

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Reports

December 31, 2020 and 2019

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**HUD Project Number 052-11149**

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## Independent Auditors' Report

### Board of Directors

Cedar Lane Senior Living Community II, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Cedar Lane Senior Living Community II, Inc. (the "Entity"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and change in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the Entity as of December 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 through 27 as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 28, is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Bethesda, Maryland  
April 6, 2021

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Statements of Financial Position

	December 31,	
	2020	2019
<b>ASSETS</b>		
Cash	\$ 111,455	\$ 55,296
Tenant accounts receivable, net	782	939
Accounts receivable - HUD	8,093	12,844
Prepaid expenses	33,920	50,277
Restricted deposits	689,504	656,370
Tenant security deposits held in trust	25,753	25,451
Fixed assets, net	1,006,213	1,166,419
	\$ 1,875,720	\$ 1,967,596
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 93,609	\$ 137,698
Prepaid revenue	10,726	3,401
Tenant security deposit liabilities	24,923	23,855
Mortgages payable, net	2,094,925	2,152,225
Total Liabilities	2,224,183	2,317,179
Net Assets (Deficit)		
Without donor restrictions (deficiency)	(348,463)	(349,583)
	\$ 1,875,720	\$ 1,967,596

See notes to financial statements

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Statements of Activities and Change in Net Assets

	Year Ended December 31,	
	2020	2019
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>		
<b>REVENUE</b>		
Rental Revenue		
Gross potential tenant rent	\$ 246,046	\$ 227,831
Gross potential subsidy rent	632,822	616,856
Miscellaneous rental income	-	16,765
Vacancy loss	(53,148)	(20,236)
Net Rental Revenue	825,720	841,216
Financial income	417	541
Grant income	45,714	49,438
Other income	38,285	38,140
Total Revenue	910,136	929,335
<b>EXPENSES</b>		
Administrative	245,257	245,826
Utilities	38,889	41,091
Operating and maintenance	236,350	223,330
Taxes and insurance	97,360	93,113
Interest	86,892	89,577
Financial	10,852	10,561
Depreciation	193,416	188,597
Total Expenses	909,016	892,095
Change in Net Assets	1,120	37,240
<b>NET ASSETS (DEFICIT)</b>		
Beginning of year	(349,583)	(386,823)
End of year	\$ (348,463)	\$ (349,583)

See notes to financial statements

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rental	\$ 837,753	\$ 824,268
Financial	417	541
Grant income	45,714	40,541
Other	38,285	38,140
Total Receipts	922,169	903,490
Administrative	(55,139)	(55,834)
Utilities	(33,400)	(40,713)
Operating and maintenance	(450,486)	(414,929)
Taxes and insurance	(115,623)	(97,437)
Interest	(82,445)	(84,675)
Financial	(826)	(487)
Total Disbursements	(737,919)	(694,075)
Net Cash from Operating Activities	184,250	209,415
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, net	(33,210)	(240,334)
Construction in progress	-	77,151
Net Cash from Investing Activities	(33,210)	(163,183)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Recapture of residual receipts	-	(16,733)
Mortgage principal payments	(61,747)	(59,508)
Net Cash from Financing Activities	(61,747)	(76,241)
Net Change in Cash and Restricted Cash	89,293	(30,009)
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	711,666	741,675
End of year	\$ 800,959	\$ 711,666

See notes to financial statements

**Cedar Lane Senior Living Community II, Inc.**  
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Statements of Cash Flows (*continued*)

	Year Ended December 31,	
	2020	2019
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,120	\$ 37,240
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	193,416	188,597
Interest expense related to debt issuance costs	4,447	4,447
Bad debt expense	200	761
Changes in operating assets and liabilities		
Tenant accounts receivable	(43)	(1,587)
Accounts receivable - HUD	4,751	(8,897)
Accounts receivable - Other	-	(11,233)
Prepaid expenses and other assets	16,357	414
Tenant security deposits held in trust	(302)	(1,843)
Accounts payable and accrued expenses	(44,089)	3,466
Deferred rental income	7,325	(4,128)
Tenant security deposit liabilities	1,068	2,178
Net Cash from Operating Activities	\$ 184,250	\$ 209,415

See notes to financial statements



**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**1. Organization**

Cedar Lane Senior Living Community II, Inc. (the "Entity") is a Maryland non-stock, non-profit corporation (formerly known as St. Mary's Home for the Elderly II, Inc.) organized on March 9, 1981 for the purpose of constructing and operating a rental housing project under Section 202 of the National Housing Act. Such projects are regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. During 2008, the Entity refinanced its mortgage under Section 207/223(f) of the National Housing Act, Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects. The Entity consists of 51 units located in Leonardtown, Maryland. Surplus cash, as defined by HUD, is required to be deposited into a residual receipts reserve.

