

**CORAZON SQUARE  
HUD PROJECT NUMBER 101-35336  
TRINIDAD, COLORADO**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT WITH SUPPLEMENTARY DATA  
FOR THE PERIOD ENDED MARCH 31, 2019**

CORAZON SQUARE  
HUD Project Number 101-35336

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Corazon Square  
HUD Project Number 101-35336

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Corazon Square, HUD Project Number 101-35336, which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, and cash flows for the year 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corazon Square as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the basic 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 my 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*, I have also issued my report dated June 14, 2019, on my consideration of Corazon Square's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corazon Square's internal control over financial reporting and compliance.

***Audit Solutions, LLC***

Chesterfield, Missouri

June 14, 2019

CORAZON SQUARE  
HUD Project Number 101-35336

**STATEMENT OF FINANCIAL POSITION**  
March 31, 2019

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**ASSETS**

Current Assets:

Cash - operations	\$	39,130
Accounts receivables, tenants - net of allowances		836
Inventory		3,996
Prepaid expenses		<u>8,431</u>

Total Current Assets 52,393

Non-Current Assets:

Funded Deposits held in Trust:

Tenant security deposits		<u>15,181</u>
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Restricted Deposits and Funded Reserves:

Escrow reserve		10,771
Replacement reserve		44,075
Residual receipts reserve		<u>24,548</u>

Total Restricted Deposits and Funded Reserves 79,394

Capital assets:

Land		10,000
Other capital assets, net of depreciation		<u>1,074,910</u>

Total Capital Assets - Net 1,084,910

Total Non-Current Assets 1,179,485

Total Assets \$ 1,231,878

See accompanying notes to financial statements

CORAZON SQUARE  
HUD Project Number 101-35336

**STATEMENT OF FINANCIAL POSITION - (Continued)**  
March 31, 2019

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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$	5,570
Accrued wages payable		2,768
Accrued interest payable		2,270
Mortgage payable		20,682
Accrued property taxes		12,643
Accrued compensated absences		5,119
Miscellaneous current liabilities		26,416
Unearned revenues		<u>122</u>

Total Current Liabilities 75,590

Non-current Liabilities:

Tenant security deposit		15,181
Accrued compensated absences		7,330
Long term debt, net of current portion		<u>1,412,194</u>

Total Non-Current Liabilities 1,434,705

Total Liabilities 1,510,295

Net Assets

Unrestricted net assets		<u>(278,417)</u>
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Total Liabilities and Net Assets \$ 1,231,878

See accompanying notes to financial statements

CORAZON SQUARE  
HUD Project Number 101-35336

**STATEMENT OF ACTIVITIES**  
For the Period Ended March 31, 2019

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<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 177,877
Tenant assistance payments	213,279
Interest income	300
Miscellaneous	<u>119,099</u>
Total operating revenue	<u>510,555</u>
 <b>OPERATING EXPENSES</b>	
Administrative	89,165
Utilities	51,446
Ordinary maintenance and operations	162,976
Taxes and insurance	46,959
Financial expense	62,601
Depreciation expense	<u>107,310</u>
Total operating expenses	<u>520,457</u>
Change in net assets	(9,902)
Total net assets - beginning of year	<u>(268,515)</u>
Total net assets - end of year	<u>\$ <u>(278,417)</u></u>

See accompanying notes to financial statements

CORAZON SQUARE  
HUD Project Number 101-35336

**STATEMENT OF CASH FLOWS**  
For the Period Ended March 31, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts:

Rental	\$ 389,899
Interest	300
Other	194,760
Total Receipts	<u>584,959</u>

Expenses:

Administrative	(44,686)
Management fees	(12,000)
Utilities	(52,669)
Salaries and wages	(106,491)
Operating and maintenance	(104,044)
Real estate taxes	(12,244)
Property insurance	(19,022)
Interest	(50,728)
Total Expenses	<u>(401,884)</u>

