

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

AND INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Presbyterian Apartments, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Presbyterian Apartments, Inc. (a nonprofit organization), HUD Project No. 034SH006, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Apartments, Inc. as of December 31, 2020 and 2019, 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 shown on pages 20 to 27 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 shown on page 28 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 a report dated March 19, 2021, on our consideration of Presbyterian Apartments, 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 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 Presbyterian Apartments, Inc.'s internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Presbyterian Apartments, Inc.'s internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 19, 2021

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 71,481	\$ 315,200
Accounts receivable - tenants (net of allowance of doubtful accounts of \$31,974 and \$10,794)	11,187	15,122
Accounts receivable - HUD	1,158	28,729
Accounts receivable - other	3,955	1,319
Prepaid expenses	<u>16,612</u>	<u>14,057</u>
Total current assets	<u>104,393</u>	<u>374,427</u>
Restricted deposits and funded reserves		
Replacement reserve	318,714	256,298
Tenant security deposits	<u>59,900</u>	<u>61,922</u>
Total restricted deposits and funded reserves	<u>378,614</u>	<u>318,220</u>
Fixed assets		
Land	183,519	183,519
Building and improvements	7,422,994	7,179,795
Furniture and equipment	965,440	916,923
Construction in progress	<u>15,965</u>	<u>218,430</u>
Total fixed assets	8,587,918	8,498,667
Less accumulated depreciation	<u>(6,259,738)</u>	<u>(6,057,564)</u>
Fixed assets - net	2,328,180	2,441,103
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,811,187</u></u>	<u><u>\$ 3,133,750</u></u>

The accompanying notes are an integral
part of these financial statements.

LIABILITIES AND NET ASSETS (DEFICIT)

	2020	2019
Current liabilities		
Accounts payable - operations	\$ 37,459	\$ 251,601
Accounts payable - related party	1,341,805	2,005,635
Accrued expenses		
Audit	9,175	8,975
Other	9,059	10,625
Current maturities of AHP loan payable	-	200,000
Prepaid rent - tenant	14,993	16,144
Prepaid rent - HAP	9,225	32,648
Current portion of capital lease obligation	1,473	1,410
	<u>1,423,189</u>	<u>2,527,038</u>
Total current liabilities		
Long-term liabilities		
Tenant security deposits	59,616	63,232
Capital lease obligation	1,408	2,881
Long-term debt - net of current maturities		
Flexible subsidy loan		
Loan payable	1,671,580	1,671,580
Accrued interest payable	459,201	442,485
AHP direct subsidy loan payable	650,000	-
	<u>2,841,805</u>	<u>2,180,178</u>
Total noncurrent liabilities		
Total liabilities	4,264,994	4,707,216
Net assets (deficit)		
Without donor restrictions	(1,459,717)	(1,579,376)
With donor restrictions	5,910	5,910
	<u>\$ 2,811,187</u>	<u>\$ 3,133,750</u>
Total liabilities and net assets (deficit)		

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Rent	\$ 1,225,998	\$ -	\$ 1,225,998
Financial	94	-	94
Contributions	7,716	-	7,716
Other	59,520	-	59,520
	<u>1,293,328</u>	<u>-</u>	<u>1,293,328</u>
Total revenue			
Expenses			
Administrative	265,057	-	265,057
Utilities	205,368	-	205,368
Operating and maintenance	323,995	-	323,995
Taxes and insurance	117,905	-	117,905
Interest	17,001	-	17,001
Supportive services	42,169	-	42,169
Depreciation	202,174	-	202,174
	<u>1,173,669</u>	<u>-</u>	<u>1,173,669</u>
Total expenses			
Change in net assets	119,659	-	119,659
Net assets (deficit) - beginning	<u>(1,579,376)</u>	<u>5,910</u>	<u>(1,573,466)</u>
Net assets (deficit) - ending	<u><u>\$ (1,459,717)</u></u>	<u><u>\$ 5,910</u></u>	<u><u>\$ (1,453,807)</u></u>

