

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING
ASSOCIATION LIMITED PARTNERSHIP**

MSHDA DEVELOPMENT NO. 1025

**REPORT ON FINANCIAL STATEMENTS
(with supplementary information)**

YEAR ENDED DECEMBER 31, 2020

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**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025**

PARTNERS' CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary information of Lake Huron Woods Limited Dividend Housing Association Limited Partnership, MSHDA Development No. 1025, and, to the best of my knowledge and belief, they represent a true statement of the data set forth therein for the year ended December 31, 2020.

Brian W. Carnaghi

Brian Carnaghi
5221 Lakeshore LLC, General Partner

Partnership Employer Identification Number: 27-0032703

INDEPENDENT AUDITOR'S REPORT

To the Partners
Lake Huron Woods Limited Dividend Housing Association
Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Huron Woods Limited Dividend Housing Association Limited Partnership, MSHDA Development No. 1025, which comprise the balance sheet as of December 31, 2020, and the related statements of profit and loss, changes in partners equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Lake Huron Woods Limited Dividend Housing Association Limited Partnership as of December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021 on our consideration of Lake Huron Woods Limited Dividend Housing Association Limited Partnership'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 Lake Huron Woods Limited Dividend Housing Association Limited Partnership'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 Lake Huron Woods Limited Dividend Housing Association Limited Partnership's internal control over financial reporting and compliance.

Maney Costeiran PC

February 23, 2021

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
BALANCE SHEET
DECEMBER 31, 2020**

ASSETS

Current assets

Cash and cash equivalents

Operating	\$ 93,000
Operating reserve	<u>35,264</u>

Total cash and cash equivalents 128,264

Accounts receivable

Resident rent	11,477
Rental assistance	1,358
Prepaid expenses	<u>41,844</u>

Total current assets 182,943

Restricted cash and funded reserves

Tenant security deposits	9,750
Tax escrow	15,642
Insurance escrow	41,290
Replacement reserve	1,242,513
Operating assurance reserve	<u>312,866</u>

Total restricted cash and funded reserves 1,622,061

Long-term assets

Rental property

Land	211,227
Building	11,311,117
Land improvements	272,551
Furniture and fixtures	<u>814,740</u>

Total rental property 12,609,635

Less accumulated depreciation (5,556,632)

Net rental property 7,053,003

TOTAL ASSETS \$ 8,858,007

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

Current liabilities

Accounts payable

Trade	\$ 51,599
Related party	38,530

Accrued liabilities

Wages	5,235
Interest	39,735
Payment in lieu of taxes (PILOT)	48,141
Miscellaneous	<u>4,912</u>

Total current liabilities	<u>188,152</u>
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Deposits and prepayment liabilities

Unearned rental revenue	7,803
Tenant security deposits	<u>7,759</u>

Total deposits and prepayment liabilities	<u>15,562</u>
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Long-term liabilities

Mortgages payable

First mortgage - MSHDA	11,219,540
Second mortgage - MSHDA	<u>1,812,955</u>

Total mortgages payable	13,032,495
Less unamortized debt issuance costs	<u>(120,256)</u>

Net mortgages payable	12,912,239
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Advances payable - related party

PVM	116,606
Cinnaire	99,826
Deferred interest - MSHDA	<u>2,875,388</u>

Total long-term liabilities	<u>16,004,059</u>
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TOTAL LIABILITIES	16,207,773
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PARTNERS' EQUITY (DEFICIT)	<u>(7,349,766)</u>
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TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)	<u><u>\$ 8,858,007</u></u>
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**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
STATEMENT OF PROFIT AND LOSS
YEAR ENDED DECEMBER 31, 2020**

REVENUE	
Rental revenue	
Apartments	\$ 1,683,044
Vacancy loss	(147,243)
Concessions and gain (loss) to lease	<u>(62,368)</u>
Net rental revenue	<u>1,473,433</u>
Other revenue	
Interest	36,382
Tenant charges	13,235
Services	273,091
Other	<u>48,166</u>
Total other revenue	<u>370,874</u>
TOTAL REVENUE	<u>1,844,307</u>
EXPENSES	
Administrative	125,681
Management fees	61,176
Premium management fees	9,512
Salaries and wages	381,501
Audit fee	10,810
Bad debts (recovery)	(808)
Meal supplies	120,439
Operating and maintenance	207,405
Utilities	138,247
Depreciation	344,298
Payment in lieu of taxes	51,732
Payroll taxes	32,301
Insurance	57,603
Interest	<u>733,959</u>
TOTAL EXPENSES	<u>2,273,856</u>
NET LOSS	<u><u>\$ (429,549)</u></u>

See notes to financial statements.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
STATEMENT OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2020**

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</u>
BALANCE, January 1, 2020	\$ (7,282,870)	\$ 362,653	\$ (6,920,217)
Net loss	<u>(429,506)</u>	<u>(43)</u>	<u>(429,549)</u>
BALANCE, December 31, 2020	<u>\$ (7,712,376)</u>	<u>\$ 362,610</u>	<u>\$ (7,349,766)</u>

See notes to financial statements.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	
Cash flows from operating activities	
Net loss	<u>\$ (429,549)</u>
Adjustments to reconcile net loss to net cash provided (used) by operating activities	
Depreciation	344,298
Deferred interest	239,989
Amortization of debt issuance costs (interest expense)	6,541
Accounts receivable	(7,707)
Prepaid expenses	(558)
Accounts payable	70,395
Accrued liabilities	(27,598)
Unearned rental income	<u>708</u>
Total adjustments	<u>626,068</u>
Net cash provided by operating activities	<u>196,519</u>
Cash flows from investing activities	
Purchase of rental property	<u>(64,963)</u>
Cash flows from financing activities	
Proceeds from related party advance	<u>4,148</u>
NET INCREASE IN CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	135,704
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	
Beginning of year	<u>1,614,621</u>
End of year	<u><u>\$ 1,750,325</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	<u><u>\$ 487,429</u></u>

See notes to financial statements.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Cash and Cash Equivalents - The Partnership's cash and cash equivalents are considered to be cash on hand, demand deposits, and any unrestricted investment instruments with original maturities of three months or less. As of December 31, 2020, cash and cash equivalents consists of operating cash and operating reserves.

Restricted Cash and Funded Reserves - Tenant security deposits, tax and insurance escrows, reserve for replacement, and operating assurance reserve are considered restricted due to restrictions placed on these accounts.