Net cash provided by (used in) operating activities 183,075

**CASH FLOWS FROM INVESTING ACTIVITIES**

(Increase) decrease in replacement reserve account	(2,883)
(Increase) decrease in mortgage escrow account	(3,139)
(Increase) decrease in residual receipts account	(7,712)
Purchases of capital assets	<u>(178,986)</u>

Net cash provided by (used in) investing activities (192,720)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal paid on capital debt	<u>(19,529)</u>
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Net cash provided by (used in) financing activities (19,529)

Net increase (decrease) in cash and cash equivalents (29,174)

Cash and cash equivalents at beginning of year 68,304

Cash and cash equivalents at end of year \$ 39,130

See accompanying notes to financial statements

CORAZON SQUARE  
HUD Project Number 101-35336

**STATEMENT OF CASH FLOWS - (Continued)**  
For the Period Ended March 31, 2019

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<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Change in net assets	\$ (9,902)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	107,310
Change in assets and liabilities:	
Tenant security deposit held in trust	(1,471)
Receivables, net	75,203
Prepaid expenses	(1,717)
Accounts payables	(824)
Accrued interest payable	(94)
Accrued liabilities	13,027
Tenant security deposit	1,471
Unearned revenues	<u>72</u>
Net cash provided by (used) by operating activities	<u>\$ 183,075</u>

See accompanying notes to financial statements

CORAZON SQUARE  
HUD Project Number 101-35336

**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Organization and Operations**

Corazon Square, (Project), a non-profit organization was incorporated under the laws of the State of Colorado on June 23, 1983. The organization operates 50 units apartment project located in Trinidad, Colorado under Federal Home Administration (FHA) Insured Project. The project is also subject to Section 8 housing assistance payment agreements with the U.S. Department of Housing and Urban Development (HUD) and a significant portion of the Project's rental income is received from this agency.

The operations of the project are handled by the management of the Housing Authority of the City of Trinidad, Colorado, which serves as the managing agent under a management agreement with the Project.

**B. Basis of Accounting**

The financial statements of the Project have been prepared in conformity with generally accepted accounting principles (GAAP). The Project maintains its books and records on the accrual basis of accounting in which revenues are recognized when earned and become measurable and expenses are recognized when incurred, if measurable.

**C. Estimates and Assumptions**

The Project uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

**D. Distributions**

The project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers or directors, except for reimbursement of out-of-pocket expenses, per diem payments, and fees for services.

**E. Income Taxes**

Neither the Project nor its directors are subject to income taxes.

**F. Inventories**

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed.

**G. Property and Equipment**

It is the policy of the Project to capitalize all expenditures for equipment with a cost of \$1,000 or greater. Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Equipment and furnishings	3-15 years

**H. Cash and Cash Equivalents**

For the purposes of reporting cash flows, the Project considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents exclude any restricted funds.

CORAZON SQUARE  
HUD Project Number 101-35336

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
March 31, 2019

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**NOTE 2 – RESTRICTED FUNDS**

**A. Reserve Accounts**

Under the terms of the Regulatory Agreement, the Project is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. This amount is \$44,075 as of March 31, 2019 and generally not available for operating purposes.

Under the terms of the Regulatory Agreement, the Project must deposit into a residual receipts fund, an amount equal to “surplus cash”, as defined, at the end of each year. These funds can only be used with the approval of HUD. Surplus cash amounted to \$7,623 at March 31, 2018, which was deposited into the residual receipts fund during FY 2019. There was no surplus cash at March 31, 2019. As such, no deposit will be required to be made into the residual receipts fund during the year ended March 31, 2020. The balance of the account at March 31, 2019 was \$24,548.

Restricted funds also include an insurance reserve account in the amount of \$10,771 at March 31, 2019 which can only be used for the payment of insurance premium.

**B. Tenant Security Deposits**

The tenant security deposits are maintained in a separate account. The balance of the account at March 31, 2019 was \$15,181.

**NOTE 3 – CUSTODIAL CREDIT RISK**

The Project maintains its cash and cash equivalents in various bank deposit accounts, which, at times, may exceed federally insured or other insured limits. The Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At March 31, 2019, the Project’s bank balances of \$64,907 were entirely covered by FDIC insurance or by pledged collateral held by the Project’s agent bank.