The accompanying notes are an integral
part of these financial statements.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Rent	\$ 1,121,190	\$ -	\$ 1,121,190
Financial	209	-	209
Contributions	4,258	-	4,258
Other	66,301	-	66,301
	<u>1,191,958</u>	<u>-</u>	<u>1,191,958</u>
Total revenue			
Expenses			
Administrative	273,985	-	273,985
Utilities	208,574	-	208,574
Operating and maintenance	396,385	-	396,385
Taxes and insurance	109,927	-	109,927
Interest	16,871	-	16,871
Supportive services	41,506	-	41,506
Depreciation	178,371	-	178,371
	<u>1,225,619</u>	<u>-</u>	<u>1,225,619</u>
Total expenses			
Change in net assets	(33,661)	-	(33,661)
Net assets (deficit) - beginning	<u>(1,545,715)</u>	<u>5,910</u>	<u>(1,539,805)</u>
Net assets (deficit) - ending	<u><u>\$ (1,579,376)</u></u>	<u><u>\$ 5,910</u></u>	<u><u>\$ (1,573,466)</u></u>

The accompanying notes are an integral
part of these financial statements.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Total
Administrative	\$ 167,164	\$ 97,893	\$ 265,057
Utilities	205,368	-	205,368
Operating and maintenance	323,995	-	323,995
Taxes and insurance	117,905	-	117,905
Interest	17,001	-	17,001
Supportive services	42,169	-	42,169
Depreciation	202,174	-	202,174
Total expenses	<u>\$ 1,075,776</u>	<u>\$ 97,893</u>	<u>\$ 1,173,669</u>

The accompanying notes are an integral
part of these financial statements.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Total
Administrative	\$ 165,773	\$ 108,212	\$ 273,985
Utilities	208,574	-	208,574
Operating and maintenance	396,385	-	396,385
Taxes and insurance	109,927	-	109,927
Interest	16,871	-	16,871
Supportive services	41,506	-	41,506
Depreciation	178,371	-	178,371
Total expenses	<u>\$ 1,117,407</u>	<u>\$ 108,212</u>	<u>\$ 1,225,619</u>

The accompanying notes are an integral
part of these financial statements.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts		
Rental receipts	\$ 1,230,294	\$ 1,130,600
Interest received	54	87
Other cash received	<u>67,236</u>	<u>70,559</u>
Total receipts	<u>1,297,584</u>	<u>1,201,246</u>
Disbursements		
Administrative	177,005	41,322
Management fees	586,306	-
Utilities	202,119	216,080
Salaries and wages	401,712	363,570
Operating and maintenance	190,186	327,752
Property and liability insurance	57,791	55,114
Miscellaneous taxes and insurance	2,625	2,625
Tenant security deposits received (paid)	3,616	(9,621)
Interest on mortgage	<u>-</u>	<u>84</u>
Total disbursements	<u>1,621,360</u>	<u>996,926</u>
Net cash (used in) provided by operating activities	<u>(323,776)</u>	<u>204,320</u>
Cash flows from investing activities		
Deposits to replacement reserve	(62,376)	(61,368)
Withdrawals from replacement reserve	-	213,660
Cash paid for fixed assets	<u>(308,179)</u>	<u>(290,953)</u>
Net cash used in investing activities	(370,555)	(138,661)
Cash flows from financing activities		
Principal payments on long-term debt	(200,000)	(21,055)
Proceeds from AHP direct subsidy loan payable	650,000	-
Proceeds from AHP loan payable	-	199,500
Repayment of capital lease obligation	<u>(1,410)</u>	<u>(115)</u>
Net cash provided by financing activities	448,590	178,330
Net (decrease) increase in cash and restricted cash	<u>(245,741)</u>	<u>243,989</u>
Cash and restricted cash - beginning	<u>377,122</u>	<u>133,133</u>
Cash and restricted cash - ending	<u><u>\$ 131,381</u></u>	<u><u>\$ 377,122</u></u>