The Entity is related through common board of directors to Cedar Lane Senior Living Community I, Inc., and Cedar Lane Senior Living Community III, Inc. (the "Organization"). The Organization shares certain board members with Friends of Cedar Lane.

The Entity is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is not subject to federal income taxes. The Internal Revenue Service has ruled that the Entity is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Some of the more significant estimates required to be made by management include impairment loss and depreciation expense.

***Net Asset Presentation***

Net assets and revenues are classified based on the existence or absence of donor imposed restrictions. Accordingly, the Entity's net assets are classified as with or without donor restrictions.

***Cash and Restricted Cash***

The Entity considers all highly liquid debt instruments with a maturity of three months or less at time of purchase to be cash equivalents. Restricted cash consists principally of cash held for real estate taxes, construction costs, property maintenance, insurance, minimum occupancy and property operating income requirements as required by certain loan and regulatory agreements.

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**2. Summary of Significant Accounting Policies (continued)**

***Debt Issuance Costs***

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Entity reflects amortization of debt issuance costs within interest expense.

***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have, if applicable, been allocated among program and supporting service classifications on the basis of square footage of office space occupied and other bases as determined by management of the Entity to be appropriate.

***Fixed Assets***

Fixed assets are recorded at cost. Capital asset additions and improvements which meet a cost in excess of \$2,500 and a useful life expected to exceed 12 months are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	5-40 years
Building equipment (portable)	5-15 years
Furnishings	5-10 years
Motor vehicles	10 years

***Investment in Real Estate***

The Entity reviews its investment in real estate for impairment annually and whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the rental property, undiscounted and without interest charges, are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. There were no impairment losses recognized during the years ended December 31, 2020 and 2019.

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**2. Summary of Significant Accounting Policies (continued)**

***Rental Income and Prepaid Rent***

Rental income is recognized for apartment rentals as it accrues and advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Entity and the tenants of the property are considered to be operating leases and are no longer than one year in duration.

***Accounts Receivable and Bad Debts***

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. U.S. GAAP requires 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. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt and a reduction of accounts receivable.

***Advertising***

Advertising costs are charged to operations when incurred. Advertising expenses charged to operations for the years ended December 31, 2020 and 2019 were \$1,762 and \$2,502.

***Compensated Absences***

Employees of the Entity are entitled to paid vacation days depending on job classification, length of service, and other factors. The Entity has accrued approximately \$19,949 and \$18,584 for vacation days as of December 31, 2020 and 2019 and these amounts are included in accounts payable and accrued expenses on the statements of financial position.

***Grants and Donations Recognition***

Grants and donations are recorded as revenue in the year notification is received from the donor. Grants and donations received by the Entity are recognized as unrestricted support upon satisfaction of donor-imposed restrictions. Grants with donor restrictions, if any, have not had their restrictions met. Restrictions on donated assets are released when the assets are placed in service.

***Accounting for Uncertainty in Income Taxes***

The Entity recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Entity had no uncertain tax positions that would require financial statement recognition or disclosure. The Entity is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2017.

**2. Summary of Significant Accounting Policies (continued)**

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 6, 2021.

**3. Cash Flow Information**

At December 31, cash and restricted cash consisted of the following:

	<u>2020</u>	<u>2019</u>
Operating Cash		
Cash	<u>\$ 111,455</u>	<u>\$ 55,296</u>
Restricted Cash		
Residual receipts	12,745	29,503
Replacement reserve	438,221	414,691
Debt service escrow	217,689	196,248
Tax and insurance escrows	<u>20,849</u>	<u>15,928</u>
Total Restricted Cash	<u>689,504</u>	<u>656,370</u>
Total Cash and Restricted Cash	<u>\$ 800,959</u>	<u>\$ 711,666</u>

**4. Escrows and Restricted Deposits**

***Replacement Reserve***

In accordance with the regulatory agreement, the Entity is required to establish with the mortgagee a reserve for replacements escrow. The required monthly deposit into this account is \$2,500.

