

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
HUD Project No. 086-11108

Financial Statements

Years Ended September 30, 2020 and 2019

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
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Years Ended September 30, 2020 and 2019

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Independent Auditor's Report

To the Member of
MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)

Report on the Financial Statements

We have audited the accompanying financial statements of MDHA J. Henry Hale, LLC (a Tennessee limited liability company), HUD Project No. 086-11108, which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of operations, changes in member's equity 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MDHA J. Henry Hale, LLC (a Tennessee limited liability company) as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B3, MDHA J. Henry Hale, LLC has adopted Financial Accounting Standards Board Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230)*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information presented on pages 15 - 25 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development ("HUD"), Office of the Inspector General, 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 December 30, 2020, on our consideration of MDHA J. Henry Hale, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDHA J. Henry Hale, LLC's internal control over financial reporting and compliance.



MCM CPAs & Advisors LLP
27-1235638
Rebekah S. Payne - Engagement Partner
Indianapolis, Indiana
December 30, 2020

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Balance Sheets
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Property and equipment		
Land and land improvements	\$ 6,111,335	\$ 6,111,335
Buildings	35,328,146	35,328,146
Furniture and equipment	<u>771,736</u>	<u>771,736</u>
Total property and equipment	42,211,217	42,211,217
Accumulated depreciation	<u>(14,187,271)</u>	<u>(12,935,288)</u>
Property and equipment, net	28,023,946	29,275,929
Cash and receivables		
Cash - operations	306,840	278,548
Accounts receivable - tenant, net	15,829	21,988
Accounts receivable - HUD	2,241	1,701
Accounts and notes receivable - operations	<u>1,205</u>	<u>-</u>
	326,115	302,237
Deposits held in trust - funded		
Restricted cash - tenant deposits held in trust	69,594	68,500
Restricted deposits and funded reserves		
Restricted cash - escrow deposits	133,952	100,488
Restricted cash - replacement reserve	771,778	715,045
Restricted cash - other reserve	<u>-</u>	<u>16,200</u>
	905,730	831,733
Other assets		
Prepaid expenses	<u>73,257</u>	<u>77,801</u>
Total assets	<u><u>\$ 29,398,642</u></u>	<u><u>\$ 30,556,200</u></u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Balance Sheets (Continued)
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and member's equity		
Liabilities applicable to investment in real estate		
Mortgage payable - first mortgage	\$ 19,489,653	\$ 19,821,736
Less unamortized debt issuance costs	<u>367,958</u>	<u>379,486</u>
Mortgage payable less unamortized debt issuance costs	19,121,695	19,442,250
Miscellaneous long term liabilities	<u>48,520</u>	<u>52,504</u>
	19,170,215	19,494,754
Other liabilities		
Accounts payable - operations	25,539	90,492
Accrued wages payable	36,245	20,704
Accrued interest payable - first mortgage	55,383	56,327
Prepaid revenue	15,829	21,987
Tenant deposits held in trust (contra)	67,315	65,400
Miscellaneous current liabilities	<u>35,190</u>	<u>37,040</u>
	<u>235,501</u>	<u>291,950</u>
Total liabilities	19,405,716	19,786,704
Member's equity	<u>9,992,926</u>	<u>10,769,496</u>
Total liabilities and member's equity	<u><u>\$ 29,398,642</u></u>	<u><u>\$ 30,556,200</u></u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Statements of Operations
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Rent revenue, net	\$ 2,315,132	\$ 2,246,246
Financial revenue	7,780	28,117
Insurance income	5,622	58,987
Income from access and utility easement	-	92,783
Other revenue	<u>45,249</u>	<u>60,116</u>
Total revenues	2,373,783	2,486,249
Operating expenses before depreciation		
Administrative	453,104	492,254
Utilities	55,562	57,519
Operating and maintenance	594,979	885,435
Taxes and insurance	<u>38,557</u>	<u>34,408</u>
Total operating expenses before depreciation	<u>1,142,202</u>	<u>1,469,616</u>
Income before financial and depreciation expenses	1,231,581	1,016,633
Financial and depreciation expenses		
Financial	751,335	796,754
Depreciation	<u>1,251,983</u>	<u>1,255,270</u>
Total financial and depreciation expenses	<u>2,003,318</u>	<u>2,052,024</u>
Net loss	<u>\$ (771,737)</u>	<u>\$ (1,035,391)</u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Statements of Changes in Member's Equity
Years Ended September 30, 2020 and 2019

