



*Reports of Independent Auditors and
Financial Statements with Supplementary Information*

**Jennings Senior Housing, Inc.
(a California Nonprofit Public Benefit Corporation)
HUD Project No. 121-EE 178-NP-WAH**

March 31, 2021 and 2020

Table of Contents

| | |
|---|---|
| REPORT OF INDEPENDENT AUDITORS | 1 |
|---|---|

FINANCIAL STATEMENTS

| | |
|--|---|
| Statements of Financial Position | 4 |
| Statements of Activities and Changes in Net Assets | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 |

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

| | |
|---|----|
| Balance Sheet Data | 17 |
| Profit and Loss Data | 19 |
| Statement of Cash Flows Data | 22 |
| Schedule of Surplus Cash | 23 |
| Schedule of Changes in Fixed Asset Accounts | 24 |
| Schedule of Replacement Reserve | 26 |

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Expenditures of Federal Awards | 28 |
|--|----|

| | |
|---|----|
| REPORT OF INDEPENDENT AUDITORS 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 | 29 |
|---|----|

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE31

Schedule of Findings and Questioned Costs.....33

Summary Schedule of Prior Audit Findings34

Mortgagor's Certification35

Management Agent's Certification36

Transmittal Letter of Auditor.....37

Report of Independent Auditors

To the Board of Directors
Jennings Senior Housing, Inc.
(a California Nonprofit Public Benefit Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Jennings Senior Housing, Inc. (a California nonprofit public benefit corporation) (the “Project”), HUD Project No. 121-EE 178-NP-WAH, which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and changes in net assets 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.

Auditor’s 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jennings Senior Housing, Inc., as of March 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.

Other Matters

Supplementary Information required by HUD and 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 to 26 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards shown on page 28, as required by Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 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 a report dated June 29, 2021, on our consideration of the Project'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 Project'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 Project's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
June 29, 2021

Financial Statements

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Statements of Financial Position
March 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 14,515 | \$ 50,969 |
| Accounts receivable | 6,737 | 2,616 |
| Prepaid expenses and other assets | <u>35,112</u> | <u>25,383</u> |
| Total current assets | <u>56,364</u> | <u>78,968</u> |
| TENANT SECURITY DEPOSITS | <u>21,737</u> | <u>19,479</u> |
| RESTRICTED DEPOSITS AND FUNDED RESERVES | | |
| Replacement reserves | 345,208 | 302,795 |
| Other reserves | <u>-</u> | <u>10,895</u> |
| Total restricted deposits and funded reserves | <u>345,208</u> | <u>313,690</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 943,929 | 943,929 |
| Land improvements | 621,695 | 621,695 |
| Building | 10,886,334 | 10,886,334 |
| Furniture and fixtures | 155,147 | 155,147 |
| Office equipment | 74,616 | 50,090 |
| Construction in progress | <u>16,227</u> | <u>-</u> |
| | 12,697,948 | 12,657,195 |
| Accumulated depreciation | <u>(4,142,604)</u> | <u>(3,813,027)</u> |
| Total property and equipment, net | <u>8,555,344</u> | <u>8,844,168</u> |
| OTHER ASSETS | | |
| Development costs | <u>19,556</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 8,998,209</u></u> | <u><u>\$ 9,256,305</u></u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Statements of Financial Position (Continued)
March 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 687 | \$ 8,923 |
| Accounts payable - affiliated organizations | 65,609 | 34,984 |
| Development costs payable - affiliated organizations | 20,920 | 31,121 |
| Other accrued liabilities | 3,692 | 4,786 |
| Accrued wages payable | 6,524 | 9,795 |
| Total current liabilities | 97,432 | 89,609 |
| TENANT SECURITY DEPOSITS | 21,737 | 19,479 |
| LONG-TERM LIABILITIES | | |
| Accrued interest | 2,280,343 | 2,132,500 |
| Mortgages payable, net of current portion | 12,071,608 | 12,071,608 |
| Total long-term liabilities | 14,351,951 | 14,204,108 |
| Total liabilities | 14,471,120 | 14,313,196 |
| NET DEFICIT | | |
| Net assets without donor restrictions | | |
| Board-designated net assets: | | |
| Restricted deposits and funded reserves | 345,208 | 313,690 |
| Undesignated | (5,818,119) | (5,370,581) |
| Total net deficit | (5,472,911) | (5,056,891) |
| TOTAL LIABILITIES AND NET DEFICIT | \$ 8,998,209 | \$ 9,256,305 |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Statements of Activities and Changes in Net Assets
Years Ended March 31, 2021 and 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Revenues and support: | | |
| Rental income, net of vacancy loss of \$1,876 in 2021 and \$3,456 in 2020 | \$ 213,101 | \$ 218,885 |
| HUD assistance income | 314,622 | 311,467 |
| Interest income | 1,370 | 424 |
| Laundry and other | 6,056 | 3,287 |
| Miscellaneous income | 1,720 | - |
| Total revenues and support | <u>536,869</u> | <u>534,063</u> |
| Expenses: | | |
| Administrative | 242,649 | 298,277 |
| Utilities | 58,788 | 61,120 |
| Operating and maintenance | 118,326 | 130,144 |
| Taxes and insurance | 55,707 | 53,005 |
| Interest | 147,842 | 167,118 |
| Depreciation | 329,577 | 324,551 |
| Total expenses | <u>952,889</u> | <u>1,034,215</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (416,020) | (500,152) |
| NET DEFICIT, beginning of year | <u>(5,056,891)</u> | <u>(4,556,739)</u> |
| NET DEFICIT, end of year | <u>\$ (5,472,911)</u> | <u>\$ (5,056,891)</u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