***Residual Receipts***

In accordance with the regulatory agreement, the Entity is required to establish with the mortgagee a residual receipts escrow and make semiannual and annual deposits of surplus cash after deduction of all distributions. For the year ended December 31, 2019, the balance included funds of \$16,765 that were transferred to the operating account in January 2020 to replace the offset of subsidy payments.

***Tax and Insurance Escrows***

In accordance with the loan agreement, the Entity is required to make monthly deposits to the mortgage escrow accounts for payment of real estate taxes and insurance so that a sufficient amount is on deposit with the mortgagee when actual payment of such expenses is due.

**4. Escrows and Restricted Deposits (continued)**

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

***Debt Service Escrow***

In May 2008, the Entity entered into a Debt Service Savings Escrow Agreement with PNC Bank, N.A. and insured by HUD under Section 207 pursuant to Section 223(f) of the National Housing Act. In accordance with the agreement, the Entity is required to establish with the mortgagee a debt service savings escrow and make monthly deposits to the mortgage escrow account of \$1,779.07. Funds in the Debt Service Savings Escrow will be disbursed in accordance with the HUD-Approved Budget no more often than monthly, and subject to a minimum disbursement amount of \$5,000. HUD approval will be required for each disbursement. Funds may, with HUD approval, be used for any permitted uses.

All restricted deposits are held in cash and withdrawals require approval from HUD. These funds have been deposited into a separate Federal Deposit Insurance Corporation ("FDIC") insured saving account.

The activity in these funds for the years ended December 31, is as follows:

	2020				
	Replacement Reserve	Residual Receipts	Debt Service Escrow	Tax and Insurance Escrows	Total
Beginning balance	\$ 414,691	\$ 29,503	\$ 196,248	\$ 15,928	\$ 656,370
Interest earned	190	7	92	-	289
Withdrawals	(6,660)	(16,765)	-	(24,032)	(47,457)
Deposits	30,000	-	21,349	28,953	80,302
Ending balance	<u>\$ 438,221</u>	<u>\$ 12,745</u>	<u>\$ 217,689</u>	<u>\$ 20,849</u>	<u>\$ 689,504</u>
	2019				
	Replacement Reserve	Residual Receipts	Debt Service Escrow	Tax and Insurance Escrows	Total
Beginning balance	\$ 384,455	\$ 12,755	\$ 174,790	\$ 17,059	\$ 589,059
Interest earned	236	15	109	-	360
Withdrawals	-	-	-	(27,576)	(27,576)
Deposits	30,000	16,733	21,349	26,445	94,527
Ending balance	<u>\$ 414,691</u>	<u>\$ 29,503</u>	<u>\$ 196,248</u>	<u>\$ 15,928</u>	<u>\$ 656,370</u>

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**5. Fixed Assets**

Fixed assets consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 10,724	\$ 10,724
Buildings	3,028,668	3,010,266
Building equipment (portable)	722,537	714,534
Furnishings	881,994	875,189
Motor vehicles	29,422	29,422
Accumulated depreciation	<u>(3,667,132)</u>	<u>(3,473,716)</u>
	<u>\$ 1,006,213</u>	<u>\$ 1,166,419</u>

**6. Mortgages Payable**

***First Mortgage***

In July 2017, the Entity entered into a Modification Deed of Trust Note with PNC Bank, N.A. and insured by HUD under Section 207 pursuant to Section 223(f) of the National Housing Act in the amount of \$2,396,498. The mortgage is secured by the Entity's property and bears an interest rate at 3.70% per annum commencing on August 1, 2017. The required monthly principal and interest payment is \$12,016, maturing on June 1, 2043. The balance at December 31, 2020 and 2019 is \$2,194,615 and \$2,256,362. Interest expense for the years ended December 31, 2020 and 2019 was \$82,445 and \$84,685.

Annual maturities of the mortgage principal for years ending December 31 are payable as follows:

2021	\$ 64,072
2022	66,483
2023	68,985
2024	71,581
2025	74,047
Thereafter	<u>1,849,447</u>
	<u>\$ 2,194,615</u>

Costs incurred to obtain financing by the Entity are being shown net of the mortgage loan balance as described below:

	<u>2020</u>	<u>2019</u>
Mortgages payable	\$ 2,194,615	\$ 2,256,362
Debt issuance costs, net	<u>(99,690)</u>	<u>(104,137)</u>
Mortgages Payable, net	<u>\$ 2,094,925</u>	<u>\$ 2,152,225</u>

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**6. Mortgages Payable (continued)**

	2020	2019
Loan and other fees	\$ 155,650	\$ 155,650
Accumulated amortization	(55,960)	(51,513)
Debt Issuance Costs, net	\$ 99,690	\$ 104,137

**7. Housing Assistance Payment Contract**

The Entity has a Housing Assistance Payment Contract Agreement (“HAP”) with HUD. The term of the contract is 20 years, which expires on September 28, 2028.