Member's equity, October 1, 2018	\$ 12,331,551
Distributions	(526,664)
Net loss for 2019	<u>(1,035,391)</u>
September 30, 2019	10,769,496
Distributions	(4,833)
Net loss for 2020	<u>(771,737)</u>
Member's equity, September 30, 2020	<u><u>\$ 9,992,926</u></u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts		
Rental	\$ 2,313,388	\$ 2,246,338
Interest	7,780	28,117
Other operating	46,887	116,024
Total receipts	<u>2,368,055</u>	<u>2,390,479</u>
Disbursements		
Administrative	87,323	173,025
Management fee	168,080	163,602
Utilities	80,734	37,357
Salaries and wages	359,126	346,382
Operating and maintenance	457,794	706,571
Real estate taxes	12,600	12,600
Property insurance	18,167	16,804
Miscellaneous taxes and insurance	3,246	4,192
Tenant security deposits	(1,915)	(2,256)
Interest on mortgage	670,763	681,881
Mortgage insurance premium	69,988	77,100
Miscellaneous financial	1,850	441
Total disbursements	<u>1,927,756</u>	<u>2,217,699</u>
Net cash provided by operating activities	440,299	172,780
Cash flows from investing activities		
Proceeds from access and utility easement	-	92,783
Net cash provided by investing activities	-	92,783
Cash flows from financing activities		
Principal payments on mortgage	(332,083)	(320,966)
Distributions	(4,833)	(526,664)
Net cash used in financing activities	<u>(336,916)</u>	<u>(847,630)</u>
Net increase (decrease) in cash and restricted cash	103,383	(582,067)
Cash and restricted cash, beginning of year	<u>1,178,781</u>	<u>1,760,848</u>
Cash and restricted cash, end of year	<u>\$ 1,282,164</u>	<u>\$ 1,178,781</u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Statements of Cash Flows (Continued)
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of net loss to		
net cash provided by operating activities		
Net loss	\$ (771,737)	\$ (1,035,391)
Adjustments to reconcile net loss to net cash		
provided by operating activities		
Depreciation	1,251,983	1,255,270
Amortization of debt issuance costs	11,528	11,528
Income from access and utility easement	-	(92,783)
Changes in certain assets and liabilities		
(Increase) decrease in tenant accounts receivable	6,159	7,068
(Increase) decrease in accounts receivable - other	(1,745)	92
(Increase) decrease in prepaid expenses	4,544	812
Increase (decrease) in accounts payable - trade	(64,953)	7,613
Increase (decrease) in accrued liabilities	15,541	658
Increase (decrease) in accrued interest payable	(944)	26,245
Increase (decrease) in tenant deposits held in trust (contra)	1,915	2,256
Increase (decrease) in prepaid revenue	(6,158)	(7,068)
Increase (decrease) in miscellaneous current liabilities	(1,850)	(441)
Increase (decrease) in miscellaneous long term liabilities	(3,984)	(3,079)
	<u>\$ 440,299</u>	<u>\$ 172,780</u>
Reconciliation of cash and restricted cash to the balance sheets		
Cash - operations	\$ 306,840	\$ 278,548
Restricted cash - tenant deposits held in trust	69,594	68,500
Restricted cash - escrow deposits	133,952	100,488
Restricted cash - replacement reserve	771,778	715,045
Restricted cash - other reserve	-	16,200
	<u>\$ 1,282,164</u>	<u>\$ 1,178,781</u>

See accompanying notes.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements
Years Ended September 30, 2020 and 2019

Note A - Nature of Organization and Operations

MDHA J. Henry Hale, LLC (the "Company") was organized in November 2016 as a Tennessee limited liability company for the purpose of owning and operating 228 residential rental units located in Nashville, Tennessee. A total of 188 units of the property were converted from public housing units to a project-based Section 8 housing assistance payments contract under the Rental Assistance Demonstration ("RAD") program administered by the U.S. Department of Housing and Urban Development ("HUD"). An additional 40 units of the property are market rate rental units. These combined units are collectively referred to as the Project. The Project is owned and operated by the sole Member of the Company, The Metropolitan Development and Housing Agency of Nashville, Tennessee ("MDHA"). MDHA is a public corporate body organized in 1938 under the laws of the State of Tennessee and was created for the purpose of providing affordable housing opportunities in a safe environment. The Company completed financing of the Project via a loan insured under the Section 223(f) loan program administered by HUD. In conjunction with participation in the Section 223(f) loan program, the Company has signed a Regulatory Agreement with HUD (Form HUD-92466M rev. 06/14). The Regulatory Agreement contains various restrictions regarding operating methods, distributions of surplus cash, and rental payments. The 223(f) loan and the project-based Section 8 contract are major HUD programs.