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 119,659	\$ (33,661)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in allowance for doubtful accounts	(21,181)	(2,551)
Property renovations grant with donor restrictions	-	-
Interest earned on replacement reserve	(40)	(122)
Depreciation	202,174	178,371
(Increase) decrease in		
Accounts receivable - tenants	25,116	1,701
Accounts receivable - HUD	27,571	(28,729)
Accounts receivable - other	(2,636)	(634)
Prepaid expenses	(2,555)	341
(Decrease) increase in		
Accounts payable - operations	4,786	(37,087)
Accounts payable - related party	(663,830)	50,131
Accrued expenses - audit	200	-
Accrued expenses - other	(1,566)	10,600
Accrued interest	16,716	16,716
Prepaid rent - tenants	(1,151)	8,251
Prepaid rent - HAP	(23,423)	31,372
Tenant security deposits	<u>(3,616)</u>	<u>9,621</u>
Net cash (used in) provided by operating activities	<u>\$ (323,776)</u>	<u>\$ 204,320</u>
Supplemental schedule of noncash investing and financing activities		
Total additions to fixed assets	\$ 89,251	\$ 421,929
Decrease in accounts payable - operations	225,651	99,081
Increase in accounts payable - operations	(6,723)	(225,651)
Property and equipment acquisition with capital lease obligation	<u>-</u>	<u>(4,406)</u>
Cash paid for fixed assets	<u>\$ 308,179</u>	<u>\$ 290,953</u>

The accompanying notes are an integral part of these financial statements.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Presbyterian Apartments, Inc. (the "Organization") is a nonprofit organization that owns a housing development located in Harrisburg, Pennsylvania. Presbyterian Apartments (the "Project") contains 165 apartments, of which 29 apartments receive subsidies under Section 8 Housing Assistance payments agreement with the U. S. Department of Housing and Urban Development (HUD). The Project's mortgage was originally financed under HUD Section 202 and renovations have been financed through the HUD Flexible Subsidy Program.

PHI, doing business as Presbyterian Senior Living (PSL), is the parent of the Organization, and has approval rights for Board of Director appointments. PSL is a provider of senior care services, including housing, nursing, personal care, and day care in Pennsylvania, Maryland, Ohio and Delaware.

Financial Statement Presentation

The Organization follows the requirements of FASB Accounting Standards Codification (ASC) 958 *Not-for-profit Entities*, and the provisions of Accounting Standards Update 2016-14 *Not-For-profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 requires the Organization 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.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2020 and 2019.

For purposes of the statements of cash flows presentation, cash and restricted cash consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 71,481	\$ 315,200
Tenant security deposits	<u>59,900</u>	<u>61,922</u>
Total cash and restricted cash	<u>\$ 131,381</u>	<u>\$ 377,122</u>

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

Tenant receivables are carried at original rental amount less an estimate made for doubtful receivables based on management's review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual tenant receivables and considering a tenant's financial condition, credit history and current economic conditions. Tenant receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received.

A tenant receivable is considered to be past due based on how payments are received compared to the tenant's payment history. Interest is not generally charged on trade receivables.

Tenant Security Deposits

Tenant security deposits are held in a bank account in the name of the Organization.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on the straight-line method over the useful lives of the various assets; 5 to 45 years for building and improvements, and 5 to 10 years for furniture and equipment.

Impairment

The Organization reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statements of activities.

Net Asset Classifications

Net assets, revenues, and gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available to use in general operations and not subject to donor (or certain grantor restrictions).

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions may be temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both. See Note 8 for additional information on net assets with donor restrictions.

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Rental revenue is recognized on the accrual method. Accordingly, revenue is recognized as earned, and expenses are recognized as incurred. A monthly housing assistance payment is received from HUD for leases to qualifying low-income tenants.