**8. Property Management**

The property is self-managed pursuant to a management agreement approved by HUD. The property is not being charged a management fee at this time.

**9. Service Coordinator Grant**

The Entity had entered into an agreement with HUD in which HUD would reimburse the reasonable expenses of the Entity related to maintaining a service coordinator. The contract was renewed through December 31, 2020. Revenue related to the service coordinator grant for the years ended December 31, 2020 and 2019 amounted to \$45,714 and \$49,438. The amount due from HUD related to the service coordinator grant as of December 31, 2020 and 2019 was \$8,093 and \$12,844.

**10. Liquidity and Availability of Financial Assets**

The Entity’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are comprised of the following:

	2020	2019
Cash	\$ 111,455	\$ 55,296
Accounts receivable	782	939
Accounts receivable - HUD	8,093	12,844
Total Financial Assets as of Year End	\$ 120,330	\$ 69,079

As part of the Entity’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, other obligations come due. In addition, the Entity invests cash in excess of daily requirements in short-term investments.

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**11. Functional Expenses**

The costs of providing various programs and other activities are summarized on a functional basis for the years ended December 31 as follows:

	2020			
	Program Services		Supporting Activities	
	Rental Operations	Service Coordinator	Administration	Total
Program services	\$ 172,023	\$ 45,714	\$ -	\$ 217,737
Advertising	-	-	1,762	1,762
Office expense	-	-	13,192	13,192
Legal	-	-	66	66
Auditing	-	-	12,500	12,500
Utilities	38,889	-	-	38,889
Operating and maintenance	236,350	-	-	236,350
Taxes and insurance	97,360	-	-	97,360
Interest	82,445	-	-	82,445
Other financial	15,299	-	-	15,299
Depreciation	193,416	-	-	193,416
	<u>\$ 835,782</u>	<u>\$ 45,714</u>	<u>\$ 27,520</u>	<u>\$ 909,016</u>
	2019			
	Program Services		Supporting Activities	
	Rental Operations	Service Coordinator	Administration	Total
Program services	\$ 166,610	\$ 49,438	\$ -	\$ 216,048
Advertising	-	-	2,502	2,502
Office expense	-	-	15,276	15,276
Auditing	-	-	12,000	12,000
Utilities	41,246	-	-	41,246
Operating and maintenance	223,175	-	-	223,175
Taxes and insurance	93,113	-	-	93,113
Interest	85,130	-	-	85,130
Other financial	15,008	-	-	15,008
Depreciation	188,597	-	-	188,597
	<u>\$ 812,879</u>	<u>\$ 49,438</u>	<u>\$ 29,778</u>	<u>\$ 892,095</u>



**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**12. Intercompany Transactions**

The Entity, Cedar Lane Senior Living Community I, Inc. and Cedar Lane Senior Living Community III, Inc. (all related parties via a common board of directors) all utilize a centralized operating cash account for cash disbursements of certain expenses that are shared among the related parties. The vast majority of cash receipts are deposited into the respective entity's operating account and cash is transferred from there into the centralized account in amounts needed to cover the entity's share of the disbursements.

The Entity uses accounting software that maintains a separate set of accounting records for each entity making the cash position easily identifiable and traceable to the accounting records. At December 31, 2020 and 2019, the Entity had amounts due from related parties of \$17,402 and \$36,205 for operational expenses. These expenses are included in prepaid expenses on the statements of financial position.

**13. Pension Plan**

The Entity established a 401(k) retirement plan (the "Plan") on September 1, 2008. The Plan is a defined contribution plan under Section 401(k) of the Internal Revenue Service Code of 1986 covering substantially all employees of the Entity who have completed 90 days of service and are age 18 or older. The Entity adopted the Safe Harbor provisions under IRC section 401(k)(12) for the 2015 plan year with a non-elective employer contribution of 3% of the participant's eligible compensation.