Note B - Summary of Significant Accounting Policies

1. Personal Assets and Liabilities of the Member: These financial statements reflect only those assets and liabilities pertaining to the operations of the Company and do not reflect personal assets and liabilities of the Member.
2. Accrual Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting.
3. Cash Equivalents: All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. The Company had no cash equivalents at September 30, 2020 and 2019.

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230)*. This standard requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Consequently, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This standard is effective for the year ending September 30, 2020 and the Company has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to the September 30, 2019 year presented. The beginning of year balance in the accompanying statement of cash flows has thus been restated to include restricted cash with cash when reconciling the beginning and end of the year amounts reflected on the statement of cash flows. In accordance with guidance issued by HUD, the presentation of the statement of cash flows included in the supplementary information will not change for ASU 2016-18. Accordingly, the presentation of the statement of cash flows included in the supplementary information follows the data templates for the Real Estate Assessment Center ("REAC") submission of financial data which differs from the presentation included in the basic financial statements.

4. Tenant Accounts Receivable: Tenant accounts receivable are stated at the amount management expects to collect from balances outstanding at period end. As of September 30, 2020 and 2019, an allowance for doubtful accounts of \$59,312 and \$60,796, respectively, has been assessed based on management's estimation of collectability.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements (Continued)
Years Ended September 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

5. Debt Issuance Costs: Debt issuance costs are capitalized and amortized over the term of the corresponding mortgage loan. These amounts are reported as a reduction of the mortgage liability in the accompanying balance sheets. Amortization of these costs is included in financial expense.
6. Depreciation: Property and equipment are recorded at cost. Property and equipment placed in service from inception are depreciated using the straight-line method. Land improvements have been assigned economic lives ranging between 8 and 20 years. The buildings and building components have been assigned economic lives ranging between 5 and 40 years. Personal property is being depreciated over assigned economic lives between 5 and 12 years.

The Company reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Impairment is determined by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. Fair value may be determined by appraisal of the property, discounted cash flows, or other valuation methods. There was no impairment loss recognized in 2020 and 2019.

7. Federal and State Income Tax Liability: The Company does not pay federal or state income taxes since the net profit or loss of the Company flows through to the individual member, and the income taxes, if any, are paid personally by the member.
8. Uncertain Tax Positions: The Company has evaluated tax positions taken in the tax returns filed and has determined that there are no uncertain tax positions as defined by generally accepted accounting principles.
9. Rental Income and Other Revenue: Rental income, including Section 8 HAP subsidies, is recognized monthly as earned. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the apartment project are operating leases. Other revenues include income from sundry tenant charges. Such revenues are recorded monthly when services are provided.
10. Advertising and Marketing Costs: Advertising and marketing costs are expensed as incurred. Advertising expense was \$129 and \$0 for the years ended September 30, 2020 and 2019, respectively.
11. Use of Estimates: The presentation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
12. Subsequent Events: Subsequent events for the Company have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements (Continued)
Years Ended September 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

13. Change in Accounting Principle: On October 1, 2019, the Company adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). Topic 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and supersedes nearly all existing GAAP for revenue recognition guidance. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The majority of the Company's revenue comes from lease income from tenants (including Section 8 HAP subsidies), which is outside of the scope of Topic 606. The impacted revenue streams under Topic 606 primarily consist of income from miscellaneous tenant charges. The Company evaluated the income from these revenue streams and determined that no adjustments were required upon adoption of this standard.
14. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. This standard will be effective for the year ending September 30, 2023.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of operations will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending September 30, 2024.

The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 and ASU 2016-13 on the financial statements.

Note C - Mortgage Payable

On July 18, 2017, the Company completed permanent financing of the Project by entering into a loan agreement with Walker & Dunlop, LLC under a loan commitment of \$20,478,300. The loan is insured by HUD under Section 223(f) of the National Housing Act and is secured by the Company's property and land. The loan bears interest at an annual rate of 3.41% and requires monthly principal and interest payments of \$83,571. The loan matures on August 1, 2052. The balance of the loan, net of unamortized debt issuance costs, is \$19,121,695 and \$19,442,250, as of September 30, 2020 and 2019, respectively.

