Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

May 29, 2018

To the Board of Directors
Brothers Redevelopment, Inc.

We have audited the financial statements of Brothers Redevelopment, Inc. (BRI) for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Consolidated Audit Guide for Audits of HUD Programs, and OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 9, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by BRI 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 2017. We noted no transactions entered into by BRI during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 depreciation expense is based on the straight-line method. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of Long-term Debt and Related Party Transactions in the financial statements.
>
> Commitment to continue to provide housing in accordance with their respective agreements.

Difficulties Encountered in Performing the Audit

We encountered difficulties in reconciling intercompany notes between BRI and the Projects'. This is more difficult given the fact that BRI accounts are not reconciled until after the Projects'.

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. There continues to be a significant amount of audit adjustments required. Particularly in the recording of select routine and non-routine transactions.

Disagreements with Management

For purposes of this letter, professional standards define 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.

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Management Representations

We have requested certain representations from management that are included in the management representation letter.

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 BRI'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 BRI's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of BRI and is not intended to be and should not be used by anyone other than these specified parties.

Other Matters

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.

Very truly yours,

Hiratsuka & Associates, LLP

Hiratsuka & Associates, LLP

Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

May 29, 2018

To the Board of Directors and
Management of Brothers Redevelopment, Inc.

In planning and performing our audit of the financial statements of Brothers Redevelopment, Inc. (BRI) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered BRI's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BRI's internal control. Accordingly, we do not express an opinion on the effectiveness of BRI'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we noted certain internal control related matters, as well as opportunities for BRI to improve or strengthen operational or administrative controls.

Unresolved Prior Year Comments

Inspection Forms

Issue: Inspection forms were not always filed in various tenant files. Based on other support in the file, it was noted that the inspection had been performed, but the required form was not included per HUD compliance regulations. Although we noted less instances of noncompliance in 2017, this is still an area that needs improvement.

General Bookkeeping

Issue: A significant number of audit adjustments were made, many of which were routine bookkeeping entries such as payables, intercompany activity, and activity in the property accounts. We did note an improvement from prior year's audits, however we suggest that the monthly oversight be strengthened, and that the properties' accountants be trained to make these entries monthly.

Current Year Comments

Fixed Assets

Issue: Accounting for fixed asset changes during the year needs to be improved. Asset additions are recorded correctly throughout the year; however, asset disposals and the related gain/(loss) are not being recorded. Additionally, depreciation is not calculated on fixed assets during the year.

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Grants

Issue: Accounting for indirect costs related to grants needs improvement. It is difficult to track salaries as they relate to grants during the year. The expenses presented on the Schedule of Expenditures of Federal Awards (SEFA) include indirect costs and to ensure correctness of the SEFA it is necessary to record salary expenses as it related to each individual grant.

We have no further comments.

Please note that any violation of HUD regulations is a risk to the organization. Please feel free to contact us for assistance in addressing the above issues.

This information is intended solely for the use of Board of Directors and management of BRI and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hiratsuka & Associates, LLP

Hiratsuka & Associates, LLP

BROTHERS REDEVELOPMENT, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2017

BROTHERS REDEVELOPMENT, INC.

CONTENTS

Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brothers Redevelopment, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Brothers Redevelopment, Inc., which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated 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 Brothers Redevelopment, Inc. as of September 30, 2017, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

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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 taken as a whole.

Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Hiratsuka & Associates, LLP

May 22, 2018
Wheat Ridge, CO

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Financial Position
September 30, 2017