For the years ended December 31, 2020 and 2019, the amount allocable to the Entity under the terms of the above and included in health insurance and other employee benefits in the accompanying statements of activities and change in net assets was \$8,488 and \$7,860. As of December 31, 2020 and 2019, \$9,008 and \$8,388 remains payable and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

**14. Concentrations**

Financial instruments that potentially subject the Entity to concentrations of credit risk consist principally of cash. The Entity places its cash into various financial institutions. At times, the cash balances may be in excess of the FDIC insurance limits.

The Entity earned approximately 70% and 66% of its income in the form of HAP subsidies for the years ended December 31, 2020 and 2019. The balance of the rent is received from tenants, many of whom receive public assistance.

**Cedar Lane Senior Living Community II, Inc.**  
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Notes to Financial Statements  
December 31, 2020 and 2019

**15. Liability for HUD Use of Excess Balance of Residual Receipts**

In connection with its HAP contract, HUD has notified the Entity that, in accordance with Notice H-2012-14, which was issued by HUD on August 3, 2012, any balance in its residual receipts account in excess of \$12,750 (its retained balance) will be used by HUD to offset HAP payments. Under the Notice the Entity is allowed to retain residual receipts up to the amount of its retained balance for general project purposes.

As of December 31, 2018, the Entity recorded a liability of \$16,733 representing the amount of excess residual receipts subject to recapture. In 2019, the Entity recorded an expense of \$32 for the amount of its residual receipts amount in excess of its retained balance. During 2019, \$16,765 was used by HUD to reduce HAP payments during the year and this amount has been reflected as miscellaneous rental income in the financial statements. In 2019, the Entity requested, and HUD approved, the withdrawal of the excess amount from the Residual Receipts Reserve. The withdrawal has been completed as of December 31, 2020. There is no liability recorded for the year ended December 31, 2020.

**16. Operating Risk**

The Entity's primary asset is a 51 unit residential project. The Entity's operations are concentrated in the multifamily real estate market. In addition, the Entity operates in a heavily regulated environment. The operations of the Entity are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**17. Risks and Uncertainties**

The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

\* \* \* \* \*

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Supplementary Schedules  
December 31, 2020

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Balance Sheet Data  
December 31, 2020

Account No.		
	<b>ASSETS</b>	
	Current Assets	
1120	Cash - Operations	\$ 111,455
1130	Tenant/Member Accounts Receivable (Coops)	782
1135	Accounts receivable - HUD	8,093
1200	Prepaid expenses	<u>33,920</u>
1100T	Total Current Assets	<u>154,250</u>
1191	Tenant/Patient Deposits Held in Trust	<u>25,753</u>
	Restricted Deposits	
1310	Escrow deposits	20,849
1320	Replacement Reserve	438,221
1330	Other reserves	217,689
1340	Residual receipts reserve	<u>12,745</u>
1300T	Total Restricted Deposits	<u>689,504</u>
	Fixed Assets	
1410	Land	10,724
1420	Buildings	3,028,668
1440	Building equipment (portable)	722,537
1460	Furnishings	881,994
1480	Motor vehicles	<u>29,422</u>
1400T	Total Fixed Assets	4,673,345
1495	Accumulated depreciation	<u>(3,667,132)</u>
1400N	Net Fixed Assets	<u>1,006,213</u>
1000T	Total Assets	<u><u>\$ 1,875,720</u></u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Balance Sheet Data *(continued)*  
December 31, 2020

Account No.			
	<b>LIABILITIES AND NET ASSETS</b>		
	Current Liabilities		
2110	Accounts Payable - Operations	\$	48,993
2120	Accrued wages payable		42,176
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)		64,072
2190	Miscellaneous current liabilities		2,440
2210	Prepaid revenue		<u>10,726</u>
2122T	Total Current Liabilities		<u>168,407</u>
2191	Tenant/Patient Deposits Held In Trust (Contra)		<u>24,923</u>
	Long Term Liabilities		
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		2,130,543
2340	Debt issuance costs		<u>(99,690)</u>
2300T	Total Long Term Liabilities		<u>2,030,853</u>
2000T	Total Liabilities		2,224,183
3131	Net Assets Without Donor Restriction		<u>(348,463)</u>
3130	Total Net Assets		<u>(348,463)</u>
2033T	Total Liabilities and Equity/Net Assets	\$	<u><u>1,875,720</u></u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Profit and Loss Data  
Year Ended December 31, 2020