Grant Revenue

The Organization recognizes grant revenue in accordance with the terms and conditions included within the grant agreements. Amounts received in advance of conditions being satisfied are recognized as a refundable advance. Grant revenue is classified on the statements of activities based on the existence of donor restrictions.

Functional Allocation of Expenses

The costs of providing the program and supporting service activities have been directly charged. Management and general costs primarily consist of management fees, audit expense, and miscellaneous administrative expenses.

Income Taxes

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Organization adheres to the provisions of FASB Codification 740, *Income Taxes*. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, classification and disclosure of uncertain tax positions. The Organization has concluded that it does not have any uncertain tax positions that require recognition or disclosure in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessors to classify leases as operating, direct financing, or sales-type. The changes become effective for the Organization on January 1, 2022. Management has not determined the impact of these changes on the Organization's financial statements.

Subsequent Events

Management evaluated subsequent events through March 19, 2021, the date the financial statements were available to be issued.

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY

The financial assets as of December 31, 2020 and 2019, which are available for general expenditures within one year of the statements of financial position dates comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 71,481	\$ 315,200
Accounts receivable – tenants	11,187	15,122
Accounts receivable – HUD	1,158	28,729
Accounts receivable – other	<u>3,955</u>	<u>1,319</u>
	87,781	360,370
Less: Net assets with donor restrictions		
Emergency Fund (Note 8)	<u>5,910</u>	<u>5,910</u>
Total financial assets available for general expenditure within one year	<u><u>\$ 81,871</u></u>	<u><u>\$ 354,460</u></u>

To help manage unanticipated liquidity needs, the Organization receives cash advances from PSL for operating expenses of the Project. See Note 7 for additional information.

3. HUD-RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement Reserve

Under the regulatory agreement, the Organization is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. These deposits are held in separate accounts and generally are not available for operating purposes.

Residual Receipts Reserve

Surplus cash is calculated annually and must be deposited into the residual receipts account within 90 days after the end of each fiscal year. Use of these funds is contingent upon HUD's prior written approval. The Organization has not had surplus cash; therefore no residual receipts account has been established. No payments were due for 2020 or 2019.

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT

Long-term debt consist of the following at December 31, 2020 and 2019:

	2020	2019
Loans payable – HUD (A)	\$ 1,671,580	\$ 1,671,580
Accrued interest payable – HUD (A)	459,201	442,485
AHP loan payable - First National Bank (B)	-	200,000
AHP direct subsidy loan payable - First National Bank (C)	650,000	-
	2,780,781	2,314,065
Less current portion of long-term debt	-	(200,000)
Total long-term debt, net of current portion of long-term debt	<u>\$ 2,780,781</u>	<u>\$ 2,114,065</u>

(A) This loan is made as part of the HUD flexible subsidy program. The flexible subsidy program provides funds for major repair and replacement expenditures. The terms of the loan is as follows:

- The entire principal balance is due upon the sale of the project building or upon full payment of the HUD mortgage. This provision made this loan due on April 1, 2019. The Organization has approval from HUD to refinance this loan. At the time of refinancing, it is expected the Organization will make a payment of \$406,468 from the replacement reserve account. The Organization must execute and record a use agreement for a period of 35 years. The remaining balance on the loan, plus accrued interest, will be repaid annually from 100 percent available surplus cash. The interest on the loan will remain at one percent.
- Other principal payments can be made only from surplus cash with the written permission of the District Housing Commissioner of HUD.
- Simple interest at the rate of 1% per annum is payable at the time of principal payments. Interest has accrued since the note's inception.

(B) First National Bank had issued a loan to the Organization in the total amount of \$200,000 on June 22, 2018, through funds made available through the Federal Home Loan Bank of Pittsburgh Affordable Housing Program ("AHP"). The loan bore interest at a variable rate equal to one-month LIBOR. The loan was repaid in February 2020.