	BRI Supportive Programs	Residential Housing Programs	Eliminations	Total
Assets				
Current assets:				
Cash	$ 3,654,049	$ 350,183	$ -	$ 4,004,232
Accounts receivable, net of allowance of $2,768	1,000,262	-	(829,875)	170,387
Tenant accounts receivable	-	3,720	-	3,720
Accounts receivable - HUD	-	8,807	-	8,807
Accounts receivable - insurance proceeds	-	218,637	-	218,637
Accounts receivable - other	-	9,963	-	9,963
Accrued interest receivable - related party	30,852	-	(28,427)	2,425
Notes receivable - residential housing programs - current portion	50,059	-	(40,774)	9,285
Prepaid expenses	17,097	84,213	-	101,310
Total current assets	4,752,319	675,523	(899,076)	4,528,766
Deposits held in trust - funded:				
Tenant deposits held in trust	-	120,541	-	120,541
Restricted deposits and funded reserves:				
Replacement reserve	-	579,213	-	579,213
Residual receipts	-	411,214	-	411,214
Other reserves:				
Other reserves	-	145,637	-	145,637
Reserve for enhancements	-	129,439	-	129,439
Escrow account	-	158,833	-	158,833
Operating reserve	-	308	-	308
Total restricted deposits and funded reserves	-	1,424,644	-	1,424,644
Fixed assets:				
Land	130,500	2,840,299	-	2,970,799
Buildings	423,128	20,979,783	-	21,402,911
Building equipment	16,471	206,907	-	223,378
Furniture for project/tenant use	14,106	91,162	-	105,268
Furnishings	26,820	281,804	-	308,624
Vehicles	112,168	3,500	-	115,668
Miscellaneous fixed assets:				
Software	-	21,848	-	21,848
Construction in progress	-	116,820	-	116,820
Total fixed assets	723,193	24,542,123	-	25,265,316
Accumulated depreciation	(194,915)	(7,121,548)	-	(7,316,463)
Net fixed assets	528,278	17,420,575	-	17,948,853
Miscellaneous assets:				
Other	554,974	6,778	-	561,752
Advance to residential housing program	32,047	-	(32,047)	-
Notes receivable - residential housing programs	799,449	-	(718,408)	81,041
Total miscellaneous assets	1,386,470	6,778	(750,455)	642,793
Total assets	$ 6,667,067	$ 19,648,061	$ (1,649,531)	$ 24,665,597

(continued)

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

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Financial Position (continued)
September 30, 2017

	BRI Supportive Programs	Residential Housing Programs	Eliminations	Total
Liabilities				
Current liabilities:				
Accounts payable	$ 4,902	$ 190,056	$ -	$ 194,958
Accounts payable - BRI & BPM	-	745,600	(745,600)	-
Accrued payroll taxes payable	2,698	-	-	2,698
Accrued management fees payable - BPM	-	84,275	(84,275)	-
Accrued interest payable	-	88,975	(28,427)	60,548
Notes payable - related party (short term)	-	40,774	(40,774)	-
Mortgages payable (short term)	-	464,839	-	464,839
Miscellaneous current liabilities:				
Accrued payroll liabilities	59,667	-	-	59,667
Advance from BRI	-	32,047	(32,047)	-
Real estate taxes payable	-	469	-	469
Other accrued liabilities	21,207	-	-	21,207
Prepaid revenue	-	15,366	-	15,366
Total current liabilities	88,474	1,662,401	(931,123)	819,752
Deposit liabilities:				
Tenant deposits held in trust	-	108,447	-	108,447
Long-term liabilities:				
Mortgages payable	-	12,011,008	-	12,011,008
Notes payable	-	883,408	(718,408)	165,000
Total long-term liabilities	-	12,894,416	(718,408)	12,176,008
Total liabilities	88,474	14,665,264	(1,649,531)	13,104,207
Net assets				
Unrestricted net assets	6,366,093	(286,403)	-	6,079,690
Temporarily restricted net assets	212,500	5,269,200	-	5,481,700
Total net assets	6,578,593	4,982,797	-	11,561,390
Total liabilities and net assets	$ 6,667,067	$ 19,648,061	$ (1,649,531)	$ 24,665,597

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

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Activities
For the Year Ended September 30, 2017