Account No.		
	<b>REVENUE</b>	
	Rental Revenue	
5120	Rent revenue - gross potential	\$ 246,046
5121	Tenant assistance payments	<u>632,822</u>
5100T	Total Rent Revenue	<u>878,868</u>
	Vacancies	
5220	Apartments	<u>(53,148)</u>
5200T	Total Vacancies	<u>(53,148)</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>825,720</u>
	Financial Revenue	
5410	Financial revenue - project operations	220
5430	Revenue from investments - residual receipts	7
5440	Revenue from investments - replacement reserve	<u>190</u>
5400T	Total Financial Revenue	<u>417</u>
	Other Revenue	
5910	Laundry and Vending Revenue	14,275
5920	Tenant charges	21,953
5970	Gifts	45,714
5990	Miscellaneous revenue	<u>2,057</u>
5900T	Total Other Revenue	<u>83,999</u>
5000T	Total Revenue	<u>910,136</u>
	<b>EXPENSES</b>	
	Administrative	
6204	Management consultants	10,279
6210	Advertising and marketing	1,762
6310	Office salaries	131,688
6311	Office expenses	13,192
6330	Manager or superintendent salaries	54,173
6340	Legal expense - project	66
6350	Audit expense	12,500
6370	Bad debts	200
6390	Miscellaneous administrative expenses	<u>21,397</u>
6263T	Total Administrative Expenses	<u>245,257</u>
	Utilities	
6450	Electricity	23,153
6451	Water	<u>15,736</u>
6400T	Total Utilities Expenses	<u>38,889</u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Profit and Loss Data *(continued)*  
Year Ended December 31, 2020

Account No.		
	<b>EXPENSES <i>(continued)</i></b>	
	Operating and Maintenance	
6510	Payroll	\$ 133,963
6515	Supplies	3,886
6520	Contracts	73,193
6525	Garbage and trash removal	7,598
6570	Vehicle maintenance equipment operation and repairs	21
6590	Miscellaneous operating and maintenance expenses	<u>17,689</u>
6500T	Total Operating and Maintenance Expenses	<u>236,350</u>
	Taxes and Insurance	
6711	Payroll Taxes (Project's Share)	24,642
6720	Property & Liability Insurance (Hazard)	22,631
6722	Workman's compensation	3,377
6723	Health insurance and other employee benefits	41,183
6790	Miscellaneous taxes, licenses, permits and insurance	<u>5,527</u>
6700T	Total Taxes and Insurance	<u>97,360</u>
	Financial	
6820	Interest on First Mortgage (or Bonds) Payable	86,892
6850	Mortgage insurance premium/service charge	10,026
6890	Miscellaneous financial expenses	<u>826</u>
6800T	Total Financial Expenses	<u>97,744</u>
6000T	Total Cost of Operations before Depreciation	<u>715,600</u>
5060T	Profit (Loss) before Depreciation	194,536
6600	Depreciation expense	<u>193,416</u>
5060N	Operating Profit or (Loss)	<u>\$ 1,120</u>
3247	Change in Net Assets Without Donor Restrictions from Operations	<u>\$ 1,120</u>
3250	Change in Total Net Assets from Operations	<u><u>\$ 1,120</u></u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Profit and Loss Data *(continued)*  
Year Ended December 31, 2020

S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD- held and HUD-insured first mortgages.	\$ 61,747
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$ 30,000
S1000-030	Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.	\$ 6,660
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss statement.	\$ -



**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Balance Sheet and Profit and Loss Data Detail  
Year Ended December 31, 2020

Account No.		
2190	Miscellaneous current liabilities	
	Accrued utilities	\$ 2,440
5990	Miscellaneous other revenue	
	Transfer fees & salvage	\$ 151
	FFCRE credits	1,906
		<u>\$ 2,057</u>

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Equity Data  
Year Ended December 31, 2020

Account No.		
S1100-060	Previous Year Net Assets Without Donor Restrictions	\$ (349,583)
3247	Change in Net Assets Without Donor Restrictions from Operations	<u>1,120</u>
3131	Net Assets Without Donor Restrictions	<u>\$ (348,463)</u>
S1100-050	Previous Year Total Net Assets	\$ (349,583)
3250	Change in Total Net Assets from Operations	<u>1,120</u>
3130	Total Net Assets	<u>\$ (348,463)</u>