The State of Colorado's (the State) Public Deposit Protection Act (PDPA) precludes the Project from requiring banks to hold securities in Corazon Square’s name. The Project deposits are subject to and in accordance with the PDPA. Under this act, all uninsured deposits are fully collateralized. The eligible collateral pledged is held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner prescribed by rule and regulation or is segregated from other trust department securities. All collateral so held must be clearly identified as being securities maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and must at all times be entitled to collect and retain all income derived from those investments without restriction.

CORAZON SQUARE  
HUD Project Number 101-35336

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
March 31, 2019

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the year ended March 31, 2019 is as follows:

	<b>Balance April 1, 2018</b>	<b>Additions</b>	<b>(Retirement)</b>	<b>Reclass</b>	<b>Balance March 31, 2019</b>
<b>Non-depreciable assets:</b>					
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Construction in Progress	<u>484,370</u>	-	-	<u>(484,370)</u>	-
<b>Total non-depreciable assets</b>	<u>494,370</u>	-	-	<u>(484,370)</u>	<u>10,000</u>
<b>Depreciable assets:</b>					
Building	2,170,016	103,295	-	484,370	2,757,681
Furniture, Equipment & Machinery	<u>17,688</u>	-	-	-	<u>17,688</u>
<b>Total depreciable assets</b>	<u>2,187,704</u>	<u>103,295</u>	-	<u>484,370</u>	<u>2,775,369</u>
<b>Accumulated depreciation</b>	<u>1,593,149</u>	<u>107,310</u>	-	-	<u>1,700,459</u>
<b>Total depreciable assets, net</b>	<u>594,555</u>	<u>(4,015)</u>	-	<u>484,370</u>	<u>1,074,910</u>
<b>Capital assets, net</b>	<u>\$ 1,088,925</u>	<u>\$ (4,015)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,910</u>

Depreciation expense is charged to the project as follows:

Depreciation expense	<u>\$ 107,310</u>
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**NOTE 5 – LONG TERM DEBT**

The long-term debt consists of the following mortgages:

The Project has a mortgage payable to Colorado Housing and Finance Authority which is due in monthly installments of \$3,949, including principal and interest, with final maturity scheduled for March 2034 at an interest rate of 5.75%. The balance due as of March 31, 2019 is \$473,834 (including current portion). The Corazon Square apartment project serves as collateral for this loan.

Additionally, the Project has a second and third mortgage payable to Federal Housing Administration obtained through the Mark to Market program, consisting of a mortgage restructuring in the amount of \$841,541 and \$117,501 respectively. These mortgages have a maturity date of March 1, 2034 at an interest rate of 5.00%. Principal is due in full at maturity, however, if the Project operates Corazon Square as affordable housing until maturity, the second and third mortgages will be forgiven. The Corazon Square apartment project serves as collateral for this loan.

CORAZON SQUARE  
HUD Project Number 101-35336

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
March 31, 2019

**NOTE 5 – LONG TERM DEBT – (Continued)**

The annual debt service requirements to maturity for long-term debt as of March 31, 2019, are as follows:

Year Ending March 31,	Principal	Interest	Total
2020	\$ 20,682	\$ 26,706	\$ 47,388
2021	21,904	25,485	47,389
2022	23,197	24,192	47,389
2023	24,566	22,822	47,388
2024	26,017	21,372	47,389
2025-2029	155,019	81,923	236,942
2030-2034	202,449	30,430	232,879
	\$ 473,834	\$ 232,930	\$ 706,764

**NOTE 6 – MANAGEMENT FEE**

The Project paid \$12,000 in management fees in FY 2019 to Trinidad Housing Authority for managing the Project as per the management plan.

**NOTE 7 – PENSION PLAN**

The Project provides pension benefits for all of its full-time employees through a defined contribution plan with Met Life Insurance. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Project to contribute 3% of covered wages. Benefits are fully vested at the time of participation in the plan.

