

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
Lexington, Nebraska

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors  
NAF Senior Housing, Inc.

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 Standard*, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013 as of June 30, 2020, 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 a Matter***

As discussed in Note M in the Notes to the Basic Financial Statements, the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013 implemented various new accounting standards for the year June 30, 2020. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal award, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements, for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 13, 2021 on our consideration of, the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013'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 the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013'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 the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's internal control over financial reporting and compliance.

*Niewedde & Wiens, CPAs*

York, Nebraska  
January 13, 2021

## FINANCIAL STATEMENTS

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020

ASSETS:

CURRENT ASSETS

Cash and cash equivalents, unrestricted	\$ 4,794
Cash and cash equivalents, restricted	82,605
Accounts receivable	606
Prepaid expenses	1,660
TOTAL CURRENT ASSETS	<u>89,665</u>

NONCURRENT ASSETS

Land	26,944
Buildings	880,811
Equipment	2,411
TOTAL FIXED ASSETS	<u>910,166</u>
Accumulated depreciation	400,054
NET FIXED ASSETS	<u>510,112</u>
TOTAL NONCURRENT ASSETS	<u>510,112</u>
TOTAL ASSETS \$	<u><u>599,777</u></u>

LIABILITIES AND NET ASSETS (DEFICIT):

CURRENT LIABILITIES

Accounts payable	\$ 3,616
Accrued management fee payable	9,740
Accounts payable - HUD, excess residual receipts	13
Prepaid revenue	609
Tenant security deposits	4,781
TOTAL CURRENT LIABILITIES	<u>18,759</u>

NONCURRENT LIABILITIES

Mortgage payable	908,900
TOTAL NONCURRENT LIABILITIES	<u>908,900</u>
TOTAL LIABILITIES	<u>927,659</u>

NET ASSETS:

Without donor restrictions	(327,882)
With donor restrictions	-
TOTAL NET ASSETS	<u>(327,882)</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u><u>599,777</u></u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Rent income	\$ 82,866	\$ -	\$ 82,866
Other tenant charges	7,315	-	7,315
Interest income	294	-	294
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>90,475</u>	<u>-</u>	<u>90,475</u>
OPERATING EXPENSES:			
Project Services			
Administration	27,746	-	27,746
Utilities	24,867	-	24,867
Operating and maintenance	27,508	-	27,508
Taxes and insurance	4,935	-	4,935
Depreciation	18,517	-	18,517
TOTAL OPERATING EXPENSES	<u>103,573</u>	<u>-</u>	<u>103,573</u>
OPERATING REVENUES IN EXCESS OF EXPENSES	<u>(13,098)</u>	<u>-</u>	<u>(13,098)</u>
OTHER CHANGES			
Excess residual receipts recapture	(7)	-	(7)
CHANGES IN NET ASSETS	<u>(13,105)</u>	<u>-</u>	<u>(13,105)</u>
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(314,777)</u>	<u>-</u>	<u>(314,777)</u>
NET ASSETS AT END OF YEAR	<u>\$ (327,882)</u>	<u>\$ -</u>	<u>\$ (327,882)</u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Rental receipts	\$ 82,303
Interest receipts	294
Other operating receipts	<u>7,315</u>
	89,912
Administrative	(20,640)
Management fee	(17,754)
Utilities	(24,641)
Operating and maintenance	(27,332)
Property insurance	(4,892)
Tenant security deposits	<u>240</u>
	<u>(95,019)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(5,107)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(2,411)</u>
	<u>(2,411)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,411)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(7,518)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>94,917</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 87,399</u>



NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE A - ORGANIZATION**

The Project is an 18-unit apartment project for the elderly located in Lexington, Nebraska. Legal title to the Project is held by NAF Senior Housing, Inc., a nonprofit corporation. The Project is operated under the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 202 Capital Advance.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The accounts of the Project are organized and presented in accordance with Statement of Financial Accounting Standards (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Project 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. In addition, the Project is required to present a statement of cash flows.

Basis of Accounting

The accounts of the Project are maintained on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions

Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Leases

All leases the Project has are with a term of 12 months or less, a lessee so management has elected to not recognize lease assets and lease liabilities. All leases are for provided rental services and are one year leases.