The note allows for the principal balance to be prepaid in whole on the last day of any calendar month, upon 30 days advance written notice, with a prepayment penalty or charge on the amount prepaid in accordance with the following schedule:

September 1, 2020 to August 31, 2021	7%
September 1, 2021 to August 31, 2022	6%
September 1, 2022 to August 31, 2023	5%
September 1, 2023 to August 31, 2024	4%
September 1, 2024 to August 31, 2025	3%
September 1, 2025 to August 31, 2026	2%
September 1, 2026 to August 31, 2027	1%
September 1, 2027 and thereafter	No prepayment premium

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements (Continued)
Years Ended September 30, 2020 and 2019

Note C - Mortgage Payable (Continued)

Notwithstanding any prepayment prohibition imposed and/or penalty required by the note with respect to prepayments made prior to September 1, 2026, the indebtedness may be prepaid in part or in full without consent of the mortgagee and without prepayment penalty if HUD determines that prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the Federal Government.

Interest expense on the mortgage loan for the years ended September 30, 2020 and 2019 was \$669,819 and \$708,126, respectively.

Debt issuance costs related to the mortgage loan of the Company, in the amount of \$403,470, have been capitalized and are being amortized over the term of the loan. At September 30, 2020 and 2019, \$367,958 and \$379,486, respectively, remains to be amortized. Amortization of these costs is included in financial expense and amounted to \$11,528 for each of the years ended September 30, 2020 and 2019.

The following schedule lists the principal to be paid against the outstanding mortgage note during each of the next five years and thereafter.

<u>Year</u>	<u>Amount due</u>
2021	\$ 343,586
2022	355,487
2023	367,801
2024	380,540
2025	393,722
Thereafter	<u>17,648,517</u>
	<u>\$ 19,489,653</u>

Note D - Related Party Transactions

The Company is managed by MDHA, who has certified to HUD that it is not considered an identity of interest entity. MDHA is paid an annual fee of 6.71% of residential income collected and \$3 per unit per month for special fees, which is included in administrative expenses on the statements of operations. The Company recognized management fee expense of \$168,080 and \$163,602, respectively, for the years ended September 30, 2020 and 2019.

Note E - Distributions Payable and Surplus Cash

Annual distributions payable from funds provided by rental operations are permitted by Section 13 of the Company's Regulatory Agreement with HUD, provided: (1) surplus cash, as defined by HUD, is available for such purposes; (2) the Project is in compliance with all outstanding notices of requirements for proper maintenance; and, (3) there is no default under the Regulatory Agreement, RAD Agreement or under the mortgage note.

During the year ended September 30, 2020, the Company distributed \$4,833, which was funded from surplus cash generated from operations during the year ended September 30, 2019. During the year ended September 30, 2019, the Company distributed \$526,664, which was funded from surplus cash generated from operations during the year ended September 30, 2018. The maximum distributable amount for the year ended September 30, 2020 is \$101,024.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements (Continued)
Years Ended September 30, 2020 and 2019

Note F - Member's Equity

Surplus Cash, as defined by HUD, shall be distributed to the sole member of the Company. There have been no changes in the member during 2020 and 2019. Attention is directed to the Operating Agreement for further detail on the capital structure of the Company.

Note G - Limited Liability

The liability of the Member for the losses, debts or liabilities of the Company shall not exceed the amount of the Member's equity account.

Note H - Current Vulnerability Due to Certain Concentrations

The Company's sole asset is a government regulated apartment project. The operations of the Company 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.

As described in Note A, the Company receives rental assistance payments for 188 apartment units under a Section 8 Housing Assistance Payment ("HAP") contract, which is scheduled to expire in 2036. Renewal of this contract is currently subject to the provisions of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRA"), regulations issued by HUD and certain provisions of the annual HUD Fiscal Year Appropriations Act as enacted by U.S. Congress. Provided the Company's contract rent is below or at comparable market rents, HUD will renew contracts at current rents with increases in some circumstances, but in no case above comparable market rents. Management is of the opinion that the Company's current contract will be renewed upon expiration.

Note I - Casualty Loss

The Project sustained fire damage during the years ended September 30, 2020 and 2019 in two separate incidents. The Company received insurance proceeds in the amount of \$5,622 and \$58,987, respectively, which have been reflected as insurance income in the statements of operations. All repairs had been fully completed as of September 30, 2020 and 2019. The expenses incurred have been reflected in operating and maintenance expense in the statement of operations.

