. If the Corporation defaults on the Project's Section 811 guidelines, the interest charged will be tied to the three-month Treasury Bill Rate plus 25 basis points. The principal balance on the note as of December 31, 2018 is \$225,700.

Debt issuance costs, net of accumulated amortization, totaled \$23,491 as of December 31, 2018 and are related to the first mortgage. During the year ended December 31, 2018, amortization expense of \$1,103 was incurred. Debt issuance costs on the above note are being amortized using an imputed rate of 0.1170%.

Note 8 - Tax abatement agreement

The Commonwealth of Virginia has designated that the property owned and used by the Corporation is exempt from local property taxation beginning on January 22, 1996.

Note 9 - Related party transactions

Affiliate loans

The Corporation is obligated under the terms of a line of credit payable to WHDC. The line of credit is noninterest-bearing, is unsecured, and is payable when the Corporation is dissolved. The balance due as of December 31, 2018 is \$23,324.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Notes to Financial Statements
December 31, 2018

Property management fees

The Corporation became obligated under the terms of a management agreement with Wesley Property Management Company, LLC ("WPMC"), an affiliate organization. Under the terms of the agreement, the Corporation will pay a fee totaling 6.60% of gross rental collections to WPMC for property management services up to a maximum of \$725 per month. The calculated fee is paid on a monthly basis. During the year ended December 31, 2018, property management fees totaling \$8,694 were charged to operations. As of December 31, 2018, \$670 remains payable.

Note 10 - Rental assistance contract

The Corporation has entered into a Project Rental Assistance Contract with HUD whereby the Corporation receives rental assistance payments on behalf of eligible tenants. The initial term of the contract is for 20 years from completion (November 1, 1999) of the Project and is subject to annual appropriations. The Project Rental Assistance Contract funding expires annually on October 31st and the Corporation must apply for a subsequent renewal annually, 90 days before the effective renewal date of November 1st. During the year ended December 31, 2018, total rental assistance was \$77,172. As of December 31, 2018, \$1,009 remains receivable from HUD.

Note 11 - Excess balance of residual receipts for Project Rental Assistance Contract

In connection with its Project Rental Assistance Contract ("PRAC"), HUD notified the Corporation in a memo dated March 11, 2016 that, in accordance with the Consolidated Appropriations Act, 2016 enacted on December 18, 2015, any balance in its residual receipts account greater than \$250 per unit must be remitted to HUD's Accounting Center upon "termination" of the PRAC. Termination is defined as expiration of the contract term which for most PRACs is the annual contract anniversary date. Subsequently, on various dates, Congress enacted legislation extending this requirement. The updated requirement to return excess residual receipts now applies to PRACs with expiration dates through September 30, 2019.

During the year ended December 31, 2018, the Corporation recorded other financial expenses of \$18,276 to reflect excess residual receipts either paid to HUD, or payable as of December 31, 2018. The liability of \$54,079 includes an accrual for the amount, if any, of surplus cash that is required to be deposited into the residual receipts account causing an increase in the amount of excess residual receipts owed to HUD. No accrual applies if the PRAC's next anniversary date is later than September 30, 2019.

Note 12 - Current vulnerability due to certain conditions

The Corporation's principal asset is an apartment building which consists of 12 units. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Notes to Financial Statements
December 31, 2018

Note 13 - Economic dependency

The Corporation operates the property in Fairfax County, Virginia. Further operations could be affected by changes in the economic or other conditions in that geographic area or the demand for such housing.

Note 14 - Liquidity and availability

The Corporation has \$17,936 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$10,317, accounts receivable of \$2,422, and restricted deposits and funded reserves of \$4,471. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As regulated by HUD, financial assets of the Corporation are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated, subject to exceptions permitted in certain regulatory agreements, must be deposited into a residual receipts reserve.

Note 15 - Expenses by nature and function

The table below presents expenses by both their nature and function during the year ended December 31, 2018.