| | 2021 | 2020 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Rental receipts | \$ 523,602 | \$ 527,736 |
| Interest receipts | 1,370 | 424 |
| Other operating receipts | 7,776 | 3,287 |
| Total receipts | 532,748 | 531,447 |
| Administrative | (80,959) | (127,177) |
| Management fee | (52,942) | (52,908) |
| Utilities | (49,139) | (61,120) |
| Salaries and wages | (80,758) | (108,500) |
| Operating and maintenance | (140,493) | (119,696) |
| Real estate taxes | (426) | (404) |
| Property insurance | (50,012) | (24,885) |
| Miscellaneous taxes and insurance | (41,507) | (28,314) |
| Miscellaneous financial | 1,563 | (1,362) |
| Total disbursements | (494,673) | (524,366) |
| Cash provided by operating activities | 38,075 | 7,081 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (40,753) | (28,665) |
| Cash used in investing activities | (40,753) | (28,665) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on loans payable | - | (522) |
| Cash used in financing activities | - | (522) |
| NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | (2,678) | (22,106) |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year | 384,138 | 406,244 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year | \$ 381,460 | \$ 384,138 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | | |
| Cash and cash equivalents - operations | \$ 14,515 | \$ 50,969 |
| Restricted cash - tenant security deposits | 21,737 | 19,479 |
| Restricted cash - restricted deposits and funded reserves | 345,208 | 313,690 |
| TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year | \$ 381,460 | \$ 384,138 |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Jennings Senior Housing, Inc. (the “Project”), is a California nonprofit public benefit corporation formed in 2005 under the original sponsorship of Covia Communities (“the Communities”), to construct, own, and operate an independent senior living apartment complex, Jennings Court Apartments, specifically for low income seniors located in Santa Rosa, California. Covia Affordable Communities (“Affordable Communities”), is the sole member of the Project. The Project opened in 2008 and is operated under Section 202 of the National Housing Act, as amended. The Project is regulated by the U.S. Department of Housing and Urban Development (“HUD”) as to rent charges, operating methods, and use of assets. Agreements with HUD and various other authorities are in place which dictate maximum income levels of tenants and provide rent restrictions through the year 2048. The Project consists of 54 partially subsidized apartments and one resident manager’s unit. The Project generates its revenue primarily from rental income. Rental fee increases are subject to HUD approval.

Affiliated organizations – The Project, through its sole member, Affordable Communities, a management and fundraising support organization, is affiliated with: Community Housing, Inc., which operates Lytton Gardens I and II; Lytton IV Housing Corporation; Oak Center Towers; Presidio Gate Apartments; Shires Memorial Center; and Bethany Center Senior Housing, Inc. (“BCSH”), all of which are affordable senior housing communities. Through BCSH, the Project is affiliated with Bethany Center Foundation of San Francisco. Through Affordable Communities’ sole member, Covia Group (“the Group”), a California nonprofit public benefit corporation, the Project is also affiliated with the Communities, which operates five life plan communities; and Covia Foundation (“the Foundation”), a fundraising and supporting organization to Communities; (collectively, the “Affiliates”). All of the Affiliates are California nonprofit public benefit corporations. Some of the Affiliates share common officers, directors, and management and, at times, provide various support services to one another. The Affiliates’ financial statements are not included in the accompanying financial statements of the Project.

Basis of presentation – The financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred, consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, and savings accounts, and certain investments in highly liquid instruments with original maturities of three months or less. Not included in cash and cash equivalents are funds restricted as to their use, regardless of their liquidity, such as security deposits and operating and replacement reserves.

Concentration of risk – Financial instruments potentially subjecting the Project to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits.

Accounts receivables – The Project receives payment from residents and HUD for services provided. The Project uses the specific write-off method to provide for doubtful accounts because past experience and management’s estimation indicates an adequate allowance for such accounts is immaterial.

Restricted deposits and funded reserves – Assets whose use is limited are funded reserves for replacement of the Project. Such assets consist of cash and cash equivalents carried at fair value based on quoted market prices (Note 2).