	BRI Supportive Programs	Residential Housing Programs	Eliminations	Total
Revenues				
Rent revenue - gross potential	$ -	$ 4,698,235	$ -	$ 4,698,235
Miscellaneous rent revenue	20,781	-	-	20,781
Vacancies - apartments	-	(144,689)	-	(144,689)
Net Rental Revenue	20,781	4,553,546	-	4,574,327
Revenue from investments - residual receipts	-	299	-	299
Revenue from investments - replacement reserve	-	454	-	454
Revenue from investments - miscellaneous	64,343	32	(59,697)	4,678
Total Financial Revenue	64,343	785	(59,697)	5,431
Laundry and vending revenue	-	24,944	-	24,944
Tenant charges	-	9,524	-	9,524
Miscellaneous revenue				
Accounting services income	108,841	-	(104,123)	4,718
Management fee income	349,675	-	(319,852)	29,823
Maintenance services Income	941,505	-	(859,236)	82,269
Direct property managment reimbursement	552,452	-	(521,423)	31,029
Medicaid	15,022	-	-	15,022
Donations and grants	364,631	-	-	364,631
Governmental contracts	1,033,154	-	-	1,033,154
Other	20,156	81,635	-	101,791
Total Other Revenue	3,385,436	116,103	(1,804,634)	1,696,905
Total Revenue	3,470,560	4,670,434	(1,864,331)	6,276,663
Expenses				
Conventions and meetings	2,409	17,130	-	19,539
Advertising and marketing	11,972	3,699	-	15,671
Other renting expenses	23,711	34,341	-	58,052
Office salaries	-	339,561	(339,561)	-
Office expenses	24,316	54,160	-	78,476
Management fees	-	319,852	(319,852)	-
Manager or superintendent salaries	-	77,401	(64,150)	13,251
Legal expense	3,074	3,474	-	6,548
Auditing expense	7,400	73,459	-	80,859
Bookkeeping fees/accounting services	23,880	104,029	(104,123)	23,786
Bad debt expense	13,685	18,322	-	32,007
Miscellaneous administrative expenses				
Bank charges	5,464	16,557	-	22,021
Dues	8,704	71,323	-	80,027
Mileage	23,098	2,615	-	25,713
Travel	9,960	-	-	9,960
Other administrative expenses	125,017	30,842	(75,069)	80,790
Telephone	62,078	67,889	-	129,967
Total Administrative Expenses	344,768	1,234,654	(902,755)	676,667

(continued)

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

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Activities (continued)
For the Year Ended September 30, 2017

	BRI Supportive Programs	Residential Housing Programs	Eliminations	Total
Electricity	8,234	223,717	-	231,951
Water	-	99,658	-	99,658
Gas	-	83,371	-	83,371
Sewer	-	91,179	-	91,179
Total Utilities Expense	8,234	497,925	-	506,159
Payroll	2,255,883	438	-	2,256,321
Supplies	81,424	196,822	-	278,246
Contracts	-	1,058,505	(810,207)	248,298
Garbage and trash removal	5,163	111,245	-	116,408
Security payroll/contract	-	70,532	-	70,532
Heating/cooling repairs and maintenance	-	70,704	(41,142)	29,562
Snow removal	-	18,110	(7,887)	10,223
Vehicle and maintenance equipment operations and repair	10,972	-	-	10,972
Miscellaneous operating and maintenance expenses				
Decorating	-	38,241	-	38,241
(Gain) Loss on disposal of fixed assets	(4,393)	344,795	-	340,402
Subcontracts	286,348	-	-	286,348
Other operating and maintenance	55,117	55,357	-	110,474
Total Operating and Maintenance Expenses	2,690,514	1,964,749	(859,236)	3,796,027
Real estate taxes	-	7,566	-	7,566
Payroll taxes	175,755	28,551	(28,538)	175,768
Property and liability insurance	50,795	171,861	-	222,656
Workmen's compensation	51,542	1,262	-	52,804
Health insurance and other employee benefits	79,349	15,304	(14,105)	80,548
Miscellaneous taxes and insurance	2,942	15,311	-	18,253
Total Taxes and Insurance	360,383	239,855	(42,643)	557,595
Interest on mortgages payable	-	719,017	-	719,017
Interest on notes payable	-	59,697	(59,697)	-
Total Interest	-	778,714	(59,697)	719,017
Total Cost of Operations before Depreciation	3,403,899	4,715,897	(1,864,331)	6,255,465
Profit before Depreciation	66,661	(45,463)	-	21,198
Depreciation expense	30,173	587,939	-	618,112
Amortization expense	-	211	-	211
Total Depreciation and Amortization	30,173	588,150	-	618,323
Operating profit or (loss)	36,488	(633,613)	-	(597,125)
Nonoperating profit or (loss)				
Insurance proceeds	26,453	408,756	-	435,209
Total nonoperating profit or (loss)	26,453	408,756	-	435,209
Net profit or (loss)	62,941	(224,857)	-	(161,916)

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

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Changes in Net Assets
For the Year Ended September 30, 2017

	BRI Supportive Programs	Residential Housing Programs	Eliminations	Total
Unrestricted Activities:				
Unrestricted Net Assets, Beginning - Restated	$ 6,764,379	$ (522,773)	$ -	$ 6,241,606
Change in net assets from operating profit or (loss)	62,941	(224,857)	-	(161,916)
Transfer of capital	(461,227)	461,227	-	-
Unrestricted Net Assets, Ending	$ 6,366,093	$ (286,403)	$ -	$ 6,079,690
Temporarily Restricted Activities:				
Temporary Restricted Net Assets, Beginning	$ 212,500	$ 5,269,200	$ -	$ 5,481,700
Reclassification of temporarily restricted net assets	-	-	-	-
Temporary Restricted Net Assets, Ending	$ 212,500	$ 5,269,200	$ -	$ 5,481,700