Income Taxes

Neither the Project nor its nonprofit corporate owner are subject to income taxes.

Distributions

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

Estimates

The preparation of general-purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Project has no cash equivalents at June 30, 2020.

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Restricted cash and cash equivalents

In accordance with the Regulatory Agreement with HUD, the Project is required to maintain a tenant security deposit trust account. The amount must at all times be equal to or exceed the aggregate of all outstanding obligations to tenants for refundable security deposits. The tenant security deposits fund consists of cash.

The replacement reserve consists of deposits by the Project to offset specific expenses and to replace structural elements and mechanical equipment upon consent of HUD. The Project is required to deposit \$368.14 monthly to the replacement reserve. The replacement reserve fund consists of cash.

The residual receipt reserve represents surplus cash at fiscal years that is required to be deposited in the account. Any use is subject to the approval from HUD. The Project is allowed to accumulate up to \$4,500 in the account. Once above that, at the next PRAC contract renewal, the Project is required to remit the excess funds to HUD.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of June 30, 2020. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

Impairment of Long-Lived Assets

The organization reviews long lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Functional Allocation of Expenses

Expenses incurred in connection with project operations and expenses made for corporate (mortgagor entity) purposes are solely for Program Services.

Depreciation

Property and equipment are depreciated using the straight-line method. The Project generally capitalized assets with a cost of \$1,000 or more and over a one year of life or group purchases of like-kind items over \$5,000. Estimated useful lives are as follows:

Buildings and improvements	15 - 40 years
Equipment	5 – 10 years

Classification of Net Assets

Net assets of the Project are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Project. Certain restrictions may be need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise unless specifically required to be included in donor-restricted net assets by the do not or by applicable state law.

The Project does not interpret the guidance in the standard to include amounts restricted by HUD as donor-restricted. The project believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Project at June 30, 2020 were considered to be net assets without donor restriction at June 30, 2020.

Revenue Recognition

The Project's primary revenue stream is rent charges for residential units under leases with durations of less than one year. The Project records revenue for such leases at gross potential rent as prescribed by HUD. The rental value of vacancies and other concessions are stated separately to present net rental income on the accrual basis. Subsidy revenue for low-income eligible tenants is provided under a PRAC contract. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by the Department of Housing and Urban Development (HUD). The difference from the calculated subsidy and the contract rent is paid by the HUD.

Subsidy income is considered part of the lease and is not considered a contribution under ASC 958. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606. The Project believes that such both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by the Project on behalf of the tenant, such as utilities and other monthly fees. Additional revenue includes laundry, vending, pet and parking fees as well as damages. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

**NOTE C – LIQUIDITY**

At June 30, 2020, the Project has \$5,400 available to meet needs for general expenditures consisting of cash of \$4,794 and accounts receivables of \$606. These funds are available to meet the cash needs of the project in the next 12 months. In addition, the Project may maintain funds in a reserve for replacement or residual receipts. These funds are used for the benefit of the tenants and/or Project and are required by HUD. The funds may be withdrawn only with the approval of HUD. Such funds are not considered by the Project to have donor-restrictions.

**NOTE D – CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

The Project had unrestricted cash and cash equivalents of \$4,794 at June 30, 2020.

The Project had \$4,781 of cash and cash equivalents restricted for tenant security deposit liabilities.

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE D – CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONT'D)**

The Project had \$4,513 of cash and cash equivalents restricted for residual receipts. Under the regulatory agreement, the Project is required to set aside surplus that may be used for other project expenditures as approved by HUD.

The Project had \$73,311 of cash and cash equivalents restricted for replacement reserves. Under the regulatory agreement, the Project is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents	\$	4,794
Restricted cash		82,605
Total Cash, Cash Equivalents and Restricted Cash	\$	<u>87,399</u>

**NOTE E - MORTGAGE PAYABLE**

The mortgage payable as of June 30, 2020, represents a capital advance provided by HUD for the development of the project. The capital advance shall bear no interest and is not required to be repaid so long as the housing remains available to eligible very low income households for a period of 40 years and in accordance with Section 202. The capital advance is secured by a mortgage on the said property.

**NOTE F - NET ASSETS**

All net assets were not subject to donor-imposed restrictions. Accordingly, all other net assets are accounted for as net assets without donor restrictions.