Note J - Restricted Deposits and Funded Reserves

Tenant Security Deposits

Under the terms of the Regulatory Agreement with HUD, any funds collected as security deposits are required to be kept separate from all other funds of the Company. The balance in the security deposit account shall at all times equal or exceed the aggregate of the tenant security deposit liability. The use of tenant security deposits for operations is prohibited unless a tenant has forfeited the deposit. At September 30, 2020 and 2019, the balance of the escrow account is \$69,594 and \$68,500, respectively. Refundable security deposits of \$67,315 and \$65,400 were adequately funded as of September 30, 2020 and 2019, respectively.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Notes to Financial Statements (Continued)
Years Ended September 30, 2020 and 2019

Note J - Restricted Deposits and Funded Reserves (Continued)

Reserves for Replacements and Repairs

The Company is required to make deposits to a reserve for replacements account for use in substantial repairs, capital expenditures and/or replacement of capital assets. The balance in the replacement reserve is \$771,778 and \$715,045 as of September 30, 2020 and 2019, respectively.

The Company also had a holdback repair reserve with a balance of \$16,200 as of September 30, 2019. During the year ended September 30, 2020, the requirements for this reserve expired and the remaining funds were transferred to the Company's operating account.

Reserve for Mortgage Insurance Premium

The Company is required to establish a reserve for mortgage insurance premiums ("MIP") in an amount determined by the insurance provider sufficient to pay the next installment of mortgage insurance premiums on the property. The MIP reserve is funded by monthly deposits in an amount sufficient to cover annual premiums. The balance in the MIP reserve is \$16,654 and \$14,713 as of September 30, 2020 and 2019, respectively.

Reserve for Taxes and Insurance

The Company is required to make monthly deposits into a mortgage escrow account in an amount determined by the lender to be sufficient to pay the next installment of payments in lieu of taxes and insurance premiums on the property. The reserve is funded by monthly deposits in an amount sufficient to cover annual costs. The balance in the reserve is \$117,298 and \$85,775 as of September 30, 2020 and 2019, respectively.

Note K - Access and Utility Easement

During the year ended September 30, 2019, the Company received proceeds in the amount of \$92,783 from an Access and Utility Easement Agreement. This agreement did not result in a sale of land, but only granted access to the easement specified in the agreement.

Note L - COVID-19 Contingency

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. The Company's operations could be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

Note M - Accounts Receivable - Operations

The Company has a receivable in the amount of \$1,205 at September 30, 2020 which represents a refund due to the Company for an incorrectly issued security deposit refund.

Supplementary Information

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information
Balance Sheet Data
September 30, 2020

Assets

Current assets

1120	Cash - operations	\$ 306,840
1130	Accounts receivable - tenant, net	15,829
1135	Accounts receivable - HUD	2,241
1140	Accounts and notes receivable - operations	1,205
1200	Prepaid expenses	<u>73,257</u>

1100T	Total current assets	399,372
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Deposits held in trust - funded

1191	Tenant deposits held in trust	69,594
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Restricted deposits and funded reserves

1310	Escrow deposits	133,952
1320	Replacement reserve	<u>771,778</u>

1300T	Total restricted deposits and funded reserves	905,730
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Fixed assets

1410	Land and land improvements	6,111,335
1420	Buildings	35,328,146
1440	Building equipment	676,447
1450	Furniture	<u>95,289</u>

1400T	Total fixed assets	42,211,217
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1495	Accumulated depreciation	<u>(14,187,271)</u>
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1400N	Net fixed assets	<u>28,023,946</u>
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1000T	Total assets	<u><u>\$ 29,398,642</u></u>
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See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Balance Sheet Data (Continued)
September 30, 2020

Liabilities and member's equity

Current liabilities

2110	Accounts payable - operations	\$	25,539
2120	Accrued wages payable		36,245
2131	Accrued interest payable - first mortgage		55,383
2170	Mortgage payable - first mortgage - current portion		343,586
2190	Miscellaneous current liabilities		35,190
2210	Prepaid revenue		<u>15,829</u>
2122T	Total current liabilities		511,772

Deposit liabilities

2191	Tenant deposits held in trust (contra)		67,315
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Long-term liabilities

2320	Mortgage payable - first mortgage - less current portion		19,146,067
2340	Debt issuance costs		(367,958)
2390	Miscellaneous long term liabilities		<u>48,520</u>

2300T	Total long-term liabilities		<u>18,826,629</u>
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2000T	Total liabilities		19,405,716
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Member's equity

3130	Member's equity		<u>9,992,926</u>
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2033T	Total liabilities and member's equity		<u><u>\$ 29,398,642</u></u>
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See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Profit and Loss Data
Year Ended September 30, 2020