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

- (C) The Organization received a loan from First National Bank in the amount of \$650,000 from funds made available from the Federal Home Loan Bank of Pittsburgh through its Affordable Housing Program (“AHP”) to finance building improvements. No payments are required during the loan period unless default occurs as defined. The loan agreement contains a requirement of compliance to maintain housing for individuals at or below levels committed at the time of application for a period of fifteen years (retention period) from the date of completion of the improvements (February 10, 2020). If the Organization meets the compliance requirement and no other default as defined in the loan documents occurs during the retention period, then repayments of the loan and interest as defined in the loan documents, will not be required.

The Organization incurred interest cost totaling \$16,716 and \$16,871 for the years ended December 31, 2020 and 2019.

5. CAPITAL LEASES

Capital lease obligations consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capital lease obligation for a copier; payable in monthly installments of \$131, including interest at 4.36%; through November 2022.	\$ 2,881	\$ 4,291
Current portion	<u>(1,473)</u>	<u>(1,410)</u>
	<u>\$ 1,408</u>	<u>\$ 2,881</u>

Future minimum lease payments under the capital lease consist of the following for the year ending December 31:

2021	\$ 1,569
2022	<u>1,438</u>
	3,007
Amount representing interest	<u>(127)</u>
	<u>\$ 2,881</u>

Interest expense on capital leases amounted to \$159 and \$16 for the years ended December 31, 2020 and 2019.

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

6. RENT INCREASES

Under the regulatory agreement, the Organization may not increase rents charged to tenants without prior HUD approval.

7. RELATED PARTY TRANSACTIONS

Some members of the Board of Directors of the Organization are also officers of PSL.

PSLHMC is the management agent. Management fees were calculated at 7.5% of revenues as specified on the management certification. Total management fees due to PSLHMC were \$85,444 and \$84,119, for the years ended December 31, 2020 and 2019, respectively. Unpaid management fees as of December 31, 2020 and 2019, are included in accounts payable – related party.

PSL and PSLHMC also advances cash to the project and pays expenses on behalf of the Organization and is reimbursed as funds allow. Total reimbursements due to PSL and PSLHMC as of December 31, 2020 and 2019, are included in accounts payable – related party.

8. NET ASSETS WITH DONOR RESTRICTIONS

Emergency Fund

The Organization has a fund that is restricted for an emergency fund for people served by the Organization. The balance in this fund is \$5,910 at December 31, 2020 and 2019.

9. COMMERCIAL LEASE

The Organization has entered into multiple lease agreements to lease space to unrelated third parties that expire over the next five years.

The following is a schedule by years of future minimum rentals under the lease at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 13,437
2022	13,794
2023	9,417
2024	5,014
2025	719
	<u>\$ 42,381</u>

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO FINANCIAL STATEMENTS

In 2020, the Organization has entered into a lease agreement with a communications carrier to install an antennae and other equipment at the property. The lease has an initial term of five years and is renewable for four additional terms of five years each. Income earned on this lease is included in other on the statement of activities.

The following is a schedule by years of future minimum rentals under the lease at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 33,000
2022	33,000
2023	33,000
2024	33,000
	<hr/>
	\$ 132,000
	<hr/>

10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization's primary asset is a 165 unit apartment project. The Organization's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

11. RISKS AND UNCERTAINTIES

The COVID-19 pandemic has caused disruption of many businesses which is resulting in significant economic uncertainties. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its effect on the Organization's tenants, employees, and vendors. All of these factors are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is unknown.