The following table provides a reconciliation of cash and cash equivalents and restricted cash and funded reserves reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows as of December 31, 2020:

Cash and cash equivalents	\$ 128,264
Restricted cash and funded reserves	<u>1,622,061</u>
 Total cash and cash equivalents and restricted cash and funded reserves	 <u><u>\$ 1,750,325</u></u>

Tenant Security Deposits - Partnership maintains accounts for security deposits received from tenants. The cash is restricted for reimbursement of the security deposits unless there is evidence of default by a tenant under the lease agreement. All of the \$7,759 owed to tenants has been segregated in restricted cash accounts as of December 31, 2020.

Tax and Insurance Escrows - Tax and insurance escrows are restricted cash for payments of PILOT and insurance premiums. Partnership is required to establish and maintain these escrow accounts. These accounts are used to receive monthly deposits sufficient to pay annual PILOT and insurance premiums that are paid from the accounts.

Replacement Reserve - A reserve for replacement is to be funded annually as required by MSHDA.

Operating Reserve - An operating reserve was established to remain in place for the duration of the compliance period. The reserve is to be used for operating expenses and other expenses benefiting the Partnership.

Operating Assurance Reserve - An operating reserve was established at the time of the initial disbursement of the loan proceeds from MSHDA. The reserve may be used for operating shortfalls, replacement reserve needs, or other underfunded escrows and obligations to MSHDA.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable represents the Partnership's right to consideration that is unconditional if only the passage of time is required before payment of that consideration is due. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Debt Issuance Costs - Debt issuance costs are amortized over 35 years utilizing the straight-line method. The annual amortization is included in interest expense.

Rental Property and Depreciation - Rental property is stated at cost. Depreciation is computed over the estimated useful life of the assets utilizing straight line and accelerated methods for both financial reporting and income tax purposes. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes - The income or loss of the Partnership is reportable by the Partners on their individual federal income tax return. Partnership net revenue is allocated to the Partners per the partnership agreement.

Distributions - The Partnership is subject to restrictions under agreements with the Michigan State Housing Development Authority (MSHDA) as to rental charges, operating policies, and distributions to Partners.

Partners' Personal Interests - These statements do not give effect to any assets the Partners may have outside their interests in the business nor to any personal obligations, including income taxes, of the Partners.

Payment in Lieu of Taxes - The Partnership is a participant in a tax abatement program with the Charter Township of Fort Gratiot providing for payment of a service fee in lieu of regular property taxes. The service fee is \$30,000 per year beginning in 2004, increasing 3% each year. The payments are expensed in the year in which the related rental income and utilities expense is recognized.

Advertising Costs - Advertising costs are expensed as incurred.

Unearned Rental Revenue - The Partnership records unearned revenue when cash payments are received or due in advance of the Partnership's performance, including amounts which are refundable.

Revenue Recognition - The Partnership recognized net rental revenue in the period in which the rent is earned. Revenue received from contracts with tenants for housing and related services is recorded over the period of the lease term. Performance obligations identified in the contracts are satisfied on a monthly basis as housing and other services are provided to each tenant. Revenue is recognized in an amount that reflects consideration the Partnership expects to be entitled to in exchange for the housing and other related services provided. In accordance with the MSHDA financial reporting requirements, net rental revenue represents total possible rent revenue as if all units are 100% occupied during the year less vacancy loss, concessions, and loss to lease.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following schedule shows the Partnership's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31, 2020:

Contract revenue recognized at a point in time	
Resident charges	\$ 61,401
Contract revenue recognized over time	
Net rental revenue	1,473,433
Services provided to tenants	<u>273,091</u>
Total contract revenue	1,807,925
Interest revenue	<u>36,382</u>
Total revenue	<u><u>\$ 1,844,307</u></u>

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Lake Huron Woods Limited Dividend Housing Association Limited Partnership (the Partnership) was organized in 2002 as a limited partnership exclusively to develop, construct, own, maintain and operate a 116-unit rental housing project for persons of low and moderate income, pursuant to the Michigan State Housing Development Authority Act of 1966, as amended. Occupancy of the units began in 2004. The project is located in Fort Gratiot Township, Michigan. The major activities of the Partnership, including rental rates, are governed by the partnership agreement and MSHDA.

Under the terms of the regulatory agreement executed in connection with obtaining the Section 1602 tax credit exchange program funds, MSHDA regulates rental rates and distribution to owners. The regulatory agreement contains requirements including operating policies, limiting distributions to owners, and maintaining various funded reserves and escrows.

The Partnership has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Partnership as to occupant eligibility and unit gross rent, among other requirements. The Partnership must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the Partnership has executed an extended low-income housing agreement, which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the project.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The Partnership's profit and loss is allocated, other than special allocations defined in the partnership agreement, as follows:

	<u>Profit</u>	<u>Loss</u>
General partner		
5221 Lakeshore LLC	0.01%	0.01%
Limited partner		
Lake Huron Woods LP, LLC	99.99%	99.99%

Effective January 1, 2020, the investor limited partner assigned and transferred all of its partnership interest to Lake Huron Woods LP, LLC and Property Stabilization, Inc. withdrew as managing general partner.

The Partnership is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Partnership to concentrations of credit risk consist principally of temporary cash investments.

The Partnership places its temporary cash investments with FDIC insured financial institutions and MSHDA. Although such investments and cash balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk.

The Partnership evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through February 23, 2021, which is the date the financial statements were available to be issued.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on tenants, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain. On January 20, 2021, the Center for Disease Control and Prevention (CDC) extended the federal moratorium on tenant evictions until March 31, 2021.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts.