Revenues		
5120	Rent revenue - gross potential	\$ 1,232,495
5121	Tenant assistance payments	1,085,500
5193	Special claims revenue	<u>13,280</u>
5100T	Total potential rent revenue	2,331,275
5220	Vacancies - apartments	<u>(16,143)</u>
5152N	Net rental revenue	2,315,132
5410	Financial revenue - project operations	3,926
5440	Revenue from investments - replacement reserve	<u>3,854</u>
5400T	Total financial revenue	7,780
5920	Tenant charges	44,943
5990	Miscellaneous revenue	<u>5,928</u>
5900T	Total other revenue	<u>50,871</u>
5000T	Total revenues	2,373,783
Expenses		
6210	Advertising and marketing	129
6250	Other renting expenses	5,774
6310	Office salaries	199,124
6311	Office expenses	31,986
6320	Management fee	168,080
6340	Legal expenses	9,496
6350	Auditing expense	1,330
6351	Bookkeeping fees/accounting services	13,620
6370	Bad debts	21,164
6390	Miscellaneous administrative expenses	<u>2,401</u>
6263T	Total administrative expenses	453,104
6450	Electricity	26,648
6451	Water	24,406
6452	Gas	<u>4,508</u>
6400T	Total utilities expense	55,562

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Profit and Loss Data (Continued)
Year Ended September 30, 2020

Expenses (Continued)		
6510	Payroll	\$ 175,543
6515	Supplies	54,709
6520	Contracts	315,270
6530	Security payroll contract	<u>49,457</u>
6500T	Total operating and maintenance expenses	594,979
6710	Real estate taxes	12,600
6720	Property and liability insurance	22,711
6722	Workmen's compensation insurance	2,939
6790	Miscellaneous taxes, licenses, permits and insurance	<u>307</u>
6700T	Total taxes and insurance	38,557
6820	Interest on first mortgage payable	681,347
6850	Mortgage insurance premium	<u>69,988</u>
6800T	Total financial expenses	<u>751,335</u>
6000T	Total cost of operations before depreciation	<u>1,893,537</u>
5060T	Net profit before depreciation	480,246
6600	Depreciation expense	<u>1,251,983</u>
	Total depreciation and amortization	<u>1,251,983</u>
3250	Net loss	(771,737)
S1100-010	Member's equity, beginning of year	10,769,496
S1200-420	Distributions	<u>(4,833)</u>
3130	Member's equity, end of year	<u><u>\$ 9,992,926</u></u>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Profit and Loss Data (Continued)
Year Ended September 30, 2020

S1000-010	Total mortgage principal payments required during the audit year (12 monthly payments).	<u>\$ 332,083</u>
S1000-020	Total of 12 monthly deposits in the audit year into the replacement reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	<u>\$ 59,273</u>
S1000-030	Replacement reserves, or residual receipts releases which are included as expense items on this profit and loss statement.	<u>\$ 6,394</u>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Cash Flows Data
Year Ended September 30, 2020

Cash flows from operating activities		
	Receipts	
S1200-010	Rental	\$ 2,313,388
S1200-020	Interest	7,780
S1200-030	Other operating	46,887
		<hr/>
S1200-040	Total receipts	2,368,055
	Disbursements	
S1200-050	Administrative	87,323
S1200-070	Management fee	168,080
S1200-090	Utilities	80,734
S1200-100	Salaries and wages	359,126
S1200-110	Operating and maintenance	457,794
S1200-120	Real estate taxes	12,600
S1200-140	Property insurance	18,167
S1200-150	Miscellaneous taxes and insurance	3,246
S1200-160	Tenant security deposits	(821)
S1200-180	Interest on first mortgage	670,763
S1200-210	Mortgage insurance premium	69,988
S1200-220	Miscellaneous financial	1,850
		<hr/>
S1200-230	Total disbursements	1,928,850
		<hr/>
S1200-240	Net cash provided by operating activities	439,205
Cash flows from investing activities		
S1200-245	Net deposits to the mortgage escrow account	(33,464)
S1200-250	Net deposits to the reserve for replacement account	(56,733)
S1200-255	Net receipts from other reserves	16,200
		<hr/>
S1200-350	Net cash used in investing activities	(73,997)
Cash flows from financing activities		
S1200-360	Principal payments - first mortgage	(332,083)
S1200-420	Distributions	(4,833)
		<hr/>
S1200-460	Net cash used in financing activities	(336,916)
		<hr/>
S1200-470	Net increase in cash	28,292
S1200-480	Cash, beginning of year	278,548
		<hr/>
S1200T	Cash, end of year	\$ 306,840
		<hr/> <hr/>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Cash Flows Data (Continued)
Year Ended September 30, 2020