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

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2017

Cash flows from operating activities:		
Cash received:		
Cash received for services	$	5,765,069
Contributions received		364,631
Interest received		5,431
Other		148,549
Total receipts		6,283,680
Cash disbursed:		
Administrative		(626,902)
Utilities		(506,159)
Salaries and wages		(2,271,152)
Operating and maintenance		(1,186,161)
Property and liability insurance		(225,912)
Miscellaneous taxes and insurance		(362,289)
Tenant deposits		3,186
Interest paid		(719,212)
Total disbursements		(5,894,601)
Net cash provided (used) by operating activities		389,079
Cash flows from investing activities:		
Net activity in the replacement reserve accounts		707,380
Net activity in the residual receipts accounts		278,946
Net activity in other reserve accounts		131,594
Net activity in the escrow accounts		10,959
Net purchase of fixed assets		(3,622,142)
Net proceeds from sale of fixed assets		87,551
Insurance proceeds		779,656
Transfer of reserves		(204,786)
Net disbursement for other assets		(574,064)
Net cash provided (used) by investing activities		(2,404,906)
Cash flows from financing activities:		
Payments on mortgages payable		(441,850)
Net cash provided (used) by financing activities		(441,850)
Net increase (decrease) in cash and cash equivalents		(2,457,677)
Cash and cash equivalents, beginning		6,461,909
Cash and cash equivalents, ending	$	4,004,232

(continued)

BROTHERS REDEVELOPMENT, INC.
Consolidated Statement of Cash Flows (continued)
For the Year Ended September 30, 2017

Operating profit or (loss)	$	(597,125)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		618,112
Gain (loss) on disposal of fixed assets		340,402
Change in assets - (increase) decrease:		
Accounts receivable		48,842
Prepaid expenses		(3,256)
Tenant deposits held in trust		3,186
Change in liabilities - increase (decrease):		
Accounts payable		6,127
Accrued expenses		(22,109)
Prepaid revenue		(2,368)
Tenant deposits held in trust		(2,732)
Total adjustments		986,204
Net cash provided by operating activities	$	389,079

Supplemental cash flow information

Noncash investing and financing activities:		
Insurance proceeds accrued, not yet received	$	218,637

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

1. Organization and summary of significant accounting policies

Organization

Brothers Redevelopment, Inc. (the Company), a not-for-profit Colorado corporation, was established in 1971 for the primary purpose of improving housing conditions for elderly, handicapped, and lower and moderate income families in the Denver metropolitan area. The company funds a significant portion of its operation with grants from federal and local agencies. Such grants are applied for and awarded on an annual basis.

Basis of presentation and method of accounting

The consolidated financial statements of the Company include the accounts of Brothers Redevelopment, Inc. (BRI), Brothers Property Management, Inc. (BPM), La Alma Housing Corp. (LAHC), Community Development Partnerships, Inc. (CDPI), Eastbay Senior Housing, Inc. (Eastbay), Clayton Street Residences, Inc. (CSR), Brook Haven Apartments, Inc. (BHA), Decatur Street Residences, Inc. (DSR), Federal View Apartments, Inc. (FVA), Brothers TriProperties (B3P), Victor F. Smith Senior Housing (VS), and Sunnyside Senior Apartments (SS). The consolidated financial statements have been prepared on an accrual basis of accounting. Accounts related to BRI's "Projects," Garfield Apartments (Garfield) and Corona Apartments (Corona), along with Eastbay, CSR, BHA, DSR, FVA, B3P, VS, and SS are shown separately as a major line of business. All significant intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. At September 30, 2017, all cash was in the form of demand deposits and cash on hand. The demand deposits were held in a federally-insured depository.

Performance contracts

BRI receives fees under performance contracts. These funds are accrued as revenue in the period BRI expends monies and becomes entitled to receive reimbursements.

Restricted contributions

BRI reports gifts of cash and other assets as temporarily restricted assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Contributions received with restrictions that are met in the fiscal year received are recorded as unrestricted contributions.

1. Organization and summary of significant accounting policies (continued)

In-kind contributions

The annual Paint-A-Thon and housing rehabilitation projects require many community volunteers. Services performed by volunteers were valued by management at approximately $416,700 ($26 per hour) for the year ended September 30, 2017. These amounts are not recorded as income and expense in the accompanying financial statements.