	Total program services expense	Total supporting services expense (management and general)	Total supporting services expense (other)	Total
Administrative expenses	\$ 12,534	\$ 20,254	\$ -	\$ 32,788
Utilities expense	20,498	-	-	20,498
Operating and maintenance expenses	48,585	-	-	48,585
Taxes and insurance	5,914	-	-	5,914
Financial expenses	19,379	-	-	19,379
Depreciation	57,987	-	-	57,987
Corporate or mortgagor entity expenses	-	272	-	272
Total	\$ 164,897	\$ 20,526	\$ -	\$ 185,423

All expenses are directly attributable to a specific function.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Notes to Financial Statements
December 31, 2018

Note 16 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through March 26, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required By HUD

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information

Statement of Financial Position Data
December 31, 2018

<u>Account No.</u>	<u>Assets</u>	
Current assets		
1120 Cash - operations	\$ 10,317	
1130 Tenant accounts receivable	1,413	
1135 Accounts receivable - HUD	<u>1,009</u>	
1100T Total current assets		12,739
Deposits held in trust - funded		
1191 Tenant deposits		4,070
Restricted deposits and funded reserves		
1310 Escrow deposits	\$ 4,471	
1320 Reserve for replacements	51,121	
1340 Residual receipts reserve	<u>57,079</u>	
1300T Total deposits		112,671
Rental property		
1410 Land	200,000	
1420 Buildings	1,463,773	
1460 Furnishings	<u>188,985</u>	
1400T Total fixed assets	1,852,758	
1495 Less accumulated depreciation	<u>(891,499)</u>	
1400N Net fixed assets		<u>961,259</u>
1000T Total assets		<u><u>\$ 1,090,739</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information

Statement of Financial Position Data
December 31, 2018

<u>Account No.</u>	<u>Liabilities and Net Assets</u>	
Current liabilities		
2110	Accounts payable - operations	\$ 4,832
2123	Accrued management fee payable	670
2190	Miscellaneous current liabilities	54,079
2210	Prepaid revenue	<u>188</u>
2122T	Total current liabilities	59,769
Deposits liability		
2191	Tenant deposits held in trust (contra)	4,002
Long-term liabilities		
2322	Other mortgages payable (long-term)	\$ 1,145,009
2323	Other loans and notes payable - surplus cash	<u>23,324</u>
2300T	Total long-term liabilities	<u>1,168,333</u>
2000T	Total liabilities	1,232,104
3131	Net assets without donor restrictions	<u>(141,365)</u>
3130	Total net assets	<u>(141,365)</u>
2033T	Total liabilities and net assets	<u><u>\$ 1,090,739</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information

Statement of Activities Data
Year Ended December 31, 2018

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 61,499	
5121	Tenant assistance payments	<u>77,172</u>	
5100T	Total rental revenue		\$ 138,671
Vacancies			
5220	Apartments	<u>(5,707)</u>	
5200T	Total vacancies		<u>(5,707)</u>
5152N	Net rental revenue		132,964
Financial revenue			
5410	Financial revenue - project operations	18	
5430	Revenue from investments - residual receipts	272	
5440	Revenue from investments - replacement reserve	<u>222</u>	
5400T	Total financial revenue		512
5000T	Total revenue		<u>133,476</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information

Statement of Activities Data
Year Ended December 31, 2018

<u>Account No.</u>			
Administrative expenses			
6210	Advertising and marketing	236	
6310	Office salaries	4,178	
6311	Office expenses	7,325	
6320	Management fee	8,694	
6350	Auditing expense	11,560	
6370	Bad debts	45	
6390	Miscellaneous administrative expenses	<u>750</u>	
6263T	Total administrative expenses		32,788
Utilities expense			
6450	Electricity	14,602	
6451	Water	<u>5,896</u>	
6400T	Total utilities expense		20,498
Operating and maintenance expenses			
6510	Payroll	10,362	
6515	Supplies	12,807	
6520	Contracts	20,629	
6525	Garbage and trash removal	3,837	
6548	Snow removal	<u>950</u>	
6500T	Total operating and maintenance expenses		48,585