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

Property and equipment – Property and equipment are stated at cost. Acquisitions of \$7,500 or more and with a useful life of more than one year are capitalized. Depreciation is based upon the straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Project periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2021 and 2020.

Tenant security deposits – In accordance with government regulations for the Project, the Project must maintain deposit funds equal to the related liability for tenant security deposits. Security deposits are held in a separate interest-bearing account in the name of Jennings Senior Housing, Inc., and have been classified as restricted cash on the balance sheet.

Net assets – The Project classifies net assets as follows:

Net assets without donor restrictions represent unrestricted resources available to support the Project's operations and temporarily restricted resources which have become available for use by the Project in accordance with the intention of the donor.

Net assets with donor restrictions represent contributions that are limited in use by the Project in accordance with temporary donor-imposed stipulations or to be maintained by the Project in perpetuity. These stipulations may expire with time or may be satisfied by the actions of the Project according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance and capital projects as designated by the donors. At March 31, 2021 and 2020, the Project had no net assets with donor restrictions.

Revenue recognition – Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. Vacancy loss is shown as a reduction in rental income. The Project recognized revenue for services under resident agreements in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") (Topic 842), Leases, which is recognized as the services are performed. Revenue is recognized as earned when rental are invoiced. Rental units occupied by employees are included in rental income as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges, and is recorded when earned.

Tax-exempt status – The Project is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Project applies the provisions of Accounting Standards Codification ("ASC") (*Topic 740-10*), *Income Taxes*, relating to accounting for uncertain tax positions. The Project recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Project recognizes interest and penalties related to income tax matters in operating expenses. At March 31, 2021 and 2020, the Project had no unsettled tax matters.

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

Property taxes – The Project has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Revenue and Taxation Code.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the 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.

Economic concentrations – The future operations of the Project could be affected by changes in economic or other conditions in the geographic area of Sonoma County, California, or by changes in federal low-income housing subsidies or the demand for such housing.

New accounting pronouncements – In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU 2020-07 is effective for the Project for the fiscal year beginning April 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

NOTE 2 – RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement reserves – In accordance with the HUD regulatory agreement, the Project is required to maintain a reserve for replacement and repair of property and equipment. There are no monthly funding requirements. The funds are held in an interest-bearing account. All withdrawals require prior written approval by HUD. The replacement reserve’s account activity, classified as restricted cash on the statement of financial position, for the fiscal year ended March 31, is as follows:

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| Beginning balance at April 1, | \$ 302,795 | \$ 336,720 |
| Monthly deposits | 41,064 | 41,064 |
| Bank interest, net of bank fees | 1,349 | 371 |
| Withdrawals | - | (75,360) |
| | \$ 345,208 | \$ 302,795 |

Other reserves – The Project has a deposit held in a separate interest-bearing account as a reserve for minimum capital investment as determined by the HUD capital advance regulatory agreement. Withdrawals are subject to HUD approval and the balance is classified as restricted cash on the statement of financial position.

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

Residual receipts – The Project is required to deposit residual receipts within 60 days after year end in a separate interest-bearing account. The funds can be used for the operating needs of the property, including debt service on the Housing Authority of the City of Santa Rosa note, with the prior written approval of HUD (Note 4). This balance is classified as restricted cash on the statement of financial position. The residual receipt's account activity is \$0 and \$0 for fiscal years ended March 31, 2021 and 2020, respectively.

NOTE 3 – MORTGAGES PAYABLE

The Project's mortgages payable consisted of the following at March 31:

| | 2021 | 2020 |
|--|---------------|---------------|
| <p>HUD Section 202 Capital Advance, dated February 1, 2007, secured by first deed of trust on the property, bearing no interest. The advance is a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD for a 40-year period from March 2008 through February 2048.</p> | \$ 6,870,900 | \$ 6,870,900 |
| <p>Housing Authority of the City of Santa Rosa note dated February 10, 2006, secured by second deed of trust on the property, bearing 3% simple interest per annum from the date of each advance beginning in February 2004. Payment of principal and interest is to be made from 75% of annual surplus cash, if any (as defined by the loan agreement), paid only from residual receipts and only with the approval of HUD. The balance of principal and accrued interest is due at maturity in February 2048. The 42-year term is designed to coincide with the closing of the HUD Capital Advance period.</p> | 4,984,708 | 4,984,708 |
| <p>Affordable Housing Program ("AHP") direct subsidy repayment to Sonoma National Bank, dated November 1, 2006, secured by third deed of trust on the property, bearing no interest. The subsidy will be forgiven in full on June 1, 2023, as long as the property has maintained affordability limits as required by the AHP.</p> | 216,000 | 216,000 |
| <p style="text-align: right;">Total mortgages payable</p> | \$ 12,071,608 | \$ 12,071,608 |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

NOTE 4 – ACCRUED INTEREST

The accrued interest balance is deferred interest due to the Housing Authority of the City of Santa Rosa (Note 3) payable only from surplus cash, if any. The balance as of March 31, 2021 and 2020, is \$2,280,343 and \$2,132,500, respectively.