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CONTRACT ASSETS AND CONTRACT LIABILITIES

Opening and closing balances of accounts receivable, unearned rental revenue, and tenant security deposits liability consist of the following as of December 31, 2020:

Contract assets	
Accounts receivable - resident rent, beginning of year	\$ 4,665
Accounts receivable - resident rent, end of year	<u>\$ 11,477</u>
Accounts receivable - rental assistance, beginning of year	<u>\$ 463</u>
Accounts receivable - rental assistance, end of year	<u>\$ 1,358</u>
Contract liabilities	
Unearned rental revenue, beginning of year	\$ 7,095
Unearned rental revenue, end of year	<u>\$ 7,803</u>
Tenant security deposits liability, beginning of year	\$ 7,759
Tenant security deposits liability, end of year	<u>\$ 7,759</u>

NOTE 4 - MORTGAGES PAYABLE

Loans payable at December 31, 2020 consist of the following:

First mortgage - MSHDA - The Partnership has a mortgage note payable to MSHDA in the original amount of \$11,447,500. The mortgage bears interest at an annual effective rate of 5.5%. The Partnership entered into a restructuring agreement with MSHDA in May 2024. Under the terms of the agreement, principal and a portion of the interest will be deferred until December 31, 2024 (end of workout period). Monthly principal and interest payments of \$61,475 will resume on January 1, 2025. During the workout period, interest only payments of \$39,736 per month are required and the interest paid rate is reduced from 5.5% to 4.25%. Beginning January 1, 2025 the interest paid rate will be 4.5% for the remainder of the mortgage period, with the 1% reduction being accrued and deferred until maturity. All deferred principal and interest will be due as a balloon payment at maturity. The loan matures on December 1, 2042.

\$ 11,219,540

Second mortgage - MSHDA - The Partnership has a second mortgage note payable to MSHDA in the original amount of \$1,812,955. The note bears interest at 5.5% per annum. The terms provide for the second mortgage loan to be paid in full at the earlier of the maturity date of the first mortgage loan, or the refinancing, sale, or re-syndication of the Partnership. No principal or interest payments are required until that date. The loan is collateralized by real estate held for lease and an assignment of rent and leases.

1,812,955

\$ 13,032,495

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - MORTGAGES PAYABLE (continued)

The mortgages payable mature as follows:

Year Ending December 31,							
2021				\$		-	
2022						-	
2023						-	
2024						-	
2025						-	
Thereafter						13,032,495	
						\$ 13,032,495	

The fair value of the loans payable is estimated based on the current rates offered to the Partnership for debt of the same remaining maturities. At December 31, 2020, the fair value of the loans payable approximates the amounts recorded in the financial statements.

NOTE 5 - RELATED PARTY TRANSACTIONS

Amounts paid to related parties are as follows at December 31, 2020:

Name of Related Party	Relationship	Brief Description of Work/Services Performed	Partnership or Operating account	Balance, 1/1/2020	2020 Services Invoiced	2020 Payments	Balance, 12/31/2020	Terms of Settlement
Presbyterian Villages of Michigan	Affiliate of the general partner	Operating advance	Operating	\$ -	\$ 518,227	(479,697)	\$ 38,530	Current payable
Presbyterian Villages of Michigan	Affiliate of the general partner	Management fees and accrued interest	Partnership	112,458	4,148	-	116,606	To be paid from surplus cash
Cinnaire	Affiliate of the prior limited partner	Owner Advance	Partnership	99,826	-	-	99,826	To be paid from surplus cash

**LAKE HURON WOODS LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP
MSHDA DEVELOPMENT NO. 1025
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - DISTRIBUTION OF CASH FLOW

In accordance with the terms of the restructuring agreement with MSHDA, as long as any deferred interest or principal is outstanding on the first mortgage, any cash available for distribution shall be applied first to the outstanding deferred interest, and then to principal. After all payments on the mortgage have been made, cash flow shall be distributed in the following order and priority in accordance with the partnership agreement:

- (i) First, to the limited partner to the extent of any amount which the limited partner is entitled to receive from cash flow as payment to satisfy any credit reduction payment.
- (ii) Second, 100% of the remaining cash flow to reimburse Cinnaire (or any affiliate of Cinnaire making such advance) for and advances until Cinnaire shall be fully reimbursed, therefore.
- (iii) Third, to the developer to pay any unpaid and deferred development fee payable pursuant to the development agreement.
- (iv) Fourth, to the limited partner an investor service fee pursuant to the investor services agreement in an amount not to exceed \$5,000, which fee shall be paid annually but is noncumulative.
- (v) Fifth, to the general partner a partnership management fee pursuant to the partnership management services agreement in an annual, noncumulative amount not to exceed \$40,000.
- (vi) Sixth, 50% of the balance to the general partner as an incentive management fee pursuant to the incentive management fee agreement in an annual, noncumulative amount not to exceed \$30,000.
- (vii) The remainder shall be distributed 50% to the general partner and 50% to the limited partner.

NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Concentration in Affordable Housing Market

The Partnership's operations are concentrated in the real estate rental market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, MSHDA and HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by MSHDA and 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.

NOTE 8 - CARES ACT FUNDING

The Partnership did not receive financial relief funds established by the CARES Act either directly or indirectly during the year ended December 31, 2020.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Compliance Variance Notes

Account Balance Variances

Account 1	Vacancy Loss (1b)		
If "Other" selected above, provide name of account			
RECONCILIATION			
	Balance per MIE:	48,835	
	Balance per Balance Sheet or Income Statement:	147,243	
	Variance	(98,408)	
	Variance Percentage	-66.83%	
	Balance per MIE:		48,835
	Reconciling Items:		
	Amounts		
	To adjust GRP to maximum	98,408	
	Total Adjustments:		98,408
	Balance Per Balance Sheet or Income Statement:		147,243
Explanation:			
Management made an entry to adjust gross rent potential to the maximum after the MIE was submitted.			

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Account 2 **Marketing Rent Concessions (1e)**

If "Other" selected above, provide name of account

RECONCILIATION

	Balance per MIE:	1,000
	Balance per Balance Sheet or Income Statement:	62,368
	Variance	(61,368)
	Variance Percentage	-98.40%

Balance per MIE:	1,000
Reconciling Items:	
Amounts	

To adjust GRP to maximum	61,368
Total Adjustments:	61,368

Balance Per Balance Sheet or Income Statement:	62,368
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Explanation:

Management made an entry to adjust gross rent potential to the maximum after the MIE was submitted.

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Account 3	Management Fees (4a)		
If "Other" selected above, provide name of account			
RECONCILIATION			
	Balance per MIE:	71,503	
	Balance Per Balance Sheet or Income Statement:	61,176	
	Variance	10,327	
	Variance Percentage	16.88%	
	Balance per MIE:		71,503
	Reconciling Items:		
	Amounts		
To reclassify premium management fees	(9,512)		
Other misc adjustment	(815)		
	Total Adjustments:		(10,327)
	Balance Per Balance Sheet or Income Statement:		61,176
Explanation:			
Auditor made reclassifying entry to present premium management fees separate from management fees.			