SUPPLEMENTARY INFORMATION

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2020

ASSETS

<u>Account Number</u>		
	Current assets	
1120	Cash - operations	\$ 71,481
1130	Accounts receivable - tenants	43,162
1131	Allowance for doubtful accounts	(31,975)
1135	Accounts receivable - HUD	1,158
1140	Accounts receivable - commercial	3,955
1200	Prepaid expenses	<u>16,612</u>
1100T	Total current assets	<u>104,393</u>
	Restricted deposits and funded reserves	
1191	Tenant deposits	59,900
1320	Replacement reserve	<u>318,714</u>
1300T	Total restricted deposits and funded reserves	<u>378,614</u>
	Fixed assets	
1410	Land	183,519
1420	Building	7,422,994
1440	Building equipment	277,285
1450	Furniture for project - tenant use	99,200
1460	Furnishings	477,956
1465	Office furniture and equipment	101,713
1470	Maintenance equipment	9,286
1490	Construction in progress	<u>15,965</u>
1400T	Total fixed assets	<u>8,587,918</u>
1495	Less accumulated depreciation	<u>(6,259,738)</u>
1400N	Fixed assets - net	<u>2,328,180</u>
1000T	Total assets	<u><u>\$ 2,811,187</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

Account Number		
	Current liabilities	
2110	Accounts payable	\$ 1,379,264
2210	Prepaid revenue	24,218
2190	Accrued expenses other	9,059
2190	Accrued audit	9,175
2190	Current portion of capital lease obligation	<u>1,473</u>
2122T	Total current liabilities	<u>1,423,189</u>
2191	Tenant deposits	<u>59,616</u>
	Long-term liabilities	
2325	Flexible subsidy loan payable	1,671,580
2330	Accrued interest payable - flexible subsidy loan payable	459,201
2324	AHP direct subsidy loan payable	650,000
2390	Capital lease obligation - net of current portion	<u>1,408</u>
2300T	Total long-term liabilities	<u>2,782,189</u>
2000T	Total liabilities	<u>4,264,994</u>
	Net assets (deficit)	
3131	Without donor restrictions	(1,459,717)
3132	With donor restrictions	<u>5,910</u>
3130	Total net assets (deficit)	(1,453,807)
2033T	Total liabilities and net assets (deficit)	<u><u>\$ 2,811,187</u></u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2020

Account Number		
	Revenue	
5120	Rent - gross potential	\$ 870,182
5121	Tenant assistance payments	378,003
5140	Rent - commercial	39,991
5170	Parking spaces	8,123
5190	Miscellaneous rent revenue	31,209
		<hr/>
5100T	Total rent revenue	1,327,508
5220	Vacancies - apartments	(101,310)
5250	Rent concessions	(200)
		<hr/>
5152N	Net rental revenue	1,225,998
		<hr/>
5410	Revenue from investments - operations	54
5440	Revenue from investments - replacement reserve	40
		<hr/>
5400T	Total financial revenue	94
		<hr/>
5910	Laundry and vending revenue	7,716
5970	Gifts	4,335
5990	Miscellaneous revenue	55,185
		<hr/>
5900T	Total other revenue	67,236
		<hr/>
5000T	Total revenue	1,293,328
		<hr/>
	Expenses	
6210	Advertising	5,379
6311	Office expenses	24,982
6320	Management fee	85,444
6330	Manager salaries	104,382
6340	Legal expenses - project	553
6350	Audit expense	11,675
6370	Bad debt expense	21,699
6390	Meeting expense	516
6390	Fees and permits	9,655
6390	Miscellaneous administrative expense	772
		<hr/>
6263T	Total administrative expenses	265,057
		<hr/>
6450	Electricity	107,914
6451	Water	48,570
6452	Gas and steam	25,890
6453	Sewer	22,994
		<hr/>
6400T	Total utilities expense	205,368
		<hr/>

(continued)