NOTE 5 – PROJECT RENTAL ASSISTANCE CONTRACT

The Project entered into a Project Rental Assistance Contract with HUD for 54 units effective May 1, 2008. The five-year subsidy contract provides for an initial annual maximum commitment of \$303,600. This amount is modified upon rent increases or decreases and the availability of funds, as approved by HUD. Rents cannot be increased without prior written approval from HUD. At the end of the initial contract period, the Project entered into a one-year agreement with HUD. Effective May 1, 2019, a 0% rent increase was granted, which provides for a maximum commitment of \$529,416 (for the period from May 1, 2019 to April 30, 2020).

NOTE 6 – RELATED-PARTY TRANSACTIONS

The Project entered into a services agreement with Affordable Communities to provide certain administrative, accounting, fundraising, and other general management services and the employment of personnel on a shared basis. The Project incurred \$592,148 and \$194,077 of shared costs during the years ended March 31, 2021 and 2020, respectively. Of this amount, \$65,609 and \$31,733 are included in accounts payable – affiliated organizations at March 31, 2021 and 2020, respectively.

Development costs payable – In 2007, the Communities advanced the Project funds for development. Communities provided \$10,000 as a minimum capital contribution (MCC) required by HUD. In July of 2020, HUD authorized the release of the MCC, which was returned to the Communities. At March 31, 2021 and 2020, \$20,920 and \$31,121, respectively, is due to Communities, which are included in the statements of financial position.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

HUD regulations – In connection with the HUD agreements, there are certain restrictions on occupancy of the units which include maximum income limitations and maximum rents chargeable. These agreements also require the maintenance of security deposits and replacement reserves which are to be held by the mortgagee (see Notes 1 and 2).

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

Employee benefit plan – The Project has implemented a 403(b) tax deferred annuity plan (the “Plan”) through Affordable Communities. Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. Affordable Communities pays for all the administrative expenses to operate the Plan. Effective August 1, 2018, Affordable Communities amended the Plan, terminating the employer match and adopting a 10% employer 403(b) contribution to the employee’s individual plan accounts in accordance with HUD Notice H 5-08 across all Affordable Communities’ projects. Employees are not required to contribute and certain age and service requirements apply. The Project’s contribution for the years ended March 31, 2021 and 2020, totaled \$9,845 and \$11,610, respectively.

Litigation – The Project is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management’s opinion that the liability, if any, from these actions will not have a material adverse effect on the Project’s financial position.

COVID-19 – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”), a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including the Project’s. It is not possible for the Project to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the Project’s operations and financial results at this time.

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year, comprise of the following as of March 31:

| | 2021 | 2020 |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | \$ 14,515 | \$ 50,969 |
| Accounts receivable | 6,737 | 2,616 |
| | \$ 21,252 | \$ 53,585 |

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Project has a goal to maintain a current ratio greater than 1:1 in order to meet general expenditures, liabilities, and other obligations as they come due. As part of the Project’s liquidity management plan, Affordable Communities will provide for shortfalls in liquidity if necessary.

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Notes to Financial Statements (Continued)

NOTE 9 – FUNCTIONAL EXPENSES

The costs of providing residential services and supporting activities are summarized on a functional basis as follows:

| | Year Ended March 31, 2021 | | |
|-------------------------------|---------------------------|----------------------------|-------------------|
| | Residential Services | General and Administrative | Total |
| Salaries and benefits | \$ 2,290 | \$ 113,501 | \$ 115,791 |
| Supplies | 565 | 2,706 | 3,271 |
| Other purchased services | 17,411 | 37,247 | 54,658 |
| Repairs and maintenance | 93,346 | 10,372 | 103,718 |
| Utilities | 51,100 | 7,688 | 58,788 |
| Depreciation and amortization | 296,621 | 32,956 | 329,577 |
| Other | 187,885 | 99,201 | 287,086 |
| | <u>\$ 649,218</u> | <u>\$ 303,671</u> | <u>\$ 952,889</u> |

| | Year Ended March 31, 2020 | | |
|-------------------------------|---------------------------|----------------------------|---------------------|
| | Residential Services | General and Administrative | Total |
| Salaries and benefits | \$ 11,566 | \$ 124,222 | \$ 135,788 |
| Supplies | 2,089 | 1,416 | 3,505 |
| Other purchased services | 1,733 | 31,240 | 32,973 |
| Repairs and maintenance | 105,038 | 11,671 | 116,709 |
| Utilities | 51,689 | 9,431 | 61,120 |
| Depreciation and amortization | 292,096 | 32,455 | 324,551 |
| Other | 277,950 | 81,619 | 359,569 |
| | <u>\$ 742,161</u> | <u>\$ 292,054</u> | <u>\$ 1,034,215</u> |

Salaries and benefits are allocated based on time and effort. All other expenses are allocated based on direct costs. Costs not directly attributable to a function, including depreciation, interest and other occupancy costs, are allocated to a function based on a square footage or units of service basis.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Project recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Project's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

On June 1, 2020, the Board of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The affiliation was approved and completed on April 1, 2021.