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Cash Flow Data  
Year Ended December 31, 2020

Account No.		
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
S1200-010	Rental receipts	\$ 837,753
S1200-020	Interest receipts	417
S1200-025	Gifts	45,714
S1200-030	Other operating receipts	<u>38,285</u>
S1200-040	Total Receipts	<u>922,169</u>
S1200-050	Administrative	(55,905)
S1200-090	Utilities	(33,400)
S1200-100	Salaries and wages	(303,910)
S1200-110	Operating and maintenance	(146,576)
S1200-140	Property insurance	(22,631)
S1200-150	Miscellaneous taxes and insurance	(83,104)
S1200-160	Tenant security deposits	766
S1200-180	Interest on first mortgage	(82,445)
S1200-210	Mortgage insurance premium	(9,888)
S1200-220	Miscellaneous financial	<u>(826)</u>
S1200-230	Total Disbursements	<u>(737,919)</u>
S1200-240	Net Cash provided by (used in) Operating Activities	<u>184,250</u>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
S1200-245	Net Deposits to the Mortgage Escrow account	(4,921)
S1200-250	Net Deposits to the Reserve for Replacement account	(23,530)
S1200-255	Net deposits to other reserves	(21,441)
S1200-260	Net Deposits to the Residual Receipts account	16,758
S1200-330	Net purchase of fixed assets	<u>(33,210)</u>
S1200-350	Net Cash used in Investing Activities	<u>(66,344)</u>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
S1200-360	Principal Payments - First Mortgage (or Bonds)	<u>(61,747)</u>
S1200-460	Net Cash used in Financing Activities	<u>(61,747)</u>
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	56,159
	<b>CASH AND CASH EQUIVALENTS</b>	
S1200-480	Beginning of Period Cash	<u>55,296</u>
S1200T	End of Period Cash	<u>\$ 111,455</u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Reserve Account Data  
Year Ended December 31, 2020

Account No.		
	<b>SCHEDULE OF RESERVE FOR REPLACEMENTS</b>	
1320P	Balance at beginning of year	\$ 414,691
1320DT	Total monthly deposits	30,000
1320INT	Interest on replacement reserve accounts	190
1320WT	Approved withdrawals	<u>(6,660)</u>
1320	Balance at end of year, confirmed by mortgagee	<u>\$ 438,221</u>
1320R	Deposits suspended or waived indicator	No
	<b>SCHEDULE OF RESIDUAL RECEIPTS</b>	
1340P	Balance at beginning of year	\$ 29,503
1340INT	Interest on residual receipt accounts	7
1340WT	Approved withdrawals	<u>(16,765)</u>
1340	Balance at current fiscal year end	<u>\$ 12,745</u>

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Computation of Surplus Cash and Residual Receipts  
December 31, 2020

Account No.		
S1300-010	Cash	\$ 137,208
1135	Accounts receivable - HUD	<u>8,093</u>
S1300-040	Total Cash	<u>145,301</u>
	Current Obligations	
S1300-075	Accounts Payable - 30 days	48,993
S1300-100	Accrued expenses (not escrowed)	44,616
2210	Prepaid revenue	10,726
2191	Tenant/Patient Deposits Held In Trust (Contra)	<u>24,923</u>
S1300-140	Total Current Obligations	<u>129,258</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 16,043</u>
S1300-210	Deposit Due Residual Receipts	<u>\$ 16,043</u>

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Changes in Fixed Asset Accounts  
Year Ended December 31, 2020

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1410	Land	\$ 10,724	\$ -	\$ -	\$ 10,724
1420	Buildings	3,010,266	18,402	-	3,028,668
1440	Building equipment (portable)	714,534	8,003	-	722,537
1460	Furnishings	875,189	6,805	-	881,994
1480	Motor vehicles	<u>29,422</u>	<u>-</u>	<u>-</u>	<u>29,422</u>
1400T	Total Fixed Assets	4,640,135	<u>\$ 33,210</u>	<u>\$ -</u>	4,673,345
1495	Accumulated depreciation	<u>(3,473,716)</u>	<u>\$ (193,416)</u>	<u>\$ -</u>	<u>(3,667,132)</u>
1400N	Total Net Book Value	<u>\$ 1,166,419</u>			<u>\$ 1,006,213</u>
1420A	Buildings				
	Crack sealing		\$ 2,925		
	Door lock system		<u>15,477</u>		
			<u>\$ 18,402</u>		
1440A	Building equipment (portable)				
	Poweredge Server		<u>\$ 8,003</u>		
1460A	Furnishings				
	Bathroom renovation		\$ 4,275		
	Carpet		<u>2,530</u>		
			<u>\$ 6,805</u>		