The following information related to the defined contribution plan at March 31, 2019:

Total payroll	\$ 99,511
Total payroll for eligible participants	\$ 53,549
Employer contributions made	\$ 1,607

**NOTE 8 – UNRESTRICTED NET ASSETS**

None of the Project's net assets are subject to donor-imposed restrictions, and accordingly, all net assets are accounted for as unrestricted net assets.

**NOTE 9 – CONTINGENCIES**

The Project is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Project in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

CORAZON SQUARE  
HUD Project Number 101-35336

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
March 31, 2019

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**NOTE 10 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Project through June 14, 2019 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

**NOTE 11 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Project's sole asset is a 50-unit apartment project. The Project's operations are concentrated in the multi-family real estate market. In addition, the Project operates in a heavily regulated environment. The operation of the Project is 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.

CORAZON SQUARE  
HUD Project Number 101-35336

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Period Ended March 31, 2019

<b>Federal Grantor</b>	<b>Federal CFDA #</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Supportive Housing for the Elderly	14.157	* \$ 1,432,876
Section 8 Project-Based Cluster:		
Section 8 New Construction & Substantial Rehabilitation	14.182	213,279
Passed through the State of Colorado:		
Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	<u>112,983</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u><u>1,759,138</u></u></b>

\* Consist of principal balance of notes at March 31, 2019

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Corazon Square (Project) under programs of the federal government for the year ended March 31, 2019. 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 of 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 position, or cash flows of the Project.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Project has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CORAZON SQUARE  
HUD Project Number 101-35336

**FINANCIAL DATA TEMPLATES**  
Period Ended March 31, 2019

Owner: TRINIDAD HOUSING AUTHORITY  
Reporting From: 04/01/2018  
FHA/Contract Number(s): 10135336

TIN: 840894901  
Reporting To: 03/31/2019  
Submission Type: AUD-OMB

<b>Assets</b>		
Account	Description	Value
1120	Cash - Operations	\$ 38,955
1125	Cash - Entity	\$ 175
1130	Tenant/Member Accounts Receivable (Coops)	\$ 880
1131	Allowance for Doubtful Accounts	\$ 44
1130N	Net Tenant Accounts Receivable	\$ 836
1180	Inventory	\$ 3,996
1200	Prepaid Expenses	\$ 8,431
1100T	Total Current Assets	\$ 52,393
1191	Tenant/Patient Deposits Held in Trust	\$ 15,181
1310	Escrow Deposits	\$ 10,771
1320	Replacement Reserve	\$ 44,075
1340	Residual Receipts Reserve	\$ 24,548
1300T	Total Deposits	\$ 79,394
1410	Land	\$ 10,000
1420	Buildings	\$ 2,757,681
1450	Furniture for Project/Tenant Use	\$ 10,296
1465	Office Furniture and Equipment	\$ 800
1470	Maintenance Equipment	\$ 6,592
1400T	Total Fixed Assets	\$ 2,785,369
1495	Accumulated Depreciation	\$ 1,700,459
1400N	Net Fixed Assets	\$ 1,084,910
1000T	Total Assets	\$ 1,231,878
<b>Liabilities</b>		
Account	Description	Value
2110	Accounts Payable - Operations	\$ 5,570
2114	Incentive Performance Fee Payable	\$ 26,416
2120	Accrued Wages Payable	\$ 2,768
2131	Accrued Interest Payable - First Mortgage (or Bonds)	\$ 2,270
2150	Accrued Property Taxes	\$ 12,643
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	\$ 20,682
2190	Miscellaneous Current Liabilities	\$ 5,119
	<b>Detail - Miscellaneous Current Liabilities</b>	
	2190-010 - Description - Miscellaneous Detail for 2190	Accrued compensated absences - current
	2190-020 - Amount - Miscellaneous Detail for 2190	\$ 5,119
2210	Prepaid Revenue	\$ 122
2122T	Total Current Liabilities	\$ 75,590
2191	Tenant/Patient Deposits Held In Trust (Contra)	\$ 15,181
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	\$ 1,412,194
2390	Miscellaneous Long Term Liabilities	\$ 7,330