The Project has evaluated subsequent events through June 29, 2021, which is the date the financial statements were available to be issued.

Supplementary Information Required by HUD

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Balance Sheet Data
March 31, 2021

| Account | Description | Value |
|---------|--|----------------------------|
| 1120 | Cash - operations | \$ 14,515 |
| 1130 | Tenant/member accounts receivable (coops) | 6,737 |
| 1200 | Prepaid expenses | 35,112 |
| 1100T | Total current assets | <u>56,364</u> |
| 1191 | Tenant/patient deposits - held in trust | <u>21,737</u> |
| 1320 | Replacement reserve | 345,208 |
| 1300T | Total deposits | <u>345,208</u> |
| 1410 | Land | 1,565,624 |
| 1420 | Buildings | 10,886,334 |
| 1450 | Furniture for project/tenant use | 21,305 |
| 1460 | Furnishings | 48,127 |
| 1465 | Office furniture and equipment | 160,331 |
| 1490 | Miscellaneous fixed assets | 16,227 |
| 1400T | Total fixed assets | <u>12,697,948</u> |
| 1495 | Accumulated depreciation | <u>(4,142,604)</u> |
| 1400N | Net fixed assets | <u>8,555,344</u> |
| 1590 | Miscellaneous other assets | <u>19,556</u> |
| | Detail - Miscellaneous other assets | |
| | 1590-010 - Description - Development costs | |
| | 1590-020 - Amount | \$ 19,556 |
| 1500T | Total other assets | <u>19,556</u> |
| 1000T | Total assets | <u><u>\$ 8,998,209</u></u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Balance Sheet Data (Continued)
March 31, 2021

| Account | Description | Value |
|---------|---|---------------------|
| 2110 | Accounts payable - operations | \$ 687 |
| 2120 | Accrued wages payable | 6,524 |
| 2190 | Miscellaneous current liabilities | <u>90,221</u> |
| | Details - Miscellaneous current liabilities | |
| | 2190-010 - Description - Development costs payable | |
| | 2190-020 - Amount | \$ 20,920 |
| | 2190-010 - Description - Accounts payable - affiliated organizations | |
| | 2190-020 - Amount | \$ 65,609 |
| | 2190-010 - Accounts payable - Other accrued liabilities | |
| | 2190-020 - Amount | \$ 3,692 |
| 2122T | Total current liabilities | <u>97,432</u> |
| 2191 | Tenant/patient deposits held in trust (contra) | <u>21,737</u> |
| 2320 | Mortgage Payable - First Mortgage | 6,870,900 |
| 2322 | Other mortgages payable (long-term) | 5,200,708 |
| | Details - Other mortgages payable (long-term) | |
| | 2322-010 - Type of mortgage - second mortgage | |
| | 2322-020 - Amount of mortgage payable | \$ 4,984,708 |
| | 2322-010 - Type of mortgage - third mortgage | |
| | 2322-020 - Amount of mortgage payable | \$ 216,000 |
| 2332 | Accrued interest notes payable (surplus cash) long-term | <u>2,280,343</u> |
| 2300T | Total long-term liabilities | <u>14,351,951</u> |
| 2000T | Total liabilities | 14,471,120 |
| 3131 | Net assets without donor restrictions | <u>(5,472,911)</u> |
| 3130 | Total net assets | <u>(5,472,911)</u> |
| 2033T | Total liabilities and equity/net assets | <u>\$ 8,998,209</u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Profit and Loss Data
Year Ended March 31, 2021