**NOTE G – LAND, BUILDING AND EQUIPMENT**

A summary of land, building and equipment at June 30, 2020 is as follows:

Assets	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 26,944	\$ -	\$ -	\$ 26,944
Building	880,811	-	-	880,811
Building equipment	-	2,411	-	2,411
TOTAL	<u>\$ 907,755</u>	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ 910,166</u>
Accumulated depreciation				
Building	381,537	18,336	-	399,873
Building equipment	-	181	-	181
TOTAL	<u>\$ 381,537</u>	<u>\$ 18,517</u>	<u>\$ -</u>	<u>\$ 400,054</u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE H - RENT INCREASES**

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

**NOTE I – MANAGEMENT FEE**

The Project pays a management fee of \$34 per occupied unit to the Housing Authority of the City of Lexington, Nebraska.

**NOTE J – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Project's sole asset is a 18-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local 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 of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with change.

**NOTE K – SUBSEQUENT EVENTS**

Management has evaluated that no subsequent events that need to be disclosed through January 13, 2021. This was the date the general-purpose financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE L – FUNCTIONAL EXPENSES**

The Project provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional expenses that require allocation between activities.

	Program Services Rental Operations	Supporting Activities Management and General	Total Expenses
Management fees	\$ -	\$ 7,106	\$ 7,106
Office expense	10,031	-	10,031
Advertising	471	-	471
Legal	-	-	-
Accounting	-	1,715	1,715
Audit	-	8,422	8,422
Utilities	24,867	-	24,867
Maintenance supplies	4,213	-	4,213
Maintenance contract costs	23,296	-	23,296
Insurance and taxes	4,935	-	4,935
Depreciation	18,517	-	18,517
Entity expenses	-	7	7
Totals	\$ <u>86,331</u>	\$ <u>17,250</u>	\$ <u>103,582</u>

**NOTE M – ADOPTION OF ACCOUNTING PRONOUNCEMENT**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Project adopted ASC 606 and all related amendments using the modified retrospective transition method. The Project concluded that the adoption of the new standard did not require an adjustment to the opening shareholders' equity balance.

In November 2016, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) No. 2016-18, which changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents (Cash) in the statement of cash flows. The standard requires that change in all Cash when reconciling the beginning and ending cash balances shown on the statement of cash flows. The standard does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities.

In June 2018, FASB issued ASU 2018-08, to improve the scope and accounting guidance for contributions received and contributions made. The standard should be used to assist entities in 1) evaluating whether transactions should be accounted for as contributions or as other exchange guidance subject to other guidance. This standard establishes that PRAC payments, although not a result of a reciprocal transaction, they are to be considered as exchange transactions.

## SUPPLEMENTAL INFORMATION

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
SCHEDULE OF BALANCE SHEET DATA  
June 30, 2020

Account No.			
	ASSETS		
	CURRENT ASSETS		
1120	Cash - operations	\$	4,794
1140	Accounts and notes receivable - operations		606
1200	Prepaid expenses		1,660
1100T		TOTAL CURRENT ASSETS	7,060
1191	TENANT DEPOSITS HELD IN TRUST		4,781
	RESTRICTED DEPOSITS		
1320	Replacement reserve		73,311
1340	Residual receipts		4,513
1300T		TOTAL DEPOSITS	77,824
	PROPERTY AND EQUIPMENT		
1410	Land		26,944
1420	Building		880,811
1440	Building equipment		2,411
1400T		TOTAL FIXED ASSETS	910,166
1495	Accumulated depreciation		400,054
1400N		NET FIXED ASSETS	510,112
1000T		TOTAL ASSETS	599,777
	LIABILITIES AND NET ASSETS (DEFICIT)		
	CURRENT LIABILITIES		
2110	Accounts payable - 30 days		3,616
2123	Accrued management fee payable		9,740
2190	Miscellaneous current liability		13
2210	Prepaid revenue		609
2122T		TOTAL CURRENT LIABILITIES	13,978
2191	TENANT SECURITY DEPOSITS		4,781
2320	MORTGAGE PAYABLE		908,900
2000T		TOTAL LIABILITIES	927,659
	NET ASSETS (DEFICIT)		
3131	Net assets without donor restrictions		(327,882)
3133	Net assets with donor restrictions		-
3130		TOTAL NET ASSETS	(327,882)
2033T		TOTAL LIABILITIES AND NET ASSETS (DEFICIT) \$	599,777



NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
SCHEDULE OF PROFIT AND LOSS DATA  
Year Ended June 30, 2020

Account No.			
	REVENUES		
5120	Rent revenue - gross potential	\$	64,244
5121	Tenant assistance payments		<u>25,360</u>
5100T		TOTAL RENT REVENUE	<u>89,604</u>
5220	Vacancies - apartments		<u>6,738</u>
5152N		NET RENTAL REVENUE	<u>82,866</u>
5410	Financial revenue - project operations		19
5430	Revenue from investments - residual receipts		7
5440	Revenue from investments - reserve from replacements		<u>268</u>
5400T		TOTAL FINANCIAL REVENUE	<u>294</u>
5910	Laundry and vending revenue		1,365
5920	Tenant charges		<u>5,950</u>
5900T		TOTAL OTHER REVENUE	<u>7,315</u>
5000T		TOTAL REVENUE	<u>90,475</u>
	EXPENSES		
6210	Advertising		471
6311	Office expense		10,032
6320	Management fee		7,106
6350	Audit expense		8,422
6351	Bookkeeping		<u>1,715</u>
6263T		TOTAL ADMINISTRATION EXPENSES	<u>27,746</u>
6450	Electricity		20,255
6451	Water		<u>4,612</u>
6400T		TOTAL UTILITIES EXPENSE	<u>24,867</u>
6515	Supplies		4,213
6520	Contracts		22,387
6525	Garbage removal		603
6546	Heating/cooling repairs and maintenance		<u>305</u>
6500T		TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>27,508</u>
6720	Property and liability insurance		<u>4,935</u>
6700T		TOTAL TAXES AND INSURANCE \$	<u>4,935</u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
SCHEDULE OF PROFIT AND LOSS DATA (Continued)  
Year Ended June 30, 2020

Account No.			
6820	Interest on mortgage payable		\$ -
6800T		TOTAL FINANCIAL EXPENSES	-
6000T		TOTAL COST OF OPERATIONS BEFORE DEPRECIATION	85,056
5060T		PROFIT (LOSS) BEFORE DEPRECIATION	5,419
6600	Depreciation expense		18,517
5060N		OPERATING PROFIT OR (LOSS)	<u>\$ (13,098)</u>
7190	Other expenses		\$ 7
7100T	Net Entity Expense		<u>\$ 7</u>
	CHANGE IN NET ASSETS FROM OPERATIONS		
3247	Change in net assets without donor restrictions		(13,105)
3249	Change in net assets with donor restrictions		-
3250		CHANGE IN NET ASSETS FROM OPERATIONS	<u>\$ (13,105)</u>
S1000-010	Total mortgage principal payments required during the year.		-
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by regulatory agreement		4,416
S1000-030	Replacement reserve or residual receipts releases which are included as expense items on this profit and loss statement.		4,309
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement		-

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
SCHEDULE OF EQUITY DATA  
Year Ended June 30, 2020

S1100-060	Previous Year Net Assets Without Donor Restrictions	\$	(314,777)
3247	Changes in Net Assets Without Donor Restrictions		(13,105)
S1100-065	Other Changes in Net Assets Without Donor Restrictions		-
3131	Net Assets Without Donor Restrictions	\$	<u>(327,882)</u>
S1100-080	Previous Year Net Assets With Donor Restrictions	\$	-
3249	Changes in Net Assets With Donor Restrictions		-
S1100-085	Other Changes in Net Assets With Donor Restrictions		-
3133	Net Assets With Donor Restrictions	\$	<u>-</u>
S1100-050	Previous Year Total Net Assets	\$	(314,777)
3250	Changes in Total Net Assets From Operations		(13,105)
S1100-055	Other Changes in Total Net Assets		-
3130	Total Net Assets	\$	<u>(327,882)</u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
STATEMENT OF CASH FLOWS DATA  
Year Ended June 30, 2020