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2020

Account Number		
6510	Payroll	131,109
6515	Supplies	1,450
6520	Contracts	145,308
6525	Garbage and trash removal	25,219
6546	Heating/cooling repairs and maintenance	5,487
6548	Snow removal	187
6570	Vehicle and maintenance equipment operations and repair	363
6590	Repairs material	10,372
6590	Decorating	4,500
6550T	Total operating and maintenance expense	<u>323,995</u>
6710	Real estate taxes	2,625
6711	Payroll taxes	21,077
6720	Property and liability insurance	57,791
6723	Health insurance and other employee benefits	<u>36,412</u>
6700T	Total taxes and insurance	<u>117,905</u>
6820	Interest expense	16,716
6890	Interest on capital lease	159
6890	Bank fees	<u>126</u>
6800T	Total financial expenses	<u>17,001</u>
6900	Supportive services	<u>42,169</u>
6000T	Total cost of operations before depreciation	<u>971,495</u>
5060T	Profit before depreciation	321,833
6600	Depreciation	<u>202,174</u>
5060N	Operating income	<u>119,659</u>
3247	Change in net assets without donor restrictions	119,659
3248	Change in net assets with donor restrictions	<u>-</u>
3250	Change in total net assets from operations	<u>\$ 119,659</u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ -</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	<u>\$ 62,376</u>
S1000-030	Replacement reserves, or residual receipts and releases, which are included as expense items on this Profit and Loss statement	<u>\$ -</u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 1,230,294
S1200-202	Interest receipts	54
S1200-030	Other operating receipts	<u>67,236</u>
S1200-040	Total receipts	<u>1,297,584</u>
S1200-050	Administrative	177,005
S1200-070	Management fees	586,306
S1200-090	Utilities	202,119
S1200-100	Salaries and wages	401,712
S1200-110	Operating and maintenance	190,186
S1200-140	Property and liability insurance	57,791
S1200-150	Miscellaneous taxes and insurance	2,625
S1200-160	Tenant security deposits	1,594
S1200-180	Interest on mortgage	<u>-</u>
S1200-230	Total disbursements	<u>1,619,338</u>
S1200-240	Net cash used in operating activities	(321,754)
	Cash Flows from Investing Activities	
S1200-250	Net withdrawals from to reserve for replacement	(62,376)
S1200-330	Purchase of fixed assets	<u>(308,179)</u>
S1200-350	Net cash used in investing activities	(370,555)
	Cash Flows from Financing Activities	
S1200-360	Principal payments on mortgage payable	(200,000)
S1200-365	Proceeds from mortgages, loans, or notes payable	650,000
S1200-450	Repayment of capital lease obligation	<u>(1,410)</u>
S1200-460	Net cash provided by financing activities	448,590
S1200-470	Net decrease in cash	(243,719)
	Cash	
S1200-480	Beginning	<u>315,200</u>
S1200T	Ending	<u><u>\$ 71,481</u></u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

SCHEDULE OF RESERVE FOR REPLACEMENT

YEAR ENDED DECEMBER 31, 2020

Account
Number

1320P	Balance - January 1, 2020	\$ 256,298
1320DT	Monthly deposits	62,376
1320INT	Interest	40
1320WT	Withdrawals - approved by HUD	<u>-</u>
1320	Balance - December 31, 2020	<u><u>\$ 318,714</u></u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

COMPUTATION OF SURPLUS CASH - ANNUAL

YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>		
S1300-010	Cash	\$ 131,381
1135	Accounts receivable - HUD	<u>1,158</u>
S1300-040	Total cash	132,539
S1300-075	Accounts payable due within 30 days	1,379,264
S1300-100	Accrued expenses	9,059
2191	Tenant security deposits	59,616
2210	Prepaid rent	<u>24,218</u>
S1300-140	Total current obligations	<u>1,472,157</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ (1,339,618)</u></u>
S1300-210	Deposit Due Residual Receipts	<u><u>\$ -</u></u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2020

Account Number		Beginning Balance	Additions	Disposals	Ending Balance
1410	Land	\$ 183,519	\$ -	\$ -	\$ 183,519
1420	Buildings	7,179,795	243,199	-	7,422,994
1440	Building equipment	277,285	-	-	277,285
1450	Furniture for project - tenant use	99,200	-	-	99,200
1460	Furnishings	432,674	45,282	-	477,956
1465	Office furniture and equipment	98,478	3,235	-	101,713
1470	Maintenance equipment	9,286	-	-	9,286
1490	Construction in progress	218,430	-	202,465	15,965
1400T	Total fixed assets	8,498,667	291,716	202,465	8,587,918
1495	Accumulated depreciation	6,057,564	202,174	-	6,259,738
1400N	Total net book value				<u>\$ 2,328,180</u>