| Account | Description | Value |
|-----------------|--|-------------------|
| REVENUES | | |
| 5120 | Rent revenue - gross potential | \$ 214,977 |
| 5121 | Tenant assistance payments | 314,622 |
| 5100T | Total rent revenue | <u>529,599</u> |
| 5220 | Apartments | <u>1,876</u> |
| 5200T | Total vacancies | <u>1,876</u> |
| 5152N | Net rental revenue (rent revenue less vacancies) | <u>527,723</u> |
| 5410 | Financial revenue - project operations | 19 |
| 5440 | Interest - replacement reserve | <u>1,351</u> |
| 5400T | Total financial revenue | <u>1,370</u> |
| 5910 | Laundry and vending revenue | 6,056 |
| 5990 | Misceallaneous revenue | <u>1,720</u> |
| | Detail - Miscellaneous revenue | |
| | 5990-010 - Description - Miscellaneous revenue | |
| | 5990-020 - Amount | \$ 1,720 |
| 5900T | Total other revenue | <u>7,776</u> |
| 5000T | Total revenue | <u>536,869</u> |
| EXPENSES | | |
| 6203 | Conventions and meetings | 1,665 |
| 6310 | Office salaries | 77,487 |
| 6311 | Office expenses | 58,788 |
| 6320 | Management fee | 52,942 |
| 6340 | Legal expense - project | 648 |
| 6350 | Audit expense | 15,037 |
| 6351 | Bookkeeping fees/accounting services | 13,253 |
| 6370 | Bad debts | 56 |
| 6390 | Miscellaneous administrative expenses | <u>2,089</u> |
| | Details - Miscellaneous administrative expenses | |
| | 6390-010 - Description - Miscellaneous administrative expenses | |
| | 6390-020 - Amount | \$ 2,089 |
| 6263T | Total administrative expenses | <u>\$ 221,965</u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Profit and Loss Data (Continued)
Year Ended March 31, 2021

| Account | Description | Value |
|---------|---|----------------------------|
| 6450 | Electricity | \$ 12,947 |
| 6451 | Water | 10,231 |
| 6452 | Gas | 12,359 |
| 6453 | Sewer | 13,602 |
| 6400T | Total utilities expense | <u>49,139</u> |
| 6515 | Supplies | 38,837 |
| 6520 | Contracts | 92,067 |
| 6525 | Garbage and trash removal | 9,589 |
| 6500T | Total operating and maintenance expenses | <u>140,493</u> |
| 6710 | Real estate taxes | 426 |
| 6711 | Payroll taxes (Project's share) | 6,072 |
| 6720 | Property and liability insurance (hazard) | 23,905 |
| 6722 | Workers' compensation | 9 |
| 6723 | Health insurance and other employee benefits | 33,461 |
| 6700T | Total taxes and insurance | <u>63,873</u> |
| 6000T | Total cost of operations before depreciation | <u>475,470</u> |
| 5060T | Profit before depreciation | 61,399 |
| 6600 | Depreciation expenses | 329,577 |
| 5060N | Operating loss | <u>(268,178)</u> |
| 7141 | Interest on notes payable | <u>(147,842)</u> |
| 7100T | Net entity expenses | <u>(147,842)</u> |
| 3247 | Change in net assets without donor restrictions | <u>(416,020)</u> |
| 3250 | Change in total net assets without donor restrictions | <u><u>\$ (416,020)</u></u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Profit and Loss Data (Continued)
Year Ended March 31, 2021

| <u>Account</u> | <u>Description</u> | <u>Value</u> |
|----------------|--|------------------|
| 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. | <u>\$ 41,064</u> |

| <u>Account</u> | <u>Description</u> | <u>Value</u> |
|----------------|---|-----------------------|
| S1100-060 | Previous year net assets without donor restrictions | \$ (5,056,891) |
| 3247 | Change in net assets without donor restrictions | <u>(416,020)</u> |
| 3131 | Net assets without donor restrictions | <u>(5,472,911)</u> |
| S1100-050 | Previous year total net assets | (5,056,891) |
| 3250 | Change in total net assets from operations | <u>(416,020)</u> |
| 3130 | Total net assets | <u>\$ (5,472,911)</u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Statement of Cash Flows Data
Year Ended March 31, 2021

| Account | Description | Value |
|---|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| S1200-010 | Rental receipts | \$ 523,602 |
| S1200-020 | Interest receipts | 1,370 |
| S1200-030 | Other operating receipts | 7,776 |
| S1200-040 | Total receipts | <u>532,748</u> |
| S1200-050 | Administrative | (80,959) |
| S1200-070 | Management fee | (52,942) |
| S1200-090 | Utilities | (49,139) |
| S1200-100 | Salaries and wages | (80,758) |
| S1200-110 | Operating and maintenance | (140,493) |
| S1200-120 | Real estate taxes | (426) |
| S1200-140 | Property insurance | (50,012) |
| S1200-150 | Miscellaneous taxes and insurance | (41,507) |
| S1200-220 | Miscellaneous financial | - |
| S1200-230 | Total disbursements | <u>(496,236)</u> |
| S1200-240 | Net cash provided by operating activities | <u>36,512</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| S1200-250 | Net deposits to the reserve for replacement account | (42,413) |
| S1200-255 | Net deposits to other reserves | 10,200 |
| S1200-330 | Net purchase of fixed assets | <u>(40,753)</u> |
| S1200-350 | Net cash used in investing activities | <u>(72,966)</u> |
| S1200-470 | Net decrease in cash and cash equivalents | (36,454) |
| S1200-480 | Beginning of period cash and cash equivalents | <u>50,969</u> |
| S1200T | End of period cash and cash equivalents | <u><u>\$ 14,515</u></u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Surplus Cash
As of March 31, 2021