CORAZON SQUARE  
HUD Project Number 101-35336

**FINANCIAL DATA TEMPLATES – (Continued)**  
Period Ended March 31, 2019

<b>Liabilities</b>		
Account	Description	Value
<b>Detail - Miscellaneous Long-term Liabilities</b>		
2390-010	Description - Miscellaneous Detail for 2390	Accrued compensated absences - non-current
2390-020	Amount - Miscellaneous Detail for 2390	\$ 7,330
2300T	Total Long Term Liabilities	\$ 1,419,524
2000T	Total Liabilities	\$ 1,510,295
<b>Net Assets</b>		
Account	Description	Value
3131	Net Assets Without Donor Restrictions	\$- 278,417
3130	Total Net Assets	\$- 278,417
2033T	Total Liabilities and Equity/Net Assets	\$ 1,231,878
<b>Rent Revenue</b>		
Account	Description	Value
5120	Rent Revenue - Gross Potential	\$ 187,491
5121	Tenant Assistance Payments	\$ 213,279
5100T	Total Rent Revenue	\$ 400,770
<b>Vacancies</b>		
Account	Description	Value
5220	Apartments	\$ 9,614
5200T	Total Vacancies	\$ 9,614
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	\$ 391,156
<b>Financial Revenue</b>		
Account	Description	Value
5410	Financial Revenue - Project Operations	\$ 85
5430	Revenue from Investments - Residual Receipts	\$ 89
5440	Revenue from Investments - Replacement Reserve	\$ 126
5400T	Total Financial Revenue	\$ 300
<b>Other Revenue</b>		
Account	Description	Value
5910	Laundry and Vending Revenue	\$ 3,060
5920	Tenant Charges	\$ 3,056
5990	Miscellaneous Revenue	\$ 112,983
<b>Details - Miscellaneous Revenue</b>		
5990-010	Description	CDBG Grant
5990-020	Amount	\$ 106,956
5990-010	Description	Other Misc. Revenue
5990-020	Amount	\$ 6,027
5900T	Total Other Revenue	\$ 119,099
5000T	Total Revenue	\$ 510,555
<b>Administrative Expenses</b>		
Account	Description	Value
6203	Conventions and Meetings	\$ 1,252
6210	Advertising and Marketing	\$ 773
6310	Office Salaries	\$ 21,716
6311	Office Expenses	\$ 5,788
6320	Management Fee	\$ 12,000
6350	Audit Expense	\$ 4,395
6351	Bookkeeping Fees/Accounting Services	\$ 2,030
6370	Bad Debts	\$ 871