BRI also received other in-kind contributions valued at $1,580 during the year ended September 30, 2017.

Fixed assets

Fixed assets with a cost greater than $2,000 and a life greater than one year are recorded at cost and are depreciated using the straight-line method over the estimated useful life. Donated items are recorded at estimated fair market value at the date of donation. The assets are depreciated using the following useful lives:

	BRI	Residential Programs
Buildings	40 years	40 years
Building equip & improvements	10 to 30 years	5 to 25 years
Furniture, fixtures, and equip	3 to 8 years	3 to 8 years
Furnishings	5 years	5 to 20 years
Software	N/A	3 years
Vehicles	3 to 5 years	N/A

Income taxes

BRI, LAHC, BPM, DSR, BHA, Eastbay, VS, CSR and FVA are exempt from Federal Income tax as public charities under Section 501(c)(3) of the Internal Revenue Code. CDPI is a for-profit corporation and has a .1% general partnership interest in LAH, Ltd. (note 2). CDPI had no taxable income for the year ended September 30, 2017, and accordingly, no income tax liability has been recorded. B3P is a partnership with BRI as its sole partner and is therefore considered to be tax exempt as a part of BRI.

The Company follows the Accounting for Uncertainty in Income Taxes topic of FASB Accounting Standards Codification. The standards require the recognition and measurement of uncertain tax position taken or expected to be taken by the Company in the preparation of its income tax returns. The Company determines whether it is more-likely-than-not that a certain tax position is less-likely-than-not to be sustained, an estimate of the potential effect is recognized in the financial statements and the uncertain tax position is required to be disclosed. Per Managements' evaluation as of September 30, 2017, including all prior tax years subject to examination it was determined that no material adjustments were required in the financial statements for tax positions less-likely-than-not to be sustained upon examination by a taxing authority.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. Organization and summary of significant accounting policies (continued)

Advertising costs

The Company and the consolidated entities expense advertising costs as incurred.

Distributions

The Projects' regulatory agreements with either Colorado Housing and Finance Authority (CHFA) or the US Department of Housing and Urban Development (HUD) stipulate, among other things, that the Projects will not make distributions of assets or income to any of its officers, directors, or owners.

Supportive programs

Housing counseling programs

BRI administers housing counseling programs. The programs provide information, referrals, and mortgage and financial counseling to low and moderate income households in the Denver community.

Home maintenance and repairs

BRI receives private donations and public funding to provide home maintenance and repair to low-income elderly and disabled homeowners across the Front Range. The initiative is designed to improve the homeowners' in-home mobility, safety and habitability.

Paint-a-thon

The paint-a-thon coordinates volunteers to paint the residences of elderly, disabled, and low-income persons state-wide. The program is designed to help eligible persons improve the exterior appearance, as well as preserve the value of their homes.

2. Management and administrative fees

BPM collects management fees subject to the approval of HUD for each of the projects managed. Management fees range from 6.5% to 17% of rental income. These fees eliminate in consolidation except for the $22,072 of management fees paid by La Alma Housing (a limited partnership managed by BPM) and $7,751 of management fees from VS before BRI purchased the project (see Note 10).

BPM collects accounting, maintenance service, and onsite property management fees from the managed properties. These fees eliminate in consolidation except the $110,143 paid by La Alma Housing, of which $33,517 is still receivable as of September 30, 2017.

LAHC and CDPI were formed in 1982 and are controlled by BRI. Each entity serves as a general partner of La Alma Housing, Ltd., which was formed to purchase, rehabilitate, and operate improved low-income and elderly housing. LAHC's 0.9% interest and CDPI's 0.1% interest in LAH, Ltd. are accounted for using the equity method of accounting. Due to the uncertainty of recovering this investment the full amount of the investment was expensed as unrecoverable.