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Account 6	Payroll-Marketing (5b)
If "Other" selected above, provide name of account	
RECONCILIATION	
Balance per MIE:	16,700
Balance Per Balance Sheet or Income Statement:	26,694
Variance	(9,994)
Variance Percentage	-37.44%
Balance per MIE:	16,700
Reconciling Items:	
Amounts	
Entry to reallocate payroll	9,994
Total Adjustments:	9,994
Balance Per Balance Sheet or Income Statement:	26,694
Explanation:	
Management made adjusting entry to reallocate payroll after MIE was submitted.	

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Account 7	Payroll-Administrative (7a)
If "Other" selected above, provide name of account	
RECONCILIATION	
Balance per MIE:	176,738
Balance Per Balance Sheet or Income Statement:	113,576
Variance	63,162
Variance Percentage	55.61%
Balance per MIE:	176,738
Reconciling Items:	
Amounts	
Entry to reallocate payroll	(63,162)
Total Adjustments:	(63,162)
Balance Per Balance Sheet or Income Statement:	113,576
Explanation:	
Management made adjusting entry to reallocate payroll after MIE was submitted.	

**SCHEDULE OF DIFFERENCES TO
MONTHLY INCOME AND EXPENDITURE REPORTS
DECEMBER 31, 2020**

Account 8	Payroll-Maintenance (11a)
If "Other" selected above, provide name of account	
RECONCILIATION	
Balance per MIE:	41,611
Balance Per Balance Sheet or Income Statement:	84,618
Variance	(43,007)
Variance Percentage	-50.82%
Balance per MIE:	41,611
Reconciling Items:	
Amounts	
Entry to reallocate payroll	43,007
Total Adjustments:	43,007
Balance Per Balance Sheet or Income Statement:	84,618
Explanation:	
Management made adjusting entry to reallocate payroll after MIE was submitted.	

LAKE HURON WOODS SR. MSHDA NO.1025

SCHEDULE I-H

FUNDS AVAILABLE FOR DISTRIBUTION

FOR DEFERRED INTEREST, DEFERRED PRINCIPAL SECOND OR THIRD MORTGAGE

December 31, 2020

SECTION 1	Beginning Balance	Repayment	Subtotal	Additions	Ending Balance
1 Small Size Loan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2 Security Loan	-0-	-0-	-0-	-0-	-0-
3 Totals	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
4 Operating Cash				\$ 93,000	
5 MSHDA-Held Operating Reserve Account				<u>35,264</u>	
6 TOTAL AVAILABLE CASH (PER AUDIT) (Line 4 PLUS Line 5)					<u>\$ 128,264</u>
SECTION 2					
ADD:					
7 Resident Rent Receivable				\$ 11,477	
8 Other Resident Charges				<u>-0-</u>	
9 Non-Resident Receivable				<u>-0-</u>	
10 Unadjusted Items-Accounts Receivable				<u>-0-</u>	
11 Subsidy Receivable				<u>1,358</u>	
12 Tax/Insurance Escrow Surplus (Deficit)				<u>-0-</u>	
13 Escrow Draws Receivable				<u>-0-</u>	
14 TOTAL ADDITIONS (ADD Lines 7 through Line 13)					<u>\$ 12,835</u>
15 TOTAL CASH AND ADDITIONS (Line 6 PLUS Line 14)					<u>141,099</u>
SECTION 3					
DEDUCT:					
16 Trade Accounts And Surcharges Payable, Accrued Expenses, Liabilities And and Other Operating Liabilities				\$ 118,571	
17 Subsidy Payable				<u>-0-</u>	
18 Unadjusted Items-Liabilities				<u>-0-</u>	
19 Prepaid Rent/Unearned Rental Income				<u>7,803</u>	
20 Delinquent Mortgage Principal				<u>-0-</u>	
21 Delinquent Interest Payments				<u>-0-</u>	
22 R/R Deferrals, Delinquent MSHDA Loans/ Grants				<u>-0-</u>	
23 Security Deposit Not Funded (Over Funded)				<u>(1,991)</u>	
24 Amount of Current Year's Security Loan Proceeds NOT Expensed or Accrued for Security Expenditures (Schedule III)				<u>-0-</u>	
25 One Month's Gross Rent Potential				<u>144,753</u>	
26 TOTAL DEDUCTIONS (ADD Lines 16 through Line 25)					<u>\$ 269,136</u>
27 SURPLUS FUNDS (Line 15 minus Line 26). Insert the actual amount even if it is negative.					<u>\$ (128,037)</u>
28 Replacement Reserve Needs				<u>\$ 822,720</u>	

NOTE: The following developments are not required to pay surplus cash to deferred interest and principal, but they are not allowed to receive a limited dividend distribution. These developments are to enter -0- on Line 29.

**Greenwood Village I #989
Greenwood Village II #1027**

29 SURPLUS FUNDS TO BE DEFERRED OR APPLIED TO DEFERRED INTEREST, DEFERRED PRINCIPAL, SECOND OR THIRD MORTGAGE OR SMALL SIZE/SECURITY LOANS (LINE 27 MINUS LINE 28). If development in list above or if negative, Insert -0- and go to Line 43.	\$ -
30 Amount of Deferred Mortgage Interest (Include Lesser of Deferred Mortgage Interest or Line 29)	-0-
31 Subtotal (Line 29 Minus Line 30), If -0-, go to Line 43.	-0-
32 Amount of Deferred Mortgage Principal (Include Lesser of Deferred Mortgage Principal or Line 31)	-0-
33 Subtotal - Line 31 minus 32, if -0-, go to Line 43.	-0-
34 Amount of Second or Third Mortgage (Include Lesser of Second or Third Mortgage or Line 33)	-0-
35 Subtotal - Line 33 minus 34, if -0-, go to Line 43.	-0-
36 Amount of Small Size Loan Proceeds Applied Against Mortgage Payments During the Current Year	-0-
37 Amount of Security Loan Proceeds Applied Against Mortgage Payments During the Current Year	-0-
38 Amount of Current Year's Security Loan Proceeds to be Repaid to MSHDA	-0-
39 Net Security Loan Proceeds (Line 37 minus Line 38)	-0-
40 Amount of Current Year's Small Size/Net Security Loan Proceeds To Be Repaid (Add Line 36 and Line 39)	-0-
41 Surplus Funds Available for Repayment of Prior Years' Outstanding Small Size/Security Loans (Line 35 minus Line 40)	-0-
42 Amount to be Applied for Repayment of Prior Year's Outstanding Balance(s) – 25% of Line 41 Not to Exceed Line 3 of the Subtotal Column	-0-