| Account | Description | Value |
|-----------|--|--------------------|
| S1300-010 | Cash | \$ 36,252 |
| S1300-040 | Total cash | <u>36,252</u> |
| S1300-075 | Accounts payable - 30 days | 687 |
| S1300-100 | Accrued expenses (not escrowed) | 6,524 |
| 2191 | Tenant/patient deposits held in trust (contra) | 21,737 |
| S1300-110 | Other current obligations | <u>69,301</u> |
| | Details - Other current obligations | |
| | S1300-120 - Description - Accounts payable - affiliated organizations | |
| | S1300-130 - Amount | \$ 65,609 |
| | S1300-120 - Description - Other accrued liabilities | |
| | S1300-130 - Amount | \$ 3,692 |
| S1300-140 | Total current obligations | <u>98,249</u> |
| S1300-150 | Surplus cash (deficiency) | <u>\$ (61,997)</u> |
| S1300-210 | Deposits due to residual receipts | <u>\$ -</u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Changes in Fixed Asset Accounts
Year Ended March 31, 2021

| Account | Description | Value |
|---------|---|--------------|
| 1410P | Beginning balance for 1410 | \$ 1,565,624 |
| 1410 | Land | 1,565,624 |
| 1420P | Beginning balance for 1420 | 10,886,334 |
| 1420 | Buildings | 10,886,334 |
| 1450P | Beginning balance for 1450 | 21,305 |
| 1450 | Furniture for project/tenant use | 21,305 |
| 1460P | Beginning balance for 1460 | 48,127 |
| 1460 | Furnishings | 48,127 |
| 1465P | Beginning balance for 1465 | 135,805 |
| 1465 AT | Details - additions for 1465 | 24,526 |
| | 1465A-010 - Description - computer software | |
| | 1465A-030 - Total amount | |
| | 1465A-030 - Total amount | \$ 24,526 |
| 1465 | Office furniture and equipment | 160,331 |
| 1490P | Beginning balance for 1490 | - |
| 1490AT | Additions for 1490 | 16,227 |
| | Details - additions for 1490 | |
| | 1490AT-010 - Description - Construction in progress | |
| | 1490AT-030 - Total amount | \$ 16,227 |
| 1490 | Miscellaneous fixed assets | 16,227 |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Changes in Fixed Asset Accounts (Continued)
Year Ended March 31, 2020

| <u>Account</u> | <u>Description</u> | <u>Value</u> |
|----------------|---|----------------------------|
| 1400PT | Total beginning balance for fixed assets | 12,657,195 |
| 1400AT | Total asset additions | 40,753 |
| 1400DT | Total asset deductions | <u>-</u> |
| 1400T | Total fixed assets | <u>12,697,948</u> |
| 1495P | Beginning balance for 1495 | 3,813,027 |
| 6600 | Total provisions | <u>329,577</u> |
| 1495 | Ending balance for accumulated depreciation | <u>4,142,604</u> |
| 1400N | Total net book value | <u><u>\$ 8,555,344</u></u> |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Replacement Reserve
Year Ended March 31, 2021

| <u>Account</u> | <u>Description</u> | <u>Value</u> |
|----------------|--|-------------------|
| 1320P | Balance at beginning of year | \$ 302,795 |
| 1320DT | Total monthly deposits | 41,064 |
| 1320INT | Interest on replacement reserve accounts | <u>1,349</u> |
| 1320 | Balance at end of year, confirmed by mortgagee | <u>\$ 345,208</u> |
| 1320R | Deposits suspended or waived indicator | N |

Supplementary Information

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Federal Expenditures |
|--|-----------------------------------|----------------------------|
| U.S. Department of Housing and Urban Development ("HUD") Section 202 Supportive Housing for the Elderly Project No. 121-EE 178-NP-WAH Outstanding mortgage balance with continuing compliance requirements, beginning balance | 14.157 | \$ 6,870,900 |
| Project Rental Assistance Contract ("PRAC") | 14.157 | <u>314,622</u> |
| Total direct expenditures of federal awards | | <u><u>\$ 7,185,522</u></u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of presentation – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant and loan activity of the Project under programs of the federal government for the year ended March 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Project, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Project.

Summary of significant accounting policies – Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, and the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients – The Project did not provide any federal awards to subrecipients during the year ended March 31, 2021.

Indirect costs – The Project has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Loan balance – The federal loan program is administered directly by the Project, and balances and transactions relating to this program are included in the Project's basic financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2021 was \$6,870,900.