Schedule of Additions to Furnishings

<u>Description</u>	<u>Amount</u>
Flooring and paint (15 units)	\$ 45,282
	<u>\$ 45,282</u>

Schedule of Additions to Buildings

<u>Description</u>	<u>Amount</u>
Facade	\$ 243,199
	<u>\$ 243,199</u>

Schedule of Additions to Office Furniture and Equipment

<u>Description</u>	<u>Amount</u>
Countertops	\$ 1,290
Refrigerators and stoves (2)	1,945
	<u>\$ 3,235</u>

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)	14.164	Not available	\$ 1,671,580	\$ -
Section 8 Project-Based Cluster Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	Not available	167,446	-
Total Section 8 Project-Based Cluster			167,446	-
Housing Voucher Cluster Section 8 Housing Choice Vouchers Passed-Through Harrisburg Housing Authority	14.871	119183	209,380	-
Total Housing Voucher Cluster			209,380	-
Total expenditures of federal awards			\$ 2,048,406	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Presbyterian Apartments, Inc., Project No. 034SH006, under programs of the federal government for the year ended December 31, 2020. 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 Presbyterian Apartments, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Presbyterian Apartments, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOAN PROGRAM

Presbyterian Apartments, Inc. has received U.S. Department of Housing and Urban Development direct loans. The loan balances outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Presbyterian Apartments, Inc. received no additional loans during the year. The balance of the loans outstanding at December 31, 2020, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2020</u>
14.164	Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)	<u>\$ 1,671,580</u>
		<u><u>\$ 1,671,580</u></u>

4. INDIRECT COST RATE

Presbyterian Apartments, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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INDEPENDENT MEMBER OF



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

Independent Auditor's Report

To the Board of Directors
Presbyterian Apartments, 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 Presbyterian Apartments, Inc., HUD Project No. 034SH006, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Presbyterian Apartments, Inc.'s internal control over financial reporting 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 Presbyterian Apartments, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Presbyterian Apartments, Inc.'s internal control over financial reporting.

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.

(continued)

MAILING ADDRESS

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Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Presbyterian Apartments, Inc.'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 19, 2021

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Directors
Presbyterian Apartments, Inc.

Report on Compliance for Each Major Federal Program

We have audited Presbyterian Apartments, Inc.'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Presbyterian Apartments, Inc.'s major federal programs for the year ended December 31, 2020. Presbyterian Apartments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and recommendations.

Management's Responsibility

Management is responsible for compliance with the 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 Presbyterian Apartments, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Presbyterian Apartments, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(continued)

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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 Presbyterian Apartments, Inc.'s compliance.

Opinion on Compliance Each Major Federal Program

In our opinion, Presbyterian Apartments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Presbyterian Apartments, 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 Presbyterian Apartments, 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 the Presbyterian Apartments, 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 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 the attention by those charged with governance.

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

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

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 19, 2021

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

___ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.164

Operating Assistance for Troubled Multi-Family Housing Projects
(Flexible Subsidy Fund)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

None.

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

CERTIFICATION OF OFFICERS

YEAR ENDED DECEMBER 31, 2020

We hereby certify that we have read the foregoing financial statements and additional information of Presbyterian Apartments, Inc. and, to the best of our knowledge and belief, they are complete and accurate.

Corporate Officers

Date

DocuSigned by:

Dyan Mellister

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March 19, 2021

DocuSigned by:

James Bernardo

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March 19, 2021

PRESBYTERIAN APARTMENTS, INC.
PROJECT NO. 034SH006

MANAGING AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2020

We hereby certify that we have read the foregoing financial statements and additional information of Presbyterian Apartments, Inc. and, to the best of our knowledge and belief, they are complete and accurate.

DocuSigned by:

Dyan Mellister

Dyan Mellister
Presbyterian Senior Living Housing
Management Corporation

March 19, 2021

Date



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