Reconciliation of net loss to net cash provided by operating activities		
3250	Net loss	\$ (771,737)
	Adjustments to reconcile net loss to net cash provided by operating activities	
6600	Depreciation expenses	1,251,983
S1200-486	Amortization of debt issuance costs	11,528
	Changes in certain assets and liabilities	
S1200-490	Decrease in tenant accounts receivable	6,159
S1200-500	(Increase) in accounts receivable - other	(1,745)
S1200-520	Decrease in prepaid expenses	4,544
S1200-530	(Increase) in tenant deposits held in trust	(1,094)
S1200-540	(Decrease) in accounts payable - trade	(64,953)
S1200-560	Increase in accrued liabilities	15,541
S1200-570	(Decrease) in accrued interest payable	(944)
S1200-580	Increase in tenant deposits held in trust (contra)	1,915
S1200-590	(Decrease) in prepaid revenue	(6,158)
S1200-600	(Decrease) in miscellaneous current liabilities	(1,850)
S1200-600	(Decrease) in miscellaneous long-term liabilities	<u>(3,984)</u>
S1200-610	Net cash provided by operating activities	<u>\$ 439,205</u>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Schedule of Reserve for Replacement
Year Ended September 30, 2020

1320P	Balance at beginning of year	\$ 715,045
1320DT	Total monthly deposits	59,273
1320INT	Interest on replacement reserve account	3,854
1320WT	Approved withdrawals	<u>(6,394)</u>
1320	Balance at end of year, confirmed by mortgagee	<u>\$ 771,778</u>
1320R	Deposits suspended or waived indicator	N

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Computation of Surplus Cash Distributions - Annual
Year Ended September 30, 2020

Cash		
S1300-010	Cash	\$ 376,434
1135	Accounts receivable - HUD	<u>2,241</u>
S1300-040	Total cash	378,675
Current obligations		
S1300-050	Accrued mortgage interest payable	55,383
S1300-070	Delinquent deposits to replacement reserve	608
S1300-075	Accounts payable due within 30 days	25,539
S1300-100	Accrued expenses not escrowed	36,245
2210	Prepaid revenue	15,829
2191	Tenant security deposit liability	67,315
S1300-110	Other current obligations	35,190
S1300-110	Current mortgage principal payment, replacement reserve & escrow deposits	<u>41,542</u>
S1300-140	Total current obligations	<u>277,651</u>
S1300-150	Surplus cash	<u><u>\$ 101,024</u></u>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Schedule of Changes in Fixed Asset Accounts
Year Ended September 30, 2020

Fixed assets	Beginning balance	Additions	Deductions	Ending balance
1410 Land and land improvements	\$ 6,111,335	\$ -	\$ -	\$ 6,111,335
1420 Buildings	35,328,146	-	-	35,328,146
1440 Building equipment	676,447	-	-	676,447
1450 Furniture	<u>95,289</u>	<u>-</u>	<u>-</u>	<u>95,289</u>
1400T Total fixed assets	<u>\$ 42,211,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,211,217</u>
1495 Accumulated depreciation	<u>\$ 12,935,288</u>	<u>\$ 1,251,983</u>	<u>\$ -</u>	<u>\$ 14,187,271</u>
1400N Net book value				<u>\$ 28,023,946</u>

See independent auditor's report.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Supplementary Information (Continued)
Miscellaneous Account Detail
Year Ended September 30, 2020

Profit and loss data

5990 Miscellaneous revenue

Description	Amount
Miscellaneous revenue	\$ 306
Insurance proceeds for fire damage	5,622
Total	<u>\$ 5,928</u>

Balance sheet data

2190 Miscellaneous current liabilities

Description	Amount
Accrued resident activities	<u>\$ 35,190</u>

2390 Miscellaneous long-term liabilities

Description	Amount
Accrued compensated absences	\$ 31,038
FSS escrow liability	17,482
Total	<u>\$ 48,520</u>

See independent auditor's report.

Reports on Internal Control and Compliance

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Member of
MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of MDHA J. Henry Hale, LLC (a Tennessee limited liability company), HUD Project No. 086-11108, which comprise the balance sheet as of September 30, 2020, and the related statements of operations, changes in member's equity and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDHA J. Henry Hale, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDHA J. Henry Hale, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of MDHA J. Henry Hale, LLC'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.

MCM CPAs & Advisors LLP

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

Compliance and Other Matters

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

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.