3. **Mortgages and notes payable**

Mortgages and notes payable net of intercompany notes consist of the following at September 30, 2017:

Project	Holder	Security	Original Balance	Interest Rate	Monthly Payment (P & I)	Balance at September 30, 2017	Interest Expense year ended September 30, 2017	Interest payable at September 30, 2017
BHA	CHFA	Real Property	1,610,118	6.15%	9,809	1,193,051	74,598	6,117
	CHFA	Real Property	212,000	1.00%	682	120,355	310	100
B3P	US Bank	Real Property	8,671,000	4.81%	50,000	6,205,000	308,914	26,403
CSR	CHFA	Real Property	286,000	6.15%	1,742	209,164	13,086	1,074
	CHFA	Real Property	40,000	1.00%	129	22,708	460	19
Corona	CHFA	Real Property	2,365,000	7.65%	16,200	2,312,569	177,509	14,744
DSR	CHFA	Real Property	500,700	6.15%	3,050	371,003	23,132	1,901
	CHFA	Real Property	58,000	1.00%	187	32,723	335	27
FVA	CHFA	Real Property	708,450	6.15%	4,316	524,940	32,972	2,795
	CHFA	Real Property	108,000	1.00%	347	61,314	579	54
Garfield	CHFA	Real Property	924,700	6.80%	6,024	651,035	45,123	3,832
	CHFA	Real Property	180,000	1.00%	579	90,727	935	76
	City and County of Denver	-	165,000	-	-	165,000	-	-
SS	CHFA	Real Property	700,000	6.00%	3,991	681,258	41,064	3,406
						12,640,847	**719,017**	**60,548**

Notes payable of intercompany notes consist of the following at September 30, 2017:

Project	Holder	Security	Original Balance	Interest Rate	Monthly Payment (P & I)	Balance at September 30, 2017	Interest Expense year ended September 30, 2017	Interest payable at September 30, 2017
BHA	BRI	-	197,080	7.00%	1,311	159,654	12,275	931
CSR	BRI	-	33,285	7.00%	240	29,208	2,015	170
Corona	BRI #1	-	335,700	7.00%	2,233	302,786	22,723	22,817
	BRI #2	-	43,365	5.00%	460	39,936	5,302	2,066
DSR	BRI	-	61,679	7.00%	410	49,774	2,721	291
Eastbay	BRI	-	122,497	5.00%	1,299	106,080	9,132	1,732
FVA	BRI	-	88,755	7.00%	590	71,744	5,529	420
						759,182	**59,697**	**28,427**

3. Mortgages and notes payable (continued)

B3P - US Bank requires B3P to maintain certain funds, identified as restricted deposits and funded reserves on the Consolidated Statement of Financial Position that may only be expended with the prior approval of US Bank. The restricted deposits and funded reserves required by US Bank are: Other Reserves and the Reserve for Enhancements. The Other Reserves consists of three months of debt service payments and a monthly deposit equal to 1/12th of the annual insurance premium. The Reserve for Enhancement consists of funds that were set aside at the time of the loan for the rehabilitation of the properties.

Corona – As of September 30, 2017 Corona is not current with the BRI #1 and BRI #2 amortization schedules.

Corona received an advance from BRI in the amount of $32,047. There is no agreement between Corona and BRI as to the repayment of this amount. Additionally, no interest is being charged on the advance.

Eastbay Senior Housing - As of September 30, 2017 Eastbay is not current with the BRI amortization schedule.

Garfield Apartments - Garfield assumed an agreement with the City and County of Denver, Colorado requiring the Project to be rented to low income persons until December 2021, at which time the repayment of a $165,000 loan will be forgiven. There is no interest on this loan.

Sunnyside Senior Apartments – SS issued a $700,000 mortgage note bearing interest at 6.0% payable to CHFA that is collateralized by substantially all assets of SS, as well as all rents and other rights thereon. The note contains restrictive covenants, primarily requiring SS to operate within the provisions of its regulatory agreement with CHFA. As of September 30, 2017, SS is in compliance with covenants of the note.

Future maturities of mortgages and notes payables net of intercompany notes are as follows:

Year ending September 30,	
2018	$ 464,839
2019	489,180
2020	515,490
2021	706,823
2022	570,544
Thereafter	9,893,971
Total	$ 12,640,847

4. Commitments and contingencies

The Company and its related entities have entered into Housing Assistance Payment Contracts with CHFA or HUD which expire in 2018 and later years. Under the terms of these contracts, the Company agrees to operate the projects as subsidized housing, and HUD agrees to make subsidy payments up to a specified maximum amount per project unit.

The Company purchased Garfield subject to a covenant running with the property requiring the project be used primarily to provide affordable housing. This covenant expires September 2041. Failure to use the property as prescribed would require the Company to repay $165,000 to the Colorado Division of Housing. At September 30, 2017 the Company is in compliance with the covenant.