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information

Statement of Activities Data
Year Ended December 31, 2018

<u>Account No.</u>			
Taxes and insurance			
6711	Payroll taxes	1,217	
6720	Property and liability insurance	2,159	
6722	Workmen's compensation	389	
6723	Health insurance and other employee benefits	2,019	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>130</u>	
6700T	Total taxes and insurance		5,914
Financial expenses			
6820	Interest on first mortgage payable	1,103	
6890	Miscellaneous financial expenses	<u>18,276</u>	
6800T	Total financial expenses		<u>19,379</u>
6000T	Total cost of operations before depreciation		<u>127,164</u>
5060T	Income (loss) before depreciation		<u>6,312</u>
Depreciation			
6600	Depreciation expense	<u>57,987</u>	
	Total depreciation		<u>57,987</u>
5060N	Operating income (loss)		<u>(51,675)</u>
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	<u>272</u>	
7100T	Net entity expenses		<u>272</u>
	Total expenses		<u>185,423</u>
3250	Change in net assets		<u><u>\$ (51,947)</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information

Statement of Activities Data
Year Ended December 31, 2018

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u><u>\$ -</u></u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u><u>\$ 18,000</u></u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of activities.	<u><u>\$ -</u></u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of activities.	<u><u>\$ -</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information

Statement of Changes in Net Assets Data
Year Ended December 31, 2018

<u>Account No.</u>		Net assets without donor restrictions	Net assets with donor restrictions	Total
S1100-050	Net assets			
S1100-060/080	December 31, 2017	\$ (89,418)	\$ -	\$ (89,418)
3247/3249	Change in net assets	(51,947)	-	(51,947)
3130	Net assets			
3131/3133	December 31, 2018	<u>\$ (141,365)</u>	<u>\$ -</u>	<u>\$ (141,365)</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2018

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 131,150
S1200-020	Interest receipts	512
		<hr/>
S1200-040	Total receipts	131,662
		<hr/>
S1200-050	Administrative expenses paid	(19,871)
S1200-070	Management fees paid	(8,185)
S1200-090	Utilities paid	(18,976)
S1200-100	Salaries and wages paid	(14,540)
S1200-110	Operating and maintenance paid	(35,814)
S1200-140	Property insurance paid	(2,159)
S1200-150	Miscellaneous taxes and insurance paid	(402)
S1200-160	Net tenant security deposits received (paid)	(6)
S1200-170	Other operating expenses paid	(3,625)
		<hr/>
S1200-230	Total disbursements	(103,578)
		<hr/>
S1200-240	Net cash provided by operating activities	28,084
		<hr/>
	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrows	(298)
S1200-250	Net deposits to reserve for replacements	(18,222)
S1200-260	Net deposits to residual receipts reserves	(18,276)
		<hr/>
S1200-350	Net cash used in investing activities	(36,796)
		<hr/>
S1200-470	Net decrease in cash and cash equivalents	(8,712)
		<hr/>
S1200-480	Cash and cash equivalents, beginning	19,029
		<hr/>
S1200T	Cash and cash equivalents, end	\$ 10,317
		<hr/> <hr/>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information
Year Ended December 31, 2018

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at December 31, 2017	\$ 32,899
1320ODT	Other deposits	
1320OD-010	Monthly deposits	18,000
1320INT	Interest income	<u>222</u>
1320	Balance at December 31, 2018	<u><u>\$ 51,121</u></u>

Residual Receipts Reserve

<u>Account No.</u>		
1340P	Balance at December 31, 2017	\$ 38,803
1340ODT	Other deposits	
1340OD-010	Deposit from available surplus cash	18,004
1340INT	Interest income	<u>272</u>
1340	Balance at December 31, 2018	<u><u>\$ 57,079</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information
Year Ended December 31, 2018