Account No.			
	CASH FLOWS FROM OPERATING ACTIVITIES		
S1200-010	Rental receipts	\$	82,303
S1200-020	Interest receipts		294
S1200-030	Other operating receipts		<u>7,315</u>
S1200-040		TOTAL RECEIPTS	89,912
S1200-050	Administrative		(20,640)
S1200-070	Management fee		(17,754)
S1200-090	Utilities		(24,641)
S1200-110	Operating and maintenance		(27,332)
S1200-140	Property insurance		<u>(4,892)</u>
S1200-230		TOTAL DISBURSEMENTS	(95,259)
	NET CASH PROVIDED BY OPERATING ACTIVITIES		(5,347)
	CASH FLOWS FROM INVESTING ACTIVITIES		
S1200-250	Net deposits to replacement reserve deposits		(375)
S1200-260	Net deposit to the residual receipts account		(7)
S1200-330	Net purchase of fixed assets		<u>(2,411)</u>
S1200-350		NET CASH USED IN INVESTING ACTIVITIES	(2,793)
S1200-470		NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,140)
S1200-480	Cash - beginning of period		<u>12,934</u>
S1200T		CASH - END OF PERIOD \$	<u><u>4,794</u></u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
HUD REQUIRED SUPPLEMENTAL DATA  
Year Ended June 30, 2020

COMPUTATION OF SURPLUS CASH-ANNUAL

Cash	\$ 4,794
Cash - tenant security deposits	4,781
Total Cash	<u>9,575</u>
Current Obligations	
Accounts payable - 30 days	3,616
Accrued expenses	9,740
Prepaid revenue	609
Tenant security deposits	4,781
TOTAL CURRENT OBLIGATIONS	<u>18,746</u>
SURPLUS CASH (DEFICIENCY)	<u>\$ (9,171)</u>

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

	Assets	Beginning Balance	Additions	Deductions	Ending Balance
1410	Land	\$ 26,944	\$ -	\$ -	\$ 26,944
1420	Building	880,811	-	-	880,811
1440	Building equipment	-	2,411	-	2,411
	TOTAL	<u>\$ 907,755</u>	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ 910,166</u>
	Accumulated depreciation				
	Building	381,537	18,336	-	399,873
	Building equipment	-	181	-	181
	TOTAL	<u>\$ 381,537</u>	<u>\$ 18,517</u>	<u>\$ -</u>	<u>\$ 400,054</u>
	Net Book Value				<u>\$ 510,112</u>

SCHEDULE OF RESERVE FOR REPLACEMENTS

Balance at beginning of year	\$ 72,936
Total monthly deposits	4,416
Interest	268
HUD approved withdrawals	(4,309)
Balance at end of year	<u>\$ 73,311</u>

SCHEDULE OF RESIDUAL RECEIPTS

Balance at beginning of year	\$ 4,506
Total deposits	-
Approved withdrawals	-
Interest	7
Balance at end of year	<u>\$ 4,513</u>

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT NO. 103-EE013  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 202 Capital Advance	14.157	\$ <u>934,260</u> \$ <u>934,260</u>

Notes to the Schedule

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NAF Senior Housing, Inc., Eastlawn East - HUD Project No. 103-EE013 and is presented on the accrual basis of accounting. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
2. The outstanding balance of the Section 202 Capital Advance Program mortgage at June 30, 2019 was \$908,900.
3. The entity did not elect to use the 10% de minimus cost rate as covered in § 200.414 Indirect (F&A) costs.

## SINGLE AUDIT SECTION

**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  
NAF Senior Housing, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's internal control. Accordingly, we do not express an opinion on the effectiveness of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013'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 financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Niewedde & Wiens, CPAs*

York, Nebraska  
January 13, 2021

**Report on Compliance For Each Major Federal Program; Report on  
Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors  
NAF Senior Housing, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013'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 the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's major federal programs for the year ended June 30, 2020. The NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013'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 NAF Senior Housing, Inc., Eastlawn East -HUD Project No. 103-EE013's internal control over compliance.

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

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

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

*Niewedde & Wiens, CPAs*

York, Nebraska  
January 13, 2021

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2020

The audit report for the year ended June 30, 2019 contained no findings and no questioned costs.