Eastbay received funding from HUD in the amount of $5,106,700 in the form of a mortgage note and deed of trust that requires no payment provided the project continues to provide housing for senior citizens until the year 2036. Should the project fail to use the building as specified, the full amount of the note becomes due immediately and interest accrues at the rate of 7.875% from the date of the first advance.

The Company purchased Sunnyside Senior Apartments subject to a requirement of the loan agreement which states that specific rehabilitation, estimated to be approximately $123,558, must be made in each of the first five years of operations. As of 2017 the Company has complied with such provisions.

In 2015 BRI received $212,500 in grants funds from the Wells Fargo Foundation, which was restricted for the development of a future project as of September 30, 2017. The project is currently in the development phase.

5. Tenant security deposits held in trust

The Projects are required by CHFA or HUD to escrow tenant security deposits in a segregated account in a federally-insured depository. The balance in the escrow account must at all times be at least equal to all outstanding obligations under the account for security deposits.

6. HUD-restricted deposits

Under each regulatory agreement, the Projects are required to set aside amounts for the replacement of property and other expenditures approved by HUD. HUD-restricted deposits, which approximate $990,427 at September 30, 2017, are held in a separate account for each property and generally are not available for operating purposes.

In accordance with provision of CHFA regulations, CHFA and HUD regulatory agreements and lender stipulation, no distributions of the project funds can be made to the owners without approval. Reserves for replacement and residual receipts funds of the projects may be released only with the prior approval from CHFA or HUD.

Certain cash balances are required by the lender to be maintained as operating reserves and for project enhancements.

7. Other Reserves

B3P has reserves restricted for operating expenditures and project enhancements of $145,637 and $129,439, respectively, at September 30, 2017.

8. Net assets

The Company has $5,481,700 of temporarily restricted net assets that are subject to restrictions imposed by State and Local agencies at September 30, 2017. The agencies require that BRI, Garfield, and Eastbay comply with their respective agreements (see note 4).

All remaining net assets are unrestricted as of September 30, 2017.

9. Acquisition costs

The Company paid acquisition costs of $538,702 for the development of a future project as of September 30, 2017. The project is currently in the development phase. The Company also paid $16,272 of acquisition costs to acquire three rental homes as of September 30, 2017. These amount are included in Other Miscellaneous assets on the accompanying financial statements.

10. Rent increases

Under the regulatory agreements, the Projects may not increase tenant rents without HUD approval.

11. Victor F. Smith Senior Housing purchase

On March 3, 2017, the Company made a cash purchase of Victor F. Smith Senior Housing for a purchase price of $500,000. Prior to the purchase the Company had managed Victor F. Smith resulting in $7,751 of management fees revenue in 2017.

12. Donations and grants

BRI received donations and grants of $364,631 during the year ended September 30, 2017. Five donors accounted for approximately 50% of such donations and grants.

13. Governmental contracts

BRI receives income from local municipalities for home repairs and home counseling, these amounts totaled $533,539 and $499,615 during the fiscal year ended September 30, 2017.

14. Insurance proceeds

BRI incurred hail damage to two vehicles owned in May 2017, causing $26,453 of repairs to be made. BRI received $26,453 of insurance proceeds as of September 30, 2017.

B3P incurred hail damage to the roof of the building in May 2017, causing $212,031 of repairs to be made. After a deductible of $25,000, the Project received $187,031 of insurance proceeds, of which $127,445 was still due to B3P as of September 30, 2017.

Eastbay incurred hail damage to the roof of the building in May 2017, causing $221,725 of repairs to be made. The Project received $221,725 of insurance proceeds as of September 30, 2017, of which $91,192 was still due to Eastbay as of September 30, 2017.

15. Prior period adjustment

During fiscal year 2017, $204,786 of reserve and escrow funds were paid to the new owners of William Tell Apartments. These amounts were initially thought to be the property of BRI and not a part of the sale which occurred in fiscal year 2016. A prior period adjustment was made in 2017 to correct this. The effect of this adjustment was to decrease the beginning unrestricted net assets of BRI from $6,446,302 to $6,241,606.

16. Subsequent events

GAAP (FASB ASC 855) requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Company's September 30, 2017 financial statements were available to be issued on May 22, 2018, and that is the date through which subsequent events were evaluated. Management did not identify any subsequent events that required recognition or disclosure in the September 30, 2017 financial statements.