SECTION 6

SUMMARY OF CHECKS AND/OR MSHDA-HELD RESERVE TRANSFERS DUE:

A SEPARATE CHECK AND/OR MSHDA-HELD RESERVE TRANSFER REQUEST MUST BE SUBMITTED FOR EACH AMOUNT REPORTED ON LINES 43 THROUGH 50 WITHIN 120 DAYS AFTER THE DEVELOPMENT'S YEAR-END. PLEASE INDICATE THE PURPOSE ON EACH CHECK OR MSHDA-HELD RESERVE TRANSFER REQUEST. FAILURE TO COMPLY WITH THIS REQUEST WILL AFFECT THE MANAGEMENT AGENT'S ELIGIBILITY FOR PREMIUM MANAGEMENT FEES.

43 The amount from Line 12, if a deficit (Tax/Insurance Escrow)	\$ -0-
44 Amount from Line 30 (Deferred Mortgage Interest)	\$ -0-
45 Amount from Line 32 (Deferred Mortgage Principal)	\$ -0-
46 Amount from Line 34 (Second or Third Mortgage)	\$ -0-
47 The amount from Line 40, Not to Exceed the Amount of Line 35 (Amount of Current Year's Security Loan proceeds to be Repaid)	\$ -0-
49 The amount from Line 42 (Repayment of Prior Year's Outstanding Small Size/Security Loan)	\$ -0-
50 The lesser of Line 27 or Line 28-Replacement Reserve Needs (If Line 27 is negative, insert "0").	\$ -0-

LAKE HURON WOODS SR. MSHDA NO.1025

SCHEDULE II

FUNDS AVAILABLE FOR DISTRIBUTION

December 31, 2020

1.	OWNER INITIAL EQUITY		\$ 1,451,944
1a.	SECTION 8/236 PRESERVATION		\$ -0-
2.	MAXIMUM L.D. PAYMENT:		\$ 362,986
3.	CUMULATIVE %	25%	\$ 362,986
4.	NON-CUMULATIVE %	0%	\$ -0-
	CUT-OFF DATE:	January 7, 2005	
5.	SALE/PRESERVATION TRANSACTION		
	CLOSING DATE:		

I.	II.	III.	IV.	V.
YEAR OF OPERATION	AVAILABLE FOR DISTRIBUTION	POTENTIAL L.D.	L.D. PAID	CARRY FORWARD
2005	0	171,369	0	171,369
2006	0	188,753	0	360,122
2007	0	203,272	0	563,394
2008	0	217,792	0	781,186
2009	0	232,311	0	1,013,497
2010	0	246,830	0	1,260,327
2011	0	261,350	0	1,521,677
2012	0	275,869	0	1,797,546
2013	0	290,389	0	2,087,935
2014	0	304,908	0	2,392,843
2015	0	319,428	0	2,712,271
2016	0	333,947	0	3,046,218
2017	0	348,467	0	3,394,685
2018	0	362,986	0	3,757,671
2019	0	362,986	0	4,120,657
2020	0	362,986	0	4,483,643

A	C	D	E	F	G	H	K	L	M	N	O
1	SCHEDULE I - INPUT				YES	Are all account variances reconciled, Schedule 2, and Surplus Fu					
2	NAME:	LAKE HURON WOODS SR.			9	Number of account variances from 'Variances' tab (cell J103 of 'V					
3	NO:	1025			9	Number of reconciliations on 'Compliance' tab					
4	PARTNERSHIP NAME:	Lake Huron Woods LDHA LP			0	Number of Schedule 2 variances (cell I122 on 'Variances' tab)and					
5	YE:	December 31, 2020			YES	Surplus Funds Detail and Variance Reconciliation (cell C10,C16,					
6	Schedule 1	1-H									
7	CONTACT INFORMATION				Unqualified	Audit Opinion					
8		ACCOUNTING FIRM			Accrual Basis	Basis of Accounting					
9	Firm Name	Maner Costerisan			NO	Was a management letter issued?					
10	Contact Name	Keith Pfeifle				Compliance Report					
11	Phone Number	(517) 323-7500			NO	Were any material weaknesses noted in internal control?					
12	Email Address	kpfeifle@manercpa.com			InternalControlWeakne	If yes, click cell to left to provide explanation that is noted in repo					
13		MANAGEMENT AGENT			YES	If material weaknesses were noted, was explanation provided?					
14	Name	Presbyterian Villages of Michigan			YES	Were noncompliance issues noted?					
15	Contact Name	Brian Carnaghi			Account Bal Variance(s)	If yes, what type of issues?					
16	Phone Number	248-281-2020			AcctBalVariances	Select cell to left to enter Account Balance Variances					
17	Email Address	bcarnaghi@pvm.org			OtherNonCompliance	Select cell to left to enter Account Balance Variances					
18		OWNER			YES	If noncompliance issues were noted, was explanation provided?					
19	Name	5221 Lakeshore LLC									
20	Contact Name	Brian Carnaghi									
21	Phone Number	248-281-2020									
22	Email Address	bcarnaghi@pvm.org									
23											
24											
25	Line # From Sch 1and/or 2	BALANCE SHEET	Amount		**** If you have a line item that is not included on the balance sheet, but you need to enter it to have the schedule 1 calculate correctly, select an "X" in column E next to the applicable line item. If you have the "X" selected, the total will not be included in the total assets or liabilities.						
26											
27		Assets									
28											
29		Cash									
30	4	General Operating Cash	93,000			PAYMENT SUMMARY					
31		Security Deposit Cash	9,750		0	Tax & Insurance Escrow Deficit					
32	5	MSHDA-Held Operating Reserve Cash	35,264		0	Amenity Improvement/Deferred Maintenance Loan					
33	0	Other Non-Restricted Cash Reserve Accounts			0	Workout Repayment Obligations					
34		Partnership Cash			0	HOME Loan					
35					0	HOME Preservation Initiative Loan or Preservation Loan					
36		Escrows			0	Repayable Subsidy Payable					
37		MSHDA-Held Replacement Reserve	1,242,513		0	Small Size/Security Loan					
38		MSHDA-Held Tax Escrow	15,642		0	Operating Reserve Cash					
39		MSHDA-Held Insurance Escrow	41,290		0	Replacement Reserve Needs/Replacement Reserve					
40		DCE Principal			0	MSHDA Subsidy Repayment Obligation					
41	0	Development Cost Escrow Interest			0	Deferred Mortgage Interest					
42		Operating Assurance Reserve (OAR)	312,866		0	Deferred Mortgage Principal					
43		Sinking Fund			0	Second or Third Mortgage					
44		Operating Reserve			0	Operating Assurance Reserve (OAR)					
45		Subordinate Debt Payment Reserve			0	Subordinate Debt Payment Reserve					
46		Operating Deficit Reserve (ODR)			0	TCAP Interest and/or Principal					
47		Transition and Stabilization Reserve			0	Operating Deficit Reserve (ODR)					
48		New Reg Residual Receipts									
49		New Reg Threshold									
50		Other Escrows			0	Service Fund					
51					0	NSP Loan Payment					
52		Accounts Receivable			0	Community Development Fund					
53	7	Resident Rent Receivable	11,477		0	NR4 - Threshold					
54	8	Other Resident Charges			0	ResRec					
55	13	Escrow Draws Receivable									
56	7	Allowance for Doubtful Accounts									
57	9	Laundry and Carport Receivable									
58		Commercial Income Receivable									
59		Interest Income Receivable									
60	9	Receivable from Other Developments									
61	8	Other Current Resident Receivable									
62	9	Non-Resident Receivable									
63	11	HUD Subsidy Receivable									
64	11	MSHDA Subsidy Receivable - Tenant Based	1,358			INSTRUCTIONS: All yellow shaded cells are entry fields. All blue shaded cells are accounts that are used in the Schedule 1. The numbers in Column A are the corresponding line numbers from the Schedule 1. All bolded accounts are to be separated and not grouped with others.					
65	11	MSHDA Subsidy Receivable - Development Based									
66	11	Other Subsidy Receivable									
67	9	Related Party Receivable									
68		Partnership									
69		Other Receivables				Select the developments in the pull down list in cell "C2". When you have the development name selected, the corresponding MSHDA Number and Schedule 1 will be automatically filled in cells "C3" and "C6"					
70											