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 14,387
1135	Accounts receivable - HUD	<u>1,009</u>
S1300-040	Total cash	<u>15,396</u>
S1300-050	Accrued mortgage interest payable	-
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	4,832
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	670
2210	Prepaid revenue (Account 2210)	188
2191	Tenant security deposits liability (Account 2191)	<u>4,002</u>
S1300-140	Less total current obligations	<u>9,692</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 5,704</u>
S1300-210	<u>Part B - Deposit Due Residual Receipts Reserve</u>	<u>\$ 5,704</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information
Year Ended December 31, 2018

Changes in Fixed Asset Accounts

	Assets			
	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Buildings	1,463,773	-	-	1,463,773
Furnishings	188,985	-	-	188,985
	<u>\$ 1,852,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,852,758</u>
Accumulated depreciation	<u>\$ 833,512</u>	<u>\$ 57,987</u>	<u>\$ -</u>	<u>\$ 891,499</u>
Total net book value				<u>\$ 961,259</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Supplementary Information
Year Ended December 31, 2018

Detail of Accounts - Statement of Financial Position

Miscellaneous Current Liabilities (Account No. 2190)

Excess residual receipts	<u>\$ 54,079</u>
--------------------------	------------------

Other Mortgages Payable (Long-Term) (Account No. 2322)

Second mortgage - Capital Advance	\$ 942,800
Third mortgage - Fairfax County, net	<u>202,209</u>
	<u>\$ 1,145,009</u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information
Year Ended December 31, 2018

Detail of Accounts - Statement of Activities

Miscellaneous Financial Expenses (Account No. 6890)

Excess residual receipts	<u>\$ 18,276</u>
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Other Entity Expenses (Account No. 7190)

Director's and officers' insurance	<u>\$ 272</u>
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Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Supplementary Information
Year Ended December 31, 2018

Other Information

Schedule of notes payable:

<u>Account No.</u>	<u>Creditor</u>	<u>Lien placed on project assets? (Yes/No)</u>	<u>Amount due</u>
S3100-140	Wesley Housing Development Corporation	No	<u>\$ 23,324</u>
S3100-190			<u><u>\$ 23,324</u></u>

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	Wesley Housing Development Corporation - management fees	<u><u>\$ 8,185</u></u>

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
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Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Capital Advance under Section 811 of the National Affordable Housing Act of 1990	14.181		\$ 942,800
Project-Based Rental Assistance Contract	14.181		<u>77,172</u>
Total expenditures of federal awards			<u><u>\$ 1,019,972</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Wesley Agape House, Inc., under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Wesley Agape House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wesley Agape House, Inc.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations and the cost principles contained in the Uniform Guidance. Wesley Agape House, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance as it is not applicable.

Note 3 - U.S. Department of Housing and Urban Development loan program

Wesley Agape House, Inc. has received one U.S. Department of Housing and Urban Development loan. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Wesley Agape House, Inc. received no additional loans during the year. The balance of the loan outstanding at December 31, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2018</u>
14.181	Capital Advance under Section 811 of the National Affordable Housing Act of 1990	<u>\$ 942,800</u>

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*

To The Board of Directors
Wesley Agape House, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wesley Agape House, Inc, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 26, 2019, including emphasis of a matter on page 6.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Wesley Agape House Inc.'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 Wesley Agape House Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wesley Agape House Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wesley Agape House Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
March 26, 2019

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance

To The Board of Directors
Wesley Agape House, Inc.

Report on Compliance for Each Major Federal Program

We have audited of Wesley Agape House, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on each of Wesley Agape House, Inc.'s major federal programs for the year ended December 31, 2018. Wesley Agape House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on HUD Section 811 Capital Advance

As described in the accompanying schedule of findings and questioned costs, Wesley Agape House, Inc. did not comply with requirements regarding the *HUD Section 811 Capital Advance* program as described in finding number 2018-C-1 for reporting. Compliance with such requirements is necessary, in our opinion, for Wesley Agape House, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on HUD Section 811 Capital Advance

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, Wesley Agape House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the HUD Section 811 Capital Advance Program for the year ended December 31, 2018.