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST – HUD PROJECT NO. 103-EE013  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

**Section I - Summary of Auditors Results:**

- We issued an unmodified opinion on the financial statements of the NAF Senior Housing, Inc., Eastlawn East – HUD Project No. 103-EE013 for the fiscal year ended June 30, 2020.

**Financial Statements:**

- The results of our audit procedures disclosed no material weaknesses and no significant deficiencies in internal control over financial reporting for the fiscal year ended June 30, 2020.
- No instances of noncompliance which are material to the financial statements for the fiscal year ended June 30, 2020 were noted.

**Federal Awards:**

- We issued an unmodified opinion on compliance for major programs for the fiscal year ended June 30, 2020.
- The results of our audit procedures disclosed no material weaknesses and no significant deficiencies in internal control over major programs for the fiscal year ended June 30, 2020.
- The results of our audit procedures disclosed no audit findings that are required to be reported under code § .516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- The programs identified and audited as major are as follows: Section 202 Capital Advance Program.
- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- For the fiscal year ended June 30, 2020, the NAF Senior Housing, Inc., Eastlawn East – HUD Project No. 103-EE013 did not qualify as a low-risk auditee.

**Section II - Financial Statement Findings:**

None

**Section III - Federal Award Findings and Questioned Costs:**

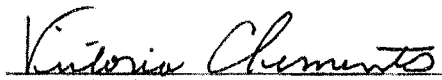
None

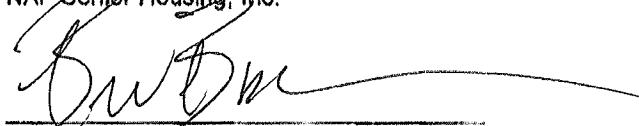
## OTHER INFORMATION

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT 103-EE013  
Year Ended June 30, 2020

CERTIFICATE OF PROJECT OWNER

We hereby certify that we have examined the accompanying Financial Statements and Supplemental Data of NAF Senior Housing, Inc., Eastlawn East, HUD Project No. 103-EE013 and, to the best of our knowledge and belief, the same is complete and accurate.

  
Board Member  
NAF Senior Housing, Inc.

  
Board Member  
NAF Senior Housing, Inc.

1-5-2021  
Date

Employer's Identification Number 47-0798800

NAF SENIOR HOUSING, INC.  
EASTLAWN EAST - HUD PROJECT 103-EE013  
Year Ended June 30, 2020

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying Financial Statements and Supplemental Data of NAF Senior Housing, Inc., Eastlawn East, HUD Project No. 103-EE013 and, to the best of our knowledge and belief, the same is complete and accurate.

  
Derek Haines, Project Manager  
Housing Authority of the City of Lexington, Nebraska

1-5-2021  
Date

Employer's Identification Number 47-0482346



AGREED-UPON PROCEDURE

## Independent Accountant's Report on Applying Agreed-Upon Procedure

To the Board of Directors  
NAF Senior Housing, Inc.

We have performed the procedure enumerated in the second paragraph of this report, which was agreed to by NAF Senior Housing, Inc. and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents within the OMB Uniform Administrative Requirement reporting package. NAF Senior Housing, Inc. is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure enumerated below either for the purpose for which this report has been requested or for any other purpose.

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

Procedures	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e. Supplemental Schedules)	Agrees
2	Surplus Cash (S1300 series accounts)	Financial Data Templates (i.e. Computation of Surplus Cash, Distributions, and Residual Receipts – (Annual))	Agrees
3	Footnotes (S3100 series or accounts)	Footnotes to Audited Basic Financial Statements	Agrees
4	Type of opinion on the Financial Statement and auditor reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
5	Type of opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
6	Audit findings narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
7	General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an

opinion or conclusion, respectively, on the electronic submission of the items listed in the "UFRS Rule Information" column in the chart below. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with *2 CFR 200, Subpart F, Audit Requirements* for NAF Senior Housing, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated January 13, 2021. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the NAF Senior Housing, Inc.'s supplementary information dated January 13, 2021, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the OMB Uniform Administrative Requirement reporting package and the FDS, which includes the auditor's report, is available in its entirety from the NAF Senior Housing, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit report. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

*Niewedde & Wiens, CPAs*

January 13, 2021