	A	C	D	E	F	G	H	K	L	M	N	O
71		Other Current Asset										
72		Prepaid Expenses - Partnership										
73		Prepaid Expenses - Operating	41,844									
74												
75		Investment in Rental Property										
76		Land	211,227									
77		Building	11,311,117									
78		Building Improvements										
79		Land Improvements	272,551									
80		Furniture & Fixtures	814,740									
81		Equipment & Vehicles										
82		Accumulated Depreciation	(5,556,632)									
83												
84		Other Assets										
85		Deferred Mortgage Costs, net of amortization			Acceptable	Partnership Name, Year End & Contact Information						
86		Organizational Costs, net of amortization			Acceptable	Internal Control and Compliance Letter Detail						
87		Syndication Costs, net of amortization			Acceptable	Assets - Liabilities & Owner's Equity						
88		Monitoring Fees, net of amortization			Acceptable	Rent Potential						
89		Deposits			Acceptable	Repayable Subsidy						
90					Acceptable	Small Size Loan						
91		TOTAL ASSETS	8,858,007		Acceptable	Security Loan						
92					Acceptable	HOME Preservation Loan						
93		Liabilities & Owner's Equity			Acceptable	Schedule 1-B Information (Cash Flow Question)						
94					Acceptable	Schedule 1-B & 1-D Surplus Cash Allocation						
95		Accounts Payable & Accrued Expenses			Acceptable	Schedule 2 Cut-off Date						
96	16	General Trade Payables	51,599		Acceptable	Schedule 2 Owner's Equity						
97		Construction Payables			Acceptable	Schedule 2 Cumulative LD						
98		Partnership Payables			Acceptable	Schedule 2 Non-Cumulative LD						
99	16	Payroll Payable	5,235		Acceptable	Current Year Cumulative Carryforward						
100	16	Management Fees Payable										
101	16	Utilities Payable										
102	16	Auditing Fees Payable										
103	16	Short-term Notes Payable - operating										
104		Short-term Notes Payable - partnership										
105	16	Payable to Other Developments										
106		Short-Term Related Party Advances/Liabilities										
107	16	Owner Advances - operating	61,737									
108		Owner Advances - operating - Non-repayable										
109		Owner Advances - partnership										
110	16	Surcharges Payable										
111	16	Related Party Payable										
112	17	HUD Subsidy Payable										
113	0	Repayable Subsidy										
114	17	MSHDA Resident-Based Subsidy Payable										
115	17	Other Subsidy Payable										
116	19	Unearned Rental Income - operating	7,803									
117		Unearned Rental Income - congregate care										
118		Current Mortgage Interest - MSHDA	39,735									
119		Current Mortgage Interest - HOME										
120		Current Mortgage Interest - Other										
121	21	Delinquent Mortgage Interest Payments										
122	20	Delinquent Mortgage Principal Payments										
123	30	Deferred Mortgage Interest Payments Due to Mortgage Workout (or if Sch 1-J, HOME interest)										
124	32	Deferred Mortgage Principal Payments Due to Mortgage Workout (or if Sch 1-J, deferred HOME principal)										
125		Real Estate Taxes	48,141									
126		Security Deposit Liability	7,759									
127		Current Portion of Mortgages										
128		Developer Fees Payable										
129		Other Accrued Liabilities - operating (not included on Schedule 1)										
130	16	Other Accrued Liabilities - operating										
131		Other Accrued Liabilities - partnership	4,912									
132												
133		Long-term Liabilities										
134		Long-term Portion of First Mortgage	11,099,284									
135		Deferred Interest on Second and/or Third Mortgage	2,875,388									
136		Accrued Principal on Second and/or Third Mortgage	1,812,955									