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

To the Board of Directors
Jennings Senior Housing, Inc.
(a California Nonprofit Public Benefit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Jennings Senior Housing, Inc. (a California nonprofit public benefit corporation) (the "Project"), HUD Project No. 121-EE 178-NP-WAH, which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

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

Moss Adams LLP

San Francisco, California
June 29, 2021

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

To the Board of Directors
Jennings Senior Housing, Inc.
(a California Nonprofit Public Benefit Corporation)

Report on Compliance for the Major Federal Program

We have audited Jennings Senior Housing, Inc.'s (a California nonprofit public benefit corporation) (the "Project"), HUD Project No. 121-EE 178-NP-WAH, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Project's major federal program for the year ended March 31, 2021. The Project's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Project's major federal program 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 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 Project'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 the major federal program. However, our audit does not provide a legal determination of the Project's compliance.

Opinion on the Major Federal Program

In our opinion, Jennings Senior Housing, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2021.

Report on Internal Control Over Compliance

Management of the Project 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 Project's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Project'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.

Moss Adams LLP

San Francisco, California
June 29, 2021

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Schedule of Findings and Questioned Costs
Year Ended March 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statement audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Major Federal Programs:

| <i>CFDA Numbers</i> | <i>Name of Federal Program or Cluster</i> | <i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i> |
|---------------------|--|---|
| 14.157 | Section 202 Supportive Housing for the Elderly | <i>Unmodified</i> |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2021

There are no prior audit findings to report on.

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Mortgagor's Certification
Year Ended March 31, 2021

| Account | Description | Value |
|-----------|---------------------------------|--|
| | | We hereby certify that we have examined the accompanying financial statements and supplemental data and, to the best of our knowledge and belief, the same is complete and accurate. |
| S2900-010 | Narrative | |
| S2900-020 | Name of Signatory #1 | Ronald Schaefer |
| S2900-025 | Title of Certifying Official #1 | Chief Operating Officer |
| S2900-030 | Name of Signatory #2 | Jonathan Casey |
| S2900-035 | Title of Certifying Official #2 | Vice President of Finance for Affordable Housing |
| S2900-040 | Auditee Telephone Number | (925) 956-7400 |
| S2900-050 | Date of Certification | June 29, 2021 |
| S2900-080 | Auditee Name | Jennings Senior Housing, Inc. |
| S2900-090 | Auditee Street Address Line 1 | 2185 N. California Blvd., #215 |
| S2900-110 | Auditee City | Walnut Creek |
| S2900-120 | Auditee State | CA |
| S2900-130 | Auditee Zip Code | 94596 |
| S2900-150 | Auditee Contact Name | Jonathan Casey |
| S2900-160 | Auditee Contact Title | Vice President of Finance for Affordable Housing |
| S2900-170 | Auditee Contact FAX Number | (925) 407-0060 |
| S2900-180 | Auditee Contact E-mail | jc Casey@covia.org |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Management Agent's Certification
Year Ended March 31, 2021

| Account | Description | Value |
|-----------|---|--|
| | | We hereby certify that we have examined the accompanying financial statements and supplemental data and, to the best of our knowledge and belief, the same is complete and accurate. |
| S3000-010 | Narrative | |
| S3000-020 | Name of Managing Agent | Covia Affordable Communities |
| S3000-030 | Name of Signatory | Ronald Schaefer |
| S3000-040 | Name of Agent TIN | 77-0324027 |
| S3000-050 | Name of Individual (i.e., Property Manager) | Diane Wilson |

Jennings Senior Housing, Inc.
HUD Project No. 121-EE 178-NP-WAH
Transmittal Letter of Auditor
Year Ended March 31, 2021

| Account | Description | Value |
|-----------|--------------------------------------|-----------------------------|
| S3200-005 | Audit Firm ID (UII) | 71370 |
| S3200-010 | Audit Firm | Moss Adams LLP - Sacramento |
| S3200-020 | Lead Auditor First Name | Brian |
| S3200-030 | Lead Auditor Middle Name | P |
| S3200-040 | Lead Auditor Last Name | Conner |
| S3200-045 | Auditor Contact Title | Partner |
| S3200-050 | Auditor Street Address Line 1 | 2882 Prospect Park Drive |
| S3200-060 | Auditor Street Address Line 2 | Suite 300 |
| S3200-070 | Auditor City | Rancho Cordova |
| S3200-080 | Auditor State | CA |
| S3200-090 | Auditor Zip Code | 95670 |
| S3200-100 | Auditor Zip Code Extension | 6019 |
| S3200-110 | Telephone Number | (209) 955-6100 |
| S3200-120 | Auditor Finn TIN | 91-0189318 |
| S3200-130 | Date of Independent Auditor's Report | June 29, 2021 |
| S3200-140 | Auditor Contact FAX Number | (209) 955-6199 |
| S3200-150 | Auditor Contact E-mail | brian.conner@mossadams.com |