See independent auditors' report

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Uniform Guidance Reports and Schedules  
December 31, 2020

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Expenditures of Federal Awards and Accompanying Notes  
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Provided To Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155	\$ -	\$ 2,256,362
Section 8 Project-Based Cluster			
Section 8 Housing Assistance Payments Program	14.195	-	632,822
Multifamily Housing Service Coordinator	14.191	-	45,714
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 2,934,898</u>

**Note 1 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards (the “Schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (“Uniform Guidance”), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Schedule includes the federal award activity of Cedar Lane Senior Living Community II, Inc. (the “Entity”) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Entity, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Entity.

**Note 2 – Indirect Cost Rate**

The Entity has elected not to use the 10-percent de minimis indirect cost rate allowable under the Uniform Guidance. The Entity is reimbursed for programmatic and administrative costs in accordance with rules set forth by the U.S. Department of Housing and Urban Development.

**Note 3 – Loans/ Loans Guarantee Outstanding Balance**

The balance of the loans outstanding at December 31, 2020 is as follows:

CFDA Number	Program Name	Outstanding Balance
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	<u>\$ 2,194,615</u>

See independent auditors’ report



**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Expenditures of Federal Awards and Accompanying Notes *(continued)*  
Year Ended December 31, 2020

**Note 4 – Federal Loan Program**

The Entity has received a U.S. Department of Housing and Urban Development insured loan under Section 223(f)/207 of the National Affordable Housing Act of 1974. The loan balance outstanding at the beginning of the year for the Supportive Housing loan is included in the federal expenditures presented in the Schedule.

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

**Board of Directors**

**Cedar Lane Senior Living Community II, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cedar Lane Senior Living Community II, Inc. (the "Entity"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 6, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*PKF O'Connor Davies, LLP*

Bethesda, Maryland  
April 6, 2021

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

**Independent Auditors' Report**

**Board of Directors**

**Cedar Lane Senior Living Community II, Inc.**

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

We have audited Cedar Lane Senior Living Community II, Inc.'s (the "Entity") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity's major federal programs for the year ended December 31, 2020. The Entity's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

**Report on Internal Control Over Compliance**

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

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

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

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

*PKF O'Connor Davies, LLP*

Bethesda, Maryland  
April 6, 2021

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported  
Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major federal programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported  
Type of auditors’ report issued on compliance for major federal programs: Unmodified  
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000  
Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

Section II – Financial Statement Findings

During our audit we noted no material findings for the year ended December 31, 2020.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of non-compliance and none of the costs reported in the federal financially assisted programs are questioned or recommend to be disallowed.

Section IV – Prior Year’s Findings

There are no prior year audit findings.

**Cedar Lane Senior Living Community II, Inc.**  
**HUD Project Number 052-11149**

Mortgagor's Certification  
December 31, 2020

We hereby certify that we have examined the accompanying financial statements and supplementary data, and to the best of our knowledge and belief, the same is complete and accurate.

Cedar Lane Senior Living Community II, Inc.  
Federal EIN: 52-1330040  
Telephone Number: (301) 475-8966

  
Beverly Stickle, President and CEO

04/07/2021  
Date

  
Charles Roach, Chair

4/7/21  
Date

**Cedar Lane Senior Living Community II, Inc.  
HUD Project Number 052-11149**

Managing Agent's Certification  
December 31, 2020

We hereby certify that we have examined the accompanying financial statements and supplementary data, and to the best of our knowledge and belief, the same is complete and accurate.

Cedar Lane Senior Living Community II, Inc.  
Federal EIN: 52-1330040

  
Beverly Stickles, President and CEO

  
Date

Name of Property Manager: Beverly Stickles



**Cedar Lane Senior Living Community II, Inc.  
HUD Project Number 052-11149**

Identification of Auditor  
December 31, 2020

Audit Firm: PKF O'Connor Davies, LLP

Engagement Partner: Stewart A. Grubman

REAC Address: 2 Bethesda Metro Center, Suite 420  
Bethesda, MD 20814

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Date of Auditor's Report: April 6, 2021

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