	A	C	D	E	F	G	H	K	L	M	N	O
137	0	MSHDA HOME Loan			*** Only include HOME loans that were processed through MHSI							
138	0	HOME Perservation Initiative Loan										
139	0	Amenity Improvement/Deferred Maintenance Loan										
140	1	Small Size Loan										
141	2	Security Loan										
142	0	Preservation Fund Loan										
143		TCAP Loan										
144		Deferred Interest on HOME,TCAP, or Preservation Loan										
145		1602 Loan										
146	0	NSP Loan										
147		Other Long-term Liabilities (L11 from MIE Balance Sheet tab)										
148		Other Long-term Liabilities (L12 from MIE Balance Sheet tab)	193,225									
149												
150		Owners' Equity	(7,349,766)									
151												
152		TOTAL LIABILITIES & OWNERS' EQUITY	8,858,007									
153												
154												
155												
156		INCOME STATEMENT INFORMATION										
157		INCOME:										
158		RENTAL INCOME										
159		Apartments	1,683,044									
160		MSHDA Subsidy Income										
161		HAP Subsidy Income										
162		Other Subsidy Income										
163		Total Rent Potential	1,683,044									
164		Vacancy Loss	147,243									
165		Net Rental Revenue	1,535,801									
166		OTHER INCOME										
167		Carport Income										
168		Sec 236 Interest Subsidy										
169		Interest Income	36,382									
170		Laundry Income										
171		Tenant Charges	13,235									
172		Congregate Services Income										
173		Commercial Income										
174		Other Income	321,257									
175		Total Other Income	370,874									
176		TOTAL INCOME	1,906,675									
177												
178		EXPENSES:										
179		Management Fees (Development's Operating Account)	61,176									
180		Management Fees (Partnership's Operating Account)										
181		Premium Management Fees	9,512									
182		COE Salaries & Travel										
183		Marketing										
184		Legal	66									
185		Marketing Rent Concession	62,368									
186		Rent Free Units										
187		General Administrative	299,312									
188		Payroll - Marketing	26,694									
189		Payroll - Administrative	113,576									
190		Payroll - Maintenance	84,618									
191		Payroll - Janitorial										
192		Payroll - Grounds										
193		Payroll - Security	12,748									
194		Payroll Benefits	30,672									
195		Payroll Taxes	32,301									
196		Bad Debt	(808)									
197		Audit Fees	10,810									
198		Miscellaneous Administrative (from 7k on MIE)	72,683									
199		Utilities	138,247									
200		Operating & Maintenance	194,657									
201		Property Taxes	51,732									
202		Interest	733,959									
203		Insurance	57,603									
204		Regulatory and Bond Fees										
205		ARRA Regulatory Fees										
206		Depreciation & Amortization	344,298									
207		Partnership Expenses										
208		Congregate Services Expense										
209		Other										
210		Total Expenses	2,336,224									
211		NET INCOME/LOSS	(429,549)									
212												
213		Developer Fees Info (Only Applicable to Schedule 1-J and 1-K, and 1-Q)										
214	0	Deferred Developer Fees Beginning Balance	0									
215	0	Developer Fees Paid in Current Year										

	A	C	D	E	F	G	H	K	L	M	N	O
216		0 Developer Fees Waived in Current Year										
217		0 Deferred Developer Fees Ending Balance	0									
218		0 CARRINGTON PLACE only: Amount to amortize principal balance										
219												
220		Proforma Information(Only Applicable to Schedule 1-A, 1-J, 1-K, 1-L, and 1-Q)										
221		0 Prior Years Cumulative ODR Draws										
222		0 Prior Year ODR Payments Made from Surplus Cash										
223		0 Current Year ODR Draws										
224		Cumulative Allowable ODR Draws - *Total 1.0 DCR and Maintained 0 DCR*										
227												
228		SECTION 236 EXCESS INCOME										
229		0 Unused Authorized Section 236 Excess Income										
230		0 Unapproved Section 236 Excess Income Payable to HUD										
231		0 Authorized Section 236 Excess Income Payable to HUD										
232												
233		TAX & INSURANCE ESCROW ANALYSIS INFORMATION										
234		12 Tax/Insurance Escrow Surplus (Deficit)										
235												
236		SCHEDULE OF UNADJUSTED ITEMS										
237		10 Unadjusted Items-Accounts Receivable										
238		18 Unadjusted Items-Liabilities										
239												
254		SMALL SIZE & SECURITY LOAN INFORMATION										
255		Small Size Loan										
256		1 Beginning of Year Balance	0									
257		1 Current Year Repayments										
258		1 Current Year Draws										
259		1 End of Year Balance	0									
260		36 Amount of Small Size Loan proceeds applied against mortgage payments during current year										
261		Security Loan										
262		2 Beginning of Year Balance	0									
263		2 Current Year Repayments										
264		2 Current Year Draws										
265		2 End of Year Balance	0									
266		37 Security loan proceeds applied against current year's mortgage payment										
267		Schedule 3 Did the development receive security loan proceeds during year?										
268		Schedule 3 Is the Security Revenue reported on the mortgage loan commitment report (Developmental Rental Schedule)?										
269		Schedule 3 Total Security Expenditures reported on the mortgage loan commitment report (Total Development Expenditures)?										
270		Classification of Security Expenditures										
271		Schedule 3 Equipment										
272		Schedule 3 Payroll & Payroll Taxes										
273		Schedule 3 Contractual Services										
274		Schedule 3 Other										
275												
276		MISCELLANEOUS INFORMATION										
277		Surity Bond Coverage										
278		0 Approved Undisbursed Limited Dividend (L.D.) Payments										
279		22 R/R Deferrals, Delinquent MSHDA Loans/ Grants										
280		23 Security Deposit Under (Over) Funded	(1,991)									
281		25 One Month's Gross Rent Potential	144,753									
282		28 Replacement Reserve Needs	822,720									
283		0 Amount of Workout Repayment Obligations										
284		0 MSHDA Subsidy portion payable to MSHDA										
285		Deferred Mortgage Principal (Applicable only to 1-H)	1,812,955									
286		Deferred Mortgage Interest (Applicable only to 1-H)	2,875,388									
287		0 Restricted DCE Interest - Prior Year										
288		Restricted DCE Interest - Current Year										
289		0 Prior Year's Cumulative L.D. Payment	0									
290												
291		SURPLUS CASH ALLOCATIONS										
292		Schedule 1-B and 1-D - If surplus funds are available, are they to be transferred to MSHDA's Community Development Fund, or to a second mortgage?	2nd Mortgage									
293												
294												
295												