MCM CPAs & Advisors LLP
27-1235638
Rebekah S. Payne - Engagement Partner
Indianapolis, Indiana
December 30, 2020



Independent Auditor's Report on Compliance for Each Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Member of
 MDHA J. Henry Hale, LLC
 (A Tennessee Limited Liability Company)

Report on Compliance for Each Major HUD Program

We have audited MDHA J. Henry Hale, LLC's (a Tennessee limited liability company), HUD Project No. 086-11108, compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on each of the major HUD programs of MDHA J. Henry Hale, LLC for the year ended September 30, 2020. MDHA J. Henry Hale, LLC's major HUD programs and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirement
Section 223(f) Existing Multifamily Rental Housing	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Cash Receipts, Cash Disbursements, Tenant Security Deposits, Management Functions, Unauthorized Change of Ownership/ Acquisition of Liabilities, and Unauthorized Loans of Project Funds
Section 8 Rental Assistance Payments	Tenant Application, Eligibility and Recertification, Units Leased to Extremely Low-Income Families, Tenant Security Deposits, and Management Functions

Management's Responsibility

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

MCM CPAs & Advisors LLP

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**Independent Auditor's Report on Compliance for Each
Major HUD Program and on Internal Control over
Compliance Required by the *Consolidated Audit
Guide for Audits of HUD Programs* (Continued)**

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the major HUD programs of MDHA J. Henry Hale, LLC based on our audit of the 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 Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on each of the major HUD programs occurred. An audit includes examining, on a test basis, evidence about MDHA J. Henry Hale, LLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major HUD programs. However, our audit does not provide a legal determination of MDHA J. Henry Hale, LLC's compliance.

Opinion on Each of the Major HUD Programs

In our opinion, MDHA J. Henry Hale, LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of MDHA J. Henry Hale, LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered MDHA J. Henry Hale, LLC's internal control over compliance with the requirements that could have a direct and material effect on each of the major HUD programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD programs and to test and report on internal control over compliance in accordance with the Guide, 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 MDHA J. Henry Hale, LLC's internal control over compliance.

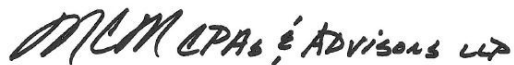
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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.

**Independent Auditor's Report on Compliance for Each
Major HUD Program and on Internal Control over
Compliance Required by the *Consolidated Audit
Guide for Audits of HUD Programs* (Continued)**

Report on Internal Control over Compliance (Continued)

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 Guide. Accordingly, this report is not suitable for any other purpose.



MCM CPAs & Advisors LLP
27-1235638
Rebekah S. Payne - Engagement Partner
Indianapolis, Indiana
December 30, 2020

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Schedule of Findings, Questioned Costs, and Recommendations
Year Ended September 30, 2020

Our audit disclosed no findings that are required to be reported herein under the *Consolidated Audit Guide for Audits of HUD Programs*.

MDHA J. Henry Hale, LLC
(A Tennessee Limited Liability Company)
Project No. 086-11108
Schedule of the Status of Prior Audit Findings,
Questioned Costs, and Recommendations
Year Ended September 30, 2020

Section 1 - Prior Audit Findings:

Independent Auditor's Reports, dated December 27, 2019, for the period ended September 30, 2019, issued by MCM CPAs & Advisors LLP.

There were no open findings from the prior auditor's reports.

Section 2 - Findings from Audits, Attestation or Other Studies Performed by HUD, another Federal Agency, or a Contract Administrator Issued During the period from October 1, 2019 through December 30, 2020:

There were no reports issued by HUD, other federal agencies, or contract administrators during the period covered by this audit.

Section 3 - Deficiencies listed in letters or reports issued by HUD management as a result of reviews of the entity's activities that relate to the audit objectives during the period from October 1, 2019 through December 30, 2020:

There were no letters or reports issued by HUD management during the period covered by this audit.

MORTGAGOR'S CERTIFICATION

WE HEREBY CERTIFY THAT WE HAVE EXAMINED THE ACCOMPANYING FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE OF MDHA J. HENRY HALE, LLC (A LIMITED LIABILITY COMPANY), HUD PROJECT NO. 086-11108, AND, TO THE BEST OF OUR KNOWLEDGE AND BELIEF, THE SAME ARE ACCURATE AND COMPLETE.

Sole Member

615-252-8442
Telephone Number

December 30, 2020
Date

MANAGING AGENT'S CERTIFICATION

WE HEREBY CERTIFY THAT WE HAVE EXAMINED THE ACCOMPANYING FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE OF MDHA J. HENRY HALE, LLC (A LIMITED LIABILITY COMPANY), HUD PROJECT NO. 086-11108, AND, TO THE BEST OF OUR KNOWLEDGE AND BELIEF, THE SAME ARE ACCURATE AND COMPLETE.

Metropolitan Development and Housing Agency
Managing Agent

Officer

Employer Identification Number