CORAZON SQUARE  
HUD Project Number 101-35336

**FINANCIAL DATA TEMPLATES – (Continued)**  
Period Ended March 31, 2019

<b>Administrative Expenses</b>		
Account	Description	Value
6390	Miscellaneous Administrative Expenses	\$ 40,340
<b>Details - Miscellaneous Administrative Expenses</b>		
6390-010	Description Telephone expense	
6390-020	Amount \$ 7,415	
6390-010	Description Compensated absences	
6390-020	Amount \$ 9,343	
6390-010	Description Admin. Sundry - Other	
6390-020	Amount \$ 23,582	
6263T	Total Administrative Expenses	\$ 89,165
<b>Utilities Expenses</b>		
Account	Description	Value
6450	Electricity	\$ 34,930
6451	Water	\$ 6,507
6452	Gas	\$ 6,279
6453	Sewer	\$ 3,730
6400T	Total Utilities Expense	\$ 51,446
<b>Operating &amp; Maintenance Expenses</b>		
Account	Description	Value
6510	Payroll	\$ 61,178
6515	Supplies	\$ 16,438
6520	Contracts	\$ 74,638
6525	Garbage and Trash Removal	\$ 2,024
6530	Security Payroll/Contract	\$ 8,698
6500T	Total Operating and Maintenance Expenses	\$ 162,976
<b>Taxes &amp; Insurance</b>		
Account	Description	Value
6710	Real Estate Taxes	\$ 12,643
6711	Payroll Taxes (Project's Share)	\$ 6,847
6720	Property & Liability Insurance (Hazard)	\$ 16,568
6722	Workmen's Compensation	\$ 2,833
6723	Health Insurance and Other Employee Benefits	\$ 8,068
6700T	Total Taxes and Insurance	\$ 46,959
<b>Financial Expenses</b>		
Account	Description	Value
6820	Interest on First Mortgage (or Bonds) Payable	\$ 50,634
6800T	Total Financial Expenses	\$ 50,634
<b>Operating Results</b>		
Account	Description	Value
6000T	Total Cost of Operations before Depreciation	\$ 401,180
5060T	Profit (Loss) before Depreciation	\$ 109,375
6600	Depreciation Expenses	\$ 107,310
5060N	Operating Profit or (Loss)	\$ 2,065
<b>Corporate or Mortgagor Revenue/Expenses</b>		
Account	Description	Value
7115	Incentive Performance Fee	\$ 11,967
7100T	Net Entity Expenses	\$ 11,967

CORAZON SQUARE  
HUD Project Number 101-35336

**FINANCIAL DATA TEMPLATES – (Continued)**  
Period Ended March 31, 2019

<b>Change in Net Assets from Operations</b>		
Account	Description	Value
3247	Change in Net Assets Without Donor Restrictions	\$- 9,902
3250	Change in Total Net Assets from Operations	\$- 9,902
<b>Part II</b>		
Account	Description	Value
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	\$ 19,529
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.	\$ 21,016
<b>Equity Data</b>		
Account	Description	Value
S1100-060	Previous Year Net Assets Without Donor Restrictions	\$- 268,515
3247	Change in Net Assets Without Donor Restrictions	\$- 9,902
3131	Net Assets Without Donor Restrictions	\$- 278,417
S1100-050	Previous Year Total Net Assets	\$- 268,515
3250	Change in Total Net Assets from Operations	\$- 9,902
3130	Total Net Assets	\$- 278,417
<b>Cash Flow from Operating Activities</b>		
Account	Description	Value
S1200-010	Rental Receipts	\$ 392,955
S1200-020	Interest Receipts	\$ 300
S1200-030	Other Operating Receipts	\$ 9,087
S1200-035	Entity/Construction Receipts	\$ 182,617
	<b>Details - Entity/Construction Receipts</b>	
	S1200-036 - Description	CDBG Grant
	S1200-037 - Amount	\$ 182,617
S1200-040	Total Receipts	\$ 584,959
S1200-050	Administrative	\$- 44,686
S1200-070	Management Fee	\$- 12,000
S1200-090	Utilities	\$- 52,669
S1200-100	Salaries and Wages	\$- 106,491
S1200-110	Operating and Maintenance	\$- 104,044
S1200-120	Real Estate Taxes	\$- 12,244
S1200-140	Property Insurance	\$- 19,022
S1200-180	Interest on First Mortgage	\$- 50,728
S1200-230	Total Disbursements	\$- 401,884
S1200-240	Net Cash provided by (used in) Operating Activities	\$ 183,075
<b>Cash Flow from Investing Activities</b>		
Account	Description	Value
S1200-245	Net Deposits to the Mortgage Escrow account	\$- 3,139
S1200-250	Net Deposits to the Reserve for Replacement account	\$- 2,883
S1200-260	Net Deposits to the Residual Receipts account	\$- 7,712
S1200-330	Net Purchase of Fixed Assets	\$- 178,986
S1200-350	Net Cash used in Investing Activities	\$- 192,720

CORAZON SQUARE  
HUD Project Number 101-35336

**FINANCIAL DATA TEMPLATES – (Continued)**  
Period Ended March 31, 2019

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<b>Cash Flow from Financing Activities</b>		
<b>Account</b>	<b>Description</b>	<b>Value</b>
S1200-360	Principal Payments - First Mortgage (or Bonds)	\$- 19,529
S1200-460	Net Cash used in Financing Activities	\$- 19,529
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	\$- 29,174
<b>Cash and Cash Equivalents</b>		
<b>Account</b>	<b>Description</b>	<b>Value</b>
S1200-480	Beginning of Period Cash	\$ 68,304
S1200T	End of Period Cash	\$ 39,130

CORAZON SQUARE  
HUD Project Number 101-35336

**SUPPLEMENTARY DATA REQUIRED BY HUD**  
Period Ended March 31, 2019

Computation of Surplus Cash

Cash:	
Operating cash	\$ <u>54,311</u>
Total cash	<u>54,311</u>
Current Obligations:	
Accrued mortgage interest payable	2,270
Accounts payable	5,570
Accrued expenses	15,217
Prepaid revenue	122
Tenant security deposits liability	<u>15,181</u>
Total Current Obligations	<u>38,360</u>
Surplus Cash (Deficiency)	<u>15,951</u>
Incentive performance fee payable	15,951
Percentage surplus cash split	75%
Required payments on restructuring note	<u>0</u>
Surplus cash available for distribution	\$ <u><u>0</u></u>

Reserve for replacements:

Balance, March 31, 2018	\$ 41,192
Monthly deposits	21,016
Interest	126
Withdrawals	<u>(18,259)</u>
Balance, March 31, 2019	\$ <u><u>44,075</u></u>

Residual receipts reserve:

Balance, March 31, 2018	\$ 16,836
Deposit:	
Interest	89
Prior year surplus cash	7,623
Withdrawal:	<u>0</u>
Balance, March 31, 2019	\$ <u><u>24,548</u></u>

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

To the Board of Directors of  
Corazon Square  
Trinidad, Colorado

I 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 Corazon Square, HUD Project Number 101-35336, which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Corazon Square’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corazon Square’s internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Corazon Square’s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Audit Solutions, LLC*

Chesterfield, Missouri

June 14, 2019

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

To the Board of Directors of  
Corazon Square  
Trinidad, Colorado

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

I have audited Corazon Square's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corazon Square's major federal programs for the year ended March 31, 2019. Corazon Square's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Corazon Square's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 Corazon Square's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Corazon Square's compliance.

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

In my opinion, Corazon Square complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

**Report on Internal Control Over Compliance**

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

***Audit Solutions, LLC***

Chesterfield, Missouri

June 14, 2019

CORAZON SQUARE  
HUD Project Number 101-35336

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
March 31, 2019

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
<u>Identification of Major programs:</u>	
➤ CFDA #14.157      Supportive Housing for the Elderly	
➤ CFDA #14.182      Section 8 New Construction and Substantial Rehabilitation	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

The current audit report for the period ended March 31, 2019 disclosed no Financial Statement audit finding.

**Section III - Federal Award Findings and Questioned Costs**

The current audit report for the period ended March 31, 2019 disclosed no Federal Awards audit findings and questioned costs.

CORAZON SQUARE  
HUD Project Number 101-35336

**CERTIFICATION OF OFFICERS**  
March 31, 2019

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June 14, 2019

We hereby certify that we have examined the accompanying financial statements and supplemental data of Corazon Square, HUD Project Number 101-35336 and, to the best of our knowledge and belief, the same is complete and accurate.

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Charlene Tortorice

Chairperson

Project Tax Identification Numer: 84-0894901

CORAZON SQUARE  
HUD Project Number 101-35336

**MANAGEMENT AGENT'S CERTIFICATION**  
March 31, 2019

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June 14, 2019

We hereby certify that we have examined the accompanying financial statements and supplemental data of Corazon Square, HUD Project Number 101-35336 and, to the best of our knowledge and belief, the same is complete and accurate.



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Rosemarie Shier  
Managing Agent  
Housing Authority of the City of Trinidad  
Managing Agent Tax Identification Number: 84-6014115  
Property Manager: Sara Rino