Supplementary Information

BROTHERS REDEVELOPMENT, INC.
Schedule of Expenditures of Federal Awards
September 30, 2017

Federal Granting Agency/Program	Contract ID	CFDA Number	Federal Expenditures
US Department of Housing and Development:			
Section 8 Housing Assistance Payments		14.856	$ 2,826,384
Section 202 Project Rental Assistance		14.157	197,638
Section 202 Capital Advance		14.157	5,106,700
US Department of Housing and Development Total			8,130,722
Pass-through from CHFA:			
Housing Counseling Program	HC160841001	14.169	12,282
National Foreclosure Mitigation Counseling Program	PL1114-113X1350	21.000	20,498
CHFA Total			32,780
Pass-through from City and County of Denver:			
Community Development Block Grant	OEDEV-201732722-00	14.218	29,356
Community Development Block Grant	OEDEV-201626438-00	14.218	9,805
Community Development Block Grant	OEDEV-201732720-00	14.218	32,294
Community Development Block Grant	OEDEV-201626437-00	14.218	9,039
City and County of Denver Total			80,494
Pass-through from County of Jefferson:			
Community Development Block Grant	16-2640	14.218	15,000
Community Development Block Grant	CC-16-149	14.218	23,979
County of Jefferson Total			38,979
Pass-through from County of Arapahoe:			
Community Development Block Grant	CMHS1602	14.218	62,500
Community Development Block Grant	CMPS1615	14.218	10,000
County of Arapahoe Total			72,500
Pass-through from City of Centennial:			
Community Development Block Grant	CEHS1502	14.218	19,350
City of Centennial Total			19,350
Pass-through from City of Aurora:			
HOME	M-15-MC-08-0201	14.239	17,593
City of Aurora Total			17,593
Pass-through from City of Colorado Springs:			
Community Development Block Grant	C007974	14.218	124,708
City of Colorado Springs Total			124,708
Pass-through from El Paso County			
Community Development Block Grant	3166013	14.218	64,147
Community Development Block Grant	Rehab 2015	570.202	40,304
El Paso County Total			104,451

Pass-through from Douglas County:			
Community Development Block Grant	2014 Agreement	14.218	37,132
Douglas County Total			37,132
Pass-through from City of Thornton:			
Community Development Block Grant	14-798	14.218	7,608
Community Development Block Grant	15-95	14.218	59,755
City of Thornton Total			67,363
Federal Awards Total			$ 8,726,072

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Brothers Redevelopment, Inc., and is presented on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Brothers Redevelopment, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Brothers Redevelopment, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Company has not elected to use the 10% de minimis cost rate as covered in 200.414 Indirect (F&A) costs.

Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

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

To the Board of Directors
Brothers Redevelopment, 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 Brothers Redevelopment, Inc. (BRI), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BRI'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 BRI's internal control. Accordingly, we do not express an opinion on the effectiveness BRI'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did however identify a deficiency that we consider to be a significant deficiency as follows: Because of the quantity of audit adjustments we suggest that the monthly review and reconciliation procedures be strengthened.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BRI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

Hiratsuka & Associates, LLP

May 22, 2018
Wheat Ridge, CO

Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

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

To the Board of Directors
Brothers Redevelopment, Inc.

Report on Compliance for Each Major Federal Program

We have audited Brothers Redevelopment, Inc.'s (BRI) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of BRI's major federal programs for the year ended September 30, 2017. BRI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BRI'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 BRI'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 BRI's compliance.

Opinion on Each Major Federal Program

In our opinion, BRI 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 September 30, 2017.

Report on Internal Control over Compliance

Management of BRI 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 BRI'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 BRI'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

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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.

HIRATSUKA & ASSOCIATES, LLP

May 22, 2018
Wheat Ridge, Colorado

BROTHERS REDEVELOPMENT, INC.
Schedule of Findings and Questioned Costs
September 30, 2017

1. **Summary of Auditor's Results**

Type of report issued on the financial statements:	**Unqualified**
Significant deficiency in financial reporting internal control noted:	**None**
Material noncompliance noted:	**None**
Material weaknesses in internal control over major programs:	**None**
Type of report issued on compliance for major programs:	**Unqualified**
Audit findings to be reported:	**None**

The following programs are considered to be major:

Department of Housing and Urban Development,
Section 8 Housing Assistance Payments

Department of Housing and Urban Development,
Section 202 Housing Grant

Dollar threshold used to distinguish type A and type B programs:	**$750,000**
Risk type qualification:	**High-risk**

2. **Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*** — **None**

3. **Findings and questioned costs for federal awards** — **None**

4. **Status of prior year (September 2016) findings** — **None**

5. **Current year (September 2017) findings** — **None**