Other Matters

Wesley Agape House, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wesley Agape House, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal controls over compliance that we consider to be a material weakness, as described in the accompanying schedule of findings and questioned costs as item 2018-C-1.

Wesley Agape Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wesley Agape Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
March 26, 2019

Wesley Agape House, Inc.
(A Wholly-Controlled Corporation of Wesley Housing
Development Corporation of Northern Virginia)

Schedule of Findings and Questioned Costs
December 31, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Wesley Agape House, Inc. were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies in internal controls were reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Wesley Agape House, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness was identified related to the internal control over major federal award programs and is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Wesley Agape, Inc. expresses a qualified opinion on the 811 Capital Advance program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs included:

<u>Federal CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.181	Capital Advance under Section 811 of the National Affordable Housing Act of 1990
14.181	Project Based Rental Assistance Contract

8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Wesley Agape House, Inc. was determined not to be a low-risk auditee.

Wesley Agape House, Inc.
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Schedule of Findings and Questioned Costs
December 31, 2018

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Awards Program Audit

Finding No. 2018-C-1

Statement of Condition

During the year ended December 31, 2018, management did not remit the excess residual receipts \$54,079 from the residual receipts reserve in accordance with HUD memorandum the "Consolidated and Further Continuing Appropriations Act, 2015", applicable for projects with PRAC expiration after October 30, 2018. The Project's PRAC contract expired on November 1, 2018. However, management did not remit these funds.

Criteria - Reporting

Any balance in its residual receipts reserve account greater than \$250 per unit must be remitted to HUD's Accounting Center upon termination of PRAC. Termination is defined as expiration of the contract term which for most PRACs is the annual contract anniversary date.

Effect

The holding of \$54,079 in the residual receipts reserve is a violation of HUD's required release of funds above the declared threshold of \$250 per unit.

Cause

Management did not receive correspondence from HUD to remit the funds.

Recommendation

Management should immediately disburse \$54,079 from the residual receipts reserve to HUD.

Auditor Noncompliance Code: Z - Other

Amount of Questioned Costs: \$0

Views of Responsible Officials and Planned Corrective Action

Management will see a waiver from HUD during 2019 for the remaining \$54,079 that was not remitted to HUD, under an approved operating and capital expenditure plan.

CP-1011 CORRECTIVE ACTION PLAN

(Example taken from Chapter 2, as revised January 2013, of the Consolidated Audit Guide)

Project Legal Name: Wesley Agape House, Inc. _____

HUD Project No.: 000-HD009 _____

Audit Firm: CohnReznick, LLC _____

Period covered by the audit: 1/1/2018-12/31/2018 _____

Corrective Action Plan prepared by:

Name: Chris Cherry _____

Position: CFO _____

Telephone Number: 703-642-3830 x244 _____

The following is a recommended format to be followed by the auditee for preparing a corrective action plan:

A. Current Findings on the Schedule of Findings, Questioned Costs and Recommendations

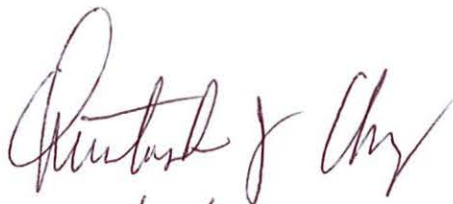
1. Finding 2018-C-1

a. Comments on the Finding and Each Recommendation

We concur with the finding and agree with the recommendation concerning the finding.

b. Action(s) Taken or Planned on the Finding

Management will seek a waiver from HUD during 2019 for the remaining \$54,079 that was not remitted to HUD, under an approved operating and capital expenditure plan.


3/26/19