	A	C	D	E	F	G	H	K	L	M	N	O	
296		SCHEDULE II INPUT INFORMATION			Current Year Schedule 2 Summary								
297		Development does not complete a Schedule 2			Suplus Funds Available for Dist	Potential LD	LD/HOME Paid	Cumulative Carryforward					
298	1	Owner's Initial Equity	1,451,944										
299	1A	Section 8/236 Preservation Transaction Recomputed Initial Equity			0	362,986	0	4,483,643					
300													
301													
302	3	Cumulative LD Payment Percentage -OR- fixed amount from regulatory agreement	25.00%	You must enter LD %-OR- the fixed amount. Do NOT enter numbers in both fields.									
303													
304	4	Non-Cumulative LD Payment Percentage -OR- fixed amount from regulatory agreement		You must enter LD %-OR- the fixed amount. Do NOT enter numbers in both fields.									
305													
306		Cut-off Date	1/7/2005	** If the cut-off date is the current year, it will calculate the prorated amount for you.									
307		Sale/Preservation Transaction Closing Date											
308		Prior Year Cumulative Carryforward L.D.	4,120,657										
309	IV	L.D. Payments Made in Current Year	0										
310													
311		Starting Year of Schedule II	2005										
312		THE PRIOR YEAR SCHEDULE 2 INFORMATION IS NOT REQUIRED. IF YOU ENTER THE FOLLOWING PRIOR YEAR INFORMATION IT WILL PREPARE THE SCHEDULE 2 THAT IS REQUIRED IN THE AUDIT REPORT.											
313													
314		Schedule II Prior Year Information	Surplus Funds Available for Distribution		Potential LD	LD/HOME Paid	Cumulative Carryfwd of L.D.						
315		2005	0		171,369	0	171,369						
316		2006	0		188,753	0	360,122						
317		2007	0		203,272	0	563,394						
318		2008	0		217,792	0	781,186						
319		2009	0		232,311	0	1,013,497						
320		2010	0		246,830	0	1,260,327						
321		2011	0		261,350	0	1,521,677						
322		2012	0		275,869	0	1,797,546						
323		2013	0		290,389	0	2,087,935						
324		2014	0		304,908	0	2,392,843						
325		2015	0		319,428	0	2,712,271						
326		2016	0		333,947	0	3,046,218						
327		2017	0		348,467	0	3,394,685						
328		2018	0		362,986	0	3,757,671						
329		2019	0		362,986	0	4,120,657						

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

To the Partners
Lake Huron Woods Limited Dividend Housing Association
Limited Partnership

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lake Huron Woods Limited Dividend Housing Association Limited Partnership, which comprise the balance sheet as of December 31, 2020, and the related statements of profit and loss, changes in partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Huron Woods Limited Dividend Housing Association Limited Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Huron Woods Limited Dividend Housing Association Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Huron Woods Limited Dividend Housing Association Limited Partnership'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 Lake Huron Woods Limited Dividend Housing Association Limited Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including compliance with specific provisions of MSHDA Regulatory Agreement, MSHDA Directives and HUD regulations and procedures included in the HUD subsidy contract HOME requirements and MSHDA Multifamily Audit Guidelines, 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*. However, we noted a certain immaterial instance of noncompliance with MSHDA guidelines as follows:

Vacancy loss and gross rent for the current year ended December 31, 2020 are \$147,243 and \$1,683,044, respectively. Vacancy loss is greater than the 5.0% and \$5,000 year-over-year change MSHDA benchmarks.

We have compared the December 31, 2020 Monthly Income and Expense Report submitted to MSHDA with balances in the financial statements for the year ended December 31, 2020 audited by us and covered by our report dated February 23, 2021. The account balances set forth therein are in material agreement (defined by MSHDA as differences not exceeding 10% and \$3,000), unless noted in the MSHDA input template in the supplementary information.

Additionally, no management letter was issued in relation to our audit of the financial statements of Lake Huron Woods Limited Dividend Housing Association Limited Partnership for the year ended December 31, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiron PC

February 23, 2021

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Partners
Lake Huron Woods Limited Dividend Housing Association
Limited Partnership

We have performed the procedures described in the second paragraph of this report, which were agreed to by Lake Huron Woods Limited Dividend Housing Association Limited Partnership and the Michigan State Housing Development Authority (MSHDA), on whether the electronic submission of certain information agrees with the related information included as supplementary information within the audit reporting package. Lake Huron Woods Limited Dividend Housing Association Limited Partnership is responsible for the accuracy and completeness of the electronic submission. The sufficiency of these procedures is solely the responsibility of Lake Huron Woods Limited Dividend Housing Association Limited Partnership and MSHDA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the information contained in the electronic submission with the corresponding information included as supplementary information within the annual audited financial statements submitted to MSHDA. The results of the performance of our agreed-upon procedures indicate agreement of the electronically submitted information and related information included as supplementary information with the annual audited financial statements submitted to MSHDA.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission agrees with related information included as supplementary information within the annual audited financial statements submitted to MSHDA. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the MSHDA *Multi-Family Annual Certified Audit Guidelines* by Lake Huron Woods Limited Dividend Housing Association Limited Partnership as of and for the year ended December 31, 2020, and have issued our reports thereon dated February 23, 2021. The electronic submission information was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated February 23, 2021 was expressed in relation to the basic financial statements of Lake Huron Woods Limited Dividend Housing Association Limited Partnership taken as a whole.

A copy of the reporting package required by the MSHDA *Multi-Family Annual Certified Audit Guidelines*, which includes the auditor's reports, is available in its entirety from Lake Huron Woods Limited Dividend Housing Association Limited Partnership. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to MSHDA.

This report is intended solely for the information and use of Lake Huron Woods Limited Dividend Housing Association Limited Partnership and MSHDA and is not intended to be and should not be used by anyone other than those specified parties. The purpose of this report on applying the agreed-upon procedures is solely to describe the procedures performed relative to the MSHDA electronic submission, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

February 23, 2021

February 23, 2021

To the Partners of
Lake Huron Woods Limited Dividend Housing Association
Limited Partnership

We have audited the financial statements of Lake Huron Woods Limited Dividend Housing Association Limited Partnership for the year ended December 31, 2020, and have issued our report thereon dated February 23, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Huron Woods Limited Dividend Housing Association Limited Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets is based on depreciable lives as defined in Note 1 of the financial statements. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Lake Huron Woods Limited Dividend Housing Association Limited Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Lake Huron Woods Limited Dividend Housing Association Limited Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Partners and management of Lake Huron Woods Limited Dividend Housing Association Limited Partnership and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC