

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, 2021 and 2020

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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 Audit of the Financial Statements

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 presented on pages 18 through 28, required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and are not a required part of the financial statements.

Report on Supplementary Information (continued)

The accompanying schedule of expenditures of federal awards on page 29, 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 May 23, 2022 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, 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
May 23, 2022

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

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
Cash	\$ 180,753	\$ 111,455
Tenant accounts receivable, net	176	782
Accounts receivable - HUD	12,023	8,093
Prepaid expenses	86,029	33,920
Restricted deposits	763,815	689,504
Tenant security deposits held in trust	26,859	25,753
Fixed assets, net	846,593	1,006,213
	\$ 1,916,248	\$ 1,875,720
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 58,722	\$ 93,609
Prepaid revenue	5,708	10,726
Tenant security deposit liabilities	25,670	24,923
Mortgages payable, net	2,035,300	2,094,925
Total Liabilities	2,125,400	2,224,183
Net Assets (Deficit)		
Without donor restrictions (deficiency)	(209,152)	(348,463)
	\$ 1,916,248	\$ 1,875,720

See notes to financial statements

Cedar Lane Senior Living Community II, Inc.
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Statements of Activities and Change in Net Assets (Deficit)

	Year Ended December 31,	
	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTION		
REVENUE		
Rental Revenue		
Gross potential tenant rent	\$ 230,222	\$ 246,046
Gross potential subsidy rent	674,529	632,822
Vacancy loss	<u>(19,561)</u>	<u>(53,148)</u>
Net Rental Revenue	885,190	825,720
Financial income	295	417
Grant income	49,255	45,714
Other income	<u>75,833</u>	<u>38,285</u>
Total Revenue	<u>1,010,573</u>	<u>910,136</u>
 EXPENSES		
Administrative	241,297	245,257
Utilities	37,302	38,889
Operating and maintenance	213,871	236,350
Taxes and insurance	95,842	97,360
Interest	84,808	86,892
Financial	9,743	10,852
Depreciation	<u>188,399</u>	<u>193,416</u>
Total Expenses	<u>871,262</u>	<u>909,016</u>
Change in Net Assets	139,311	1,120
 NET ASSETS (DEFICIT)		
Beginning of year	<u>(348,463)</u>	<u>(349,583)</u>
End of year	<u>\$ (209,152)</u>	<u>\$ (348,463)</u>

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,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental	\$ 876,648	\$ 837,753
Financial	295	417
Grant income	49,255	45,714
Other	40,340	38,285
Total Receipts	966,538	922,169
Administrative	(94,467)	(55,139)
Utilities	(37,260)	(33,400)
Operating and maintenance	(409,960)	(450,486)
Taxes and insurance	(108,031)	(115,623)
Interest	(80,361)	(82,445)
Financial	-	(826)
Total Disbursements	(730,079)	(737,919)
Net Cash from Operating Activities	236,459	184,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, net	(28,779)	(33,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(64,072)	(61,747)
Net Change in Cash and Restricted Cash	143,608	89,293
CASH AND RESTRICTED CASH		
Beginning of year	800,959	711,666
End of year	\$ 944,567	\$ 800,959
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-Cash Investing and Financing Activities		
Loan forgiveness	35,493	-

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,	
	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ 139,311	\$ 1,120
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	188,399	193,416
Interest expense related to debt issuance costs	4,447	4,447
Bad debt expense	94	200
Changes in operating assets and liabilities		
Tenant accounts receivable	512	(43)
Accounts receivable - HUD	(3,930)	4,751
Prepaid expenses and other assets	(52,109)	16,357
Tenant security deposits held in trust	(1,106)	(302)
Accounts payable and accrued expenses	(34,887)	(44,089)
Deferred rental income	(5,018)	7,325
Tenant security deposit liabilities	747	1,068
Net Cash from Operating Activities	\$ 236,460	\$ 184,250

See notes to financial statements

Cedar Lane Senior Living Community II, Inc.
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Notes to Financial Statements
December 31, 2021 and 2020

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 "Entities"). 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.

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Notes to Financial Statements
December 31, 2021 and 2020

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 effective 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, 2021 and 2020.

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Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020 were \$2,698 and \$1,762.

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 \$13,138 and \$19,949 for vacation days at December 31, 2021 and 2020 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. 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 years prior to December 31, 2018.

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Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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 Date.

3. Cash Flow Information

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

	<u>2021</u>	<u>2020</u>
Operating Cash		
Cash	<u>\$ 180,753</u>	<u>\$ 111,455</u>
Restricted Cash		
Residual receipts	29,896	12,745
Replacement reserve	468,368	438,221
Debt service escrow	239,112	217,689
Tax and insurance escrows	<u>26,439</u>	<u>20,849</u>
Total Restricted Cash	<u>763,815</u>	<u>689,504</u>
Total Cash and Restricted Cash	<u>\$ 944,568</u>	<u>\$ 800,959</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.

Mortgage 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.

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Notes to Financial Statements
December 31, 2021 and 2020

4. Escrows and Restricted Deposits (continued)

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. 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:

	2021				
	Replacement Reserve	Residual Receipts	Debt Service Escrow	Tax and Insurance Escrows	Total
Beginning balance	\$ 438,221	\$ 12,745	\$ 217,689	\$ 20,849	\$ 689,504
Interest earned	147	8	74	-	229
Withdrawals	-	-	-	(22,652)	(22,652)
Deposits	30,000	17,143	21,349	28,242	96,734
Ending balance	\$ 468,368	\$ 29,896	\$ 239,112	\$ 26,439	\$ 763,815
	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	\$ 438,221	\$ 12,745	\$ 217,689	\$ 20,849	\$ 689,504

Cedar Lane Senior Living Community II, Inc.
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Notes to Financial Statements
December 31, 2021 and 2020

5. Fixed Assets

Fixed assets consisted of the following at December 31:

	2021	2020
Land	\$ 10,724	\$ 10,724
Buildings	3,057,447	3,028,668
Building equipment (portable)	722,537	722,537
Furnishings	881,994	881,994
Motor vehicles	29,422	29,422
Accumulated depreciation	<u>(3,855,531)</u>	<u>(3,667,132)</u>
	<u>\$ 846,593</u>	<u>\$ 1,006,213</u>

6. Mortgage 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, 2021 and 2020 is \$2,130,543 and \$2,194,615. Interest expense for the years ended December 31, 2021 and 2020 was \$80,361 and \$82,445.

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

2022	66,483
2023	68,985
2024	71,581
2025	74,274
2026	77,070
Thereafter	<u>1,772,150</u>
	<u>\$ 2,130,543</u>

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

	2021	2020
Mortgages payable	\$ 2,130,543	\$ 2,194,615
Debt issuance costs, net	<u>(95,243)</u>	<u>(99,690)</u>
Mortgages Payable, net	<u>\$ 2,035,300</u>	<u>\$ 2,094,925</u>

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Notes to Financial Statements
December 31, 2021 and 2020

6. Mortgage Payable (continued)

	2021	2020
Loan and other fees	\$ 155,650	\$ 155,650
Accumulated amortization	(60,407)	(55,960)
Debt Issuance Costs, net	\$ 95,243	\$ 99,690

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. Revenue related to the service coordinator grant for the years ended December 31, 2021 and 2020 amounted to \$49,255 and \$45,714. The amount due from HUD related to the service coordinator grant as of December 31, 2021 and 2020 was \$12,023 and \$8,093.

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:

	2021	2020
Cash	\$ 180,753	\$ 111,455
Accounts receivable	176	782
Accounts receivable - HUD	12,023	8,093
Total Financial Assets as of Year End	\$ 192,952	\$ 120,330

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.

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Notes to Financial Statements
December 31, 2021 and 2020

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:

	2021			
	Program Services		Supporting Activities	
	Rental Operations	Service Coordinator	Administration	Total
Program services	\$ 161,234	\$ 49,255	\$ -	\$ 210,489
Advertising	-	-	2,698	2,698
Office expense	-	-	12,885	12,885
Legal	-	-	-	-
Auditing	-	-	15,225	15,225
Utilities	37,302	-	-	37,302
Operating and maintenance	213,871	-	-	213,871
Taxes and insurance	95,842	-	-	95,842
Interest	80,361	-	-	80,361
Other financial	14,190	-	-	14,190
Depreciation	188,399	-	-	188,399
	<u>\$ 791,199</u>	<u>\$ 49,255</u>	<u>\$ 30,808</u>	<u>\$ 871,262</u>
	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>

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Notes to Financial Statements
December 31, 2021 and 2020

12. Related Party Transactions

Intercompany Transactions

The Entity, Cedar Lane Senior Living Community I, Inc. and Cedar Lane Senior Living Community III, Inc. are all related parties through a common board of directors. The Entities 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, 2021 and 2020, the Entity had amounts due from related parties of \$68,409 and \$17,402 for prepaid operational expenses. These expenses are included in prepaid expenses on the statements of financial position.

Other income partially consists of forgiveness of payables received by the Entities for shared payroll expenses. The Entities received a loan of \$243,515 from Community Bank of the Chesapeake under the Paycheck Protection Program ("PPP"). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Entities applied for forgiveness with the lender and received forgiveness of \$243,515 and related interest from the Small Business Administration on September 13, 2021. The amount of loan forgiveness allocated to the Entity of \$35,493, is presented as a component of other income on the statements of activities and change in net assets.

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 ("IRC") 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, 2021 and 2020, 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. At December 31, 2021 and 2020, \$8,388 and \$9,008 remains payable and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

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Notes to Financial Statements
December 31, 2021 and 2020

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 66% and 70% of its income in the form of HAP subsidies for the years ended December 31, 2021 and 2020. The balance of the rent is received from tenants, many of whom receive public assistance.

15. 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.

16. 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, 2021

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

Schedule of Balance Sheet Data
December 31, 2021

Account No.		
	ASSETS	
	Current Assets	
1120	Cash - Operations	\$ 180,753
1130	Tenant/Member Accounts Receivable (Coops)	176
1135	Accounts receivable - HUD	12,023
1200	Prepaid expenses	<u>86,029</u>
1100T	Total Current Assets	<u>278,981</u>
1191	Tenant/Patient Deposits Held in Trust	<u>26,859</u>
	Restricted Deposits	
1310	Escrow deposits	26,439
1320	Replacement Reserve	468,368
1330	Other reserves	239,112
1340	Residual receipts reserve	<u>29,896</u>
1300T	Total Restricted Deposits	<u>763,815</u>
	Fixed Assets	
1410	Land	10,724
1420	Buildings	3,057,447
1440	Building equipment (portable)	722,537
1460	Furnishings	881,994
1480	Motor vehicles	<u>29,422</u>
1400T	Total Fixed Assets	4,702,124
1495	Accumulated depreciation	<u>(3,855,531)</u>
1400N	Net Fixed Assets	<u>846,593</u>
1000T	Total Assets	<u>\$ 1,916,248</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, 2021

Account No.		
	LIABILITIES AND NET ASSETS	
	Current Liabilities	
2110	Accounts Payable - Operations	\$ 26,036
2120	Accrued wages payable	30,277
2190	Miscellaneous current liabilities	2,409
2210	Prepaid revenue	<u>5,708</u>
2122T	Total Current Liabilities	<u>130,913</u>
2191	Tenant/Patient Deposits Held In Trust (Contra)	<u>25,670</u>
	Long Term Liabilities	
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	2,064,060
2340	Debt issuance costs	<u>(95,243)</u>
2300T	Total Long Term Liabilities	<u>1,968,817</u>
2000T	Total Liabilities	2,125,400
3131	Net Assets Without Donor Restriction	<u>(209,152)</u>
3130	Total Net Assets	<u>(209,152)</u>
2033T	Total Liabilities and Equity/Net Assets	<u>\$ 1,916,248</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, 2021

Account No.		
	REVENUE	
	Rental Revenue	
5120	Rent revenue - gross potential	\$ 230,222
5121	Tenant assistance payments	673,707
5193	Special claims revenue	<u>822</u>
5100T	Total Rent Revenue	<u>904,751</u>
	Vacancies	
5220	Apartments	<u>(19,561)</u>
5200T	Total Vacancies	<u>(19,561)</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>885,190</u>
	Financial Revenue	
5410	Financial revenue - project operations	140
5430	Revenue from investments - residual receipts	8
5440	Revenue from investments - replacement reserve	<u>147</u>
5400T	Total Financial Revenue	<u>295</u>
	Other Revenue	
5910	Laundry and vending revenue	15,052
5920	Tenant charges	25,008
5970	Gifts	49,255
5990	Miscellaneous revenue	<u>35,773</u>
5900T	Total Other Revenue	<u>125,088</u>
5000T	Total Revenue	<u>1,010,573</u>
	EXPENSES	
	Administrative	
6204	Management consultants	4,748
6210	Advertising and marketing	2,698
6310	Office salaries	138,175
6311	Office expenses	12,885
6350	Audit expense	15,225
6370	Bad debts	94
6390	Miscellaneous administrative expenses	<u>23,280</u>
6263T	Total Administrative Expenses	<u>241,297</u>
	Utilities	
6450	Electricity	21,790
6451	Water	<u>15,512</u>
6400T	Total Utilities Expenses	<u>37,302</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, 2021

Account No.		
	EXPENSES <i>(continued)</i>	
	Operating and Maintenance	
6510	Payroll	\$ 130,216
6515	Supplies	3,189
6520	Contracts	59,038
6525	Garbage and trash removal	7,921
6570	Vehicle maintenance equipment operation and repairs	13
6590	Miscellaneous operating and maintenance expenses	<u>13,494</u>
6500T	Total Operating and Maintenance Expenses	<u>213,871</u>
	Taxes and Insurance	
6711	Payroll taxes (Project's share)	27,996
6720	Property & liability insurance (Hazard)	23,930
6722	Workman's compensation	3,698
6723	Health insurance and other employee benefits	34,595
6790	Miscellaneous taxes, licenses, permits and insurance	<u>5,623</u>
6700T	Total Taxes and Insurance	<u>95,842</u>
	Financial	
6820	Interest on first mortgage (or bonds) payable	84,808
6850	Mortgage insurance premium/service charge	<u>9,743</u>
6800T	Total Financial Expenses	<u>94,551</u>
6000T	Total Cost of Operations before Depreciation	<u>682,863</u>
5060T	Profit (Loss) before Depreciation	327,710
6600	Depreciation expense	<u>188,399</u>
5060N	Operating Profit or (Loss)	<u>\$ 139,311</u>
3247	Change in Net Assets Without Donor Restrictions from Operations	<u>\$ 139,311</u>
3250	Change in Total Net Assets from Operations	<u><u>\$ 139,311</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, 2021

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.	\$ 64,072
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.	\$ -
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, 2021

<u>Account No.</u>		
2190	Miscellaneous current liabilities Accrued utilities	<u>\$ 2,409</u>
5990	Miscellaneous other revenue PPP loan forgiveness Salvage	\$ 35,493 <u>280</u> \$ 35,773

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

Schedule of Equity Data
Year Ended December 31, 2021

<u>Account No.</u>		
S1100-060	Previous Year Net Assets Without Donor Restrictions	\$ (348,463)
3247	Change in Net Assets Without Donor Restrictions from Operations	<u>139,311</u>
3131	Net Assets Without Donor Restrictions	<u>\$ (209,152)</u>
S1100-050	Previous Year Total Net Assets	\$ (348,463)
3250	Change in Total Net Assets from Operations	<u>139,311</u>
3130	Total Net Assets	<u>\$ (209,152)</u>

See independent auditors' report

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

Schedule of Cash Flow Data
Year Ended December 31, 2021

Account No.		
	CASH FLOWS FROM OPERATING ACTIVITIES	
S1200-010	Rental receipts	\$ 876,648
S1200-020	Interest receipts	295
S1200-025	Gifts	49,255
S1200-030	Other operating receipts	<u>40,340</u>
S1200-040	Total Receipts	<u>966,538</u>
S1200-050	Administrative	(94,108)
S1200-090	Utilities	(37,260)
S1200-100	Salaries and wages	(319,253)
S1200-110	Operating and maintenance	(90,707)
S1200-140	Property insurance	(23,930)
S1200-150	Miscellaneous taxes and insurance	(74,496)
S1200-160	Tenant security deposits	(359)
S1200-180	Interest on first mortgage	(80,361)
S1200-210	Mortgage insurance premium	<u>(9,605)</u>
S1200-230	Total Disbursements	<u>(730,079)</u>
S1200-240	Net Cash provided by (used in) Operating Activities	<u>236,459</u>
	CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-245	Net Deposits to the Mortgage Escrow account	(5,590)
S1200-250	Net Deposits to the Reserve for Replacement account	(30,147)
S1200-255	Net Deposits to Other Reserves	(21,423)
S1200-260	Net Deposits to the Residual Receipts account	(17,151)
S1200-330	Net purchase of Fixed Assets	<u>(28,779)</u>
S1200-350	Net Cash used in Investing Activities	<u>(103,090)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-360	Principal Payments - First Mortgage (or Bonds)	<u>(64,072)</u>
S1200-460	Net Cash used in Financing Activities	<u>(64,072)</u>
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	69,297
	CASH AND CASH EQUIVALENTS	
S1200-480	Beginning of Period Cash	<u>111,455</u>
S1200T	End of Period Cash	<u>\$ 180,752</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, 2021

Account No.		
	SCHEDULE OF RESERVE FOR REPLACEMENTS	
1320P	Balance at beginning of year	\$ 438,221
1320DT	Total monthly deposits	30,000
1320INT	Interest on replacement reserve accounts	<u>147</u>
1320	Balance at end of year, confirmed by mortgagee	<u>\$ 468,368</u>
1320R	Deposits suspended or waived indicator	No
	SCHEDULE OF RESIDUAL RECEIPTS	
1340P	Balance at beginning of year	\$ 12,745
1340DT	Total deposits	17,143
1340INT	Interest on residual receipt accounts	<u>8</u>
1340	Balance at current fiscal year end	<u>\$ 29,896</u>

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

Schedule of Computation of Surplus Cash and Residual Receipts
December 31, 2021

Account No.		
S1300-010	Cash	207,612
1135	Accounts receivable - HUD	<u>12,023</u>
S1300-040	Total Cash	<u>219,635</u>
	Current Obligations	
S1300-075	Accounts Payable - 30 days	6,844
S1300-100	Accrued expenses (not escrowed)	49,469
2210	Prepaid revenue	5,708
2191	Tenant/Patient Deposits Held In Trust (Contra)	<u>25,670</u>
S1300-140	Total Current Obligations	<u>87,691</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 131,944</u>
S1300-210	Deposit Due Residual Receipts	<u>\$ 131,944</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, 2021

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1410	Land	\$ 10,724	\$ -	\$ -	\$ 10,724
1420	Buildings	3,028,668	28,779	-	3,057,447
1440	Building equipment (portable)	722,537	-	-	722,537
1460	Furnishings	881,994	-	-	881,994
1480	Motor vehicles	29,422	-	-	29,422
1400T	Total Fixed Assets	4,673,345	<u>\$ 28,779</u>	<u>\$ -</u>	4,702,124
1495	Accumulated depreciation	<u>(3,667,132)</u>	<u>\$ (188,399)</u>	<u>\$ -</u>	<u>(3,855,531)</u>
1400N	Total Net Book Value	<u>\$1,006,213</u>			<u>\$ 846,593</u>
1420A	Buildings				
	Crack sealing		\$ 18,200		
	Grounds/landscaping		1,435		
	Parking lot repairs/stripping		9,144		
			<u>\$ 28,779</u>		

See independent auditors' report

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

Uniform Guidance Reports and Schedules
December 31, 2021

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, 2021

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	\$ -	\$ 2,194,615
Section 8 Project-Based Cluster			
Section 8 Housing Assistance Payments Program	14.195	-	673,707
Multifamily Housing Service Coordinator	14.191	-	49,255
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 2,917,577</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 Requirements 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, 2021. 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, change 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, 2021 is as follows:

CFDA Number	Program Name	Outstanding Balance
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	\$ 2,130,543

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, 2021

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, 2021, 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 May 23, 2022.

Report on 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.

Report on 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
May 23, 2022

**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

Opinion on 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, 2021. The Entity's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Entity's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control Over Compliance (*continued*)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
May 23, 2022

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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>Assistance Listing 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, 2021.

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, 2021

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

Eric Golden, President and CEO

Date

Charles Roach, Chair

Date

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

Managing Agent's Certification
December 31, 2021

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

Eric Golden, President and CEO

Date

Name of Property Manager: Eric Golden

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

Identification of Auditor
December 31, 2021

Audit Firm: PKF O'Connor Davies, LLP

Engagement Partner: Stewart A. Grubman

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

Telephone Number: (301) 652-3464

Fax Number: (301) 652-4646

Federal EIN: 27-1728945

Firm Address: 500 Mamaroneck Avenue, Suite 301
Harrison, NY 10528-1633

Date of Auditors' Report: May 23, 2022

UII: 02362

Contact Email: Sgrubman@pkfod.com