

**2Life Coleman Limited Partnership
HUD Project Nos.: 023-11481/023-EE-056**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2019

2Life Coleman Limited Partnership
HUD Project Nos.: 023-11481/023-EE-056

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2Life Coleman Limited Partnership
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December 31, 2019

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of 2Life Coleman Limited Partnership and, to the best of our knowledge and belief, the same are complete and accurate.

OFFICERS

Amy Schectman Date
President

Karen Edlund Date
Treasurer

Telephone Number: (617) 912-8402

**2Life Coleman Limited Partnership
HUD Project Nos.: 023-11481/023-EE-056**

December 31, 2019

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of 2Life Coleman Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT
2Life Communities Services, Inc.

Amy Schectman, President

Managing Agent Taxpayer Identification
Number:
04-3166862

Robin Nasson
Property Manager

Independent Auditor's Report

To the General Partner
2Life Coleman Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of 2Life Coleman Limited Partnership, which comprise the balance sheet as of December 31, 2019, and the related statements of operations, partners' equity (deficit) 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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 2Life Coleman Limited Partnership as of December 31, 2019, and the results of its operations 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 24 to 54 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 24 to 54 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. Such 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 accompanying supplementary information on pages 24 to 54 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020, on our consideration of 2Life Coleman Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 2Life Coleman Limited Partnership's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 2Life Coleman Limited Partnership's internal control over financial reporting and compliance.



Bethesda, Maryland
April 27, 2020

Taxpayer Identification Number:
22-1478099

Lead Auditor: Peter Hodgson

2Life Coleman Limited Partnership
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Balance Sheet
December 31, 2019

Assets

Current assets	
Cash - operations	\$ 738,362
Cash - entity	2,356
Tenant accounts receivable	5,563
Accounts receivable - HUD	13,982
Accounts and notes receivable - operations	11,389
Prepaid expenses	<u>62,549</u>
Total current assets	<u>834,201</u>
Deposits held in trust - funded	
Tenant deposits	<u>38,732</u>
Restricted deposits and funded reserves	
Escrow deposits	90,488
Reserve for replacements	1,092,294
Other reserves	32,666
Residual receipts reserve	<u>92,160</u>
Total restricted deposits and funded reserves	<u>1,307,608</u>
Rental property	
Land	409,756
Buildings	3,313,284
Furniture for project/tenant use	<u>199,290</u>
	3,922,330
Less accumulated depreciation	<u>(188,674)</u>
Total rental property	<u>3,733,656</u>
Total assets	<u><u>\$ 5,914,197</u></u>

2Life Coleman Limited Partnership
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Balance Sheet
December 31, 2019

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 112,044
Accrued wages payable	39,366
Accrued management fee payable	12,858
Accrued interest payable - first mortgage	79,326
Accrued interest payable - other loans/notes	117,475
Mortgage payable - first mortgage (short-term)	384,679
Miscellaneous current liabilities	121,207
Prepaid revenue	17,505
	<hr/>
Total current liabilities	884,460
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	38,732
	<hr/>
Long-term liabilities	
Notes payable - surplus cash	2,233,035
Mortgage payable - first mortgage	24,518,663
Other loans and notes payable	4,256,700
	<hr/>
Total long-term liabilities	31,008,398
	<hr/>
Total liabilities	31,931,590
	<hr/>
Contingency	-
	<hr/>
Partners' equity (deficit)	(26,017,393)
	<hr/>
Total liabilities and partners' equity (deficit)	\$ 5,914,197
	<hr/>

See Notes to Financial Statements.

2Life Coleman Limited Partnership
HUD Project Nos.: 023-11481/023-EE-056

Statement of Operations
Year Ended December 31, 2019

Rental revenue	
Rent revenue - gross potential	\$ 599,929
Tenant assistance payments	<u>3,250,976</u>
Total rental revenue	<u>3,850,905</u>
Vacancies	
Apartments	<u>(41,948)</u>
Total vacancies	<u>(41,948)</u>
Net rental revenue	<u>3,808,957</u>
Financial revenue	
Financial revenue - project operations	5,566
Revenue from investments - residual receipts	1,473
Revenue from investments - replacement reserve	<u>7,899</u>
Total financial revenue	<u>14,938</u>
Other revenue	
Laundry and vending	7,033
Tenant charges	175
Miscellaneous revenue	<u>245,564</u>
Total other revenue	<u>252,772</u>
Total revenue	<u>4,076,667</u>

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Statement of Operations
Year Ended December 31, 2019

Administrative expenses	
Conventions and meetings	432
Management consultants	2,215
Advertising and marketing	154
Other renting expenses	1,472
Office salaries	420,171
Office expenses	42,992
Management fee	165,120
Legal expense - project	1,809
Auditing expense	22,225
Bookkeeping fees/accounting services	11,249
Bad debts	5,335
Miscellaneous administrative expenses	89,454
	<hr/>
Total administrative expenses	762,628
	<hr/>
Utilities expense	
Electricity	144,403
Water	111,417
Gas	68,502
	<hr/>
Total utilities expense	324,322
	<hr/>
Operating and maintenance expenses	
Payroll	140,217
Supplies	24,812
Contracts	194,012
Garbage and trash removal	12,916
Security payroll/contract	12,076
Heating/cooling repairs and maintenance	53,010
Snow removal	10,989
Vehicle and maintenance equipment operation and repairs	261
Miscellaneous operating and maintenance expenses	11,650
	<hr/>
Total operating and maintenance expenses	459,943
	<hr/>

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Statement of Operations
Year Ended December 31, 2019

Taxes and insurance	
Real estate taxes	150,393
Payroll taxes	35,431
Property and liability insurance	56,137
Workmen's compensation	1,257
Health insurance and other employee benefits	<u>190,316</u>
Total taxes and insurance	<u>433,534</u>
Financial expenses	
Interest on first mortgage payable	963,092
Interest on notes payable - long-term	70,453
Mortgage insurance premium/service charge	64,279
Miscellaneous financial expenses	<u>18,790</u>
Total financial expenses	<u>1,116,614</u>
Nursing home/assisted living/board and care/other elderly care expenses	<u>33,968</u>
Total cost of operations before depreciation	<u>3,131,009</u>
Income (loss) before depreciation	<u>945,658</u>
Depreciation	
Depreciation expense	<u>123,925</u>
Total depreciation	<u>123,925</u>
Total expenses	<u>3,254,934</u>
Net income (loss)	<u><u>\$ 821,733</u></u>

See Notes to Financial Statements.

2Life Coleman Limited Partnership
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Statement of Partners' Equity (Deficit)
Year Ended December 31, 2019

	<u>General partner</u>	<u>Limited partner</u>	<u>Seller note</u>	<u>Seller note accrued interest</u>	<u>Total</u>
Partners' equity (deficit) December 31, 2018	\$ (31,329,112)	\$ 202,034	\$ 4,200,822	\$ 87,130	\$ (26,839,126)
Other changes in equity Seller note interest expense	(132,498)	-	-	132,498	-
Net income (loss)	<u>82</u>	<u>821,651</u>	<u>-</u>	<u>-</u>	<u>821,733</u>
Partners' equity (deficit) December 31, 2019	<u><u>\$ (31,461,528)</u></u>	<u><u>\$ 1,023,685</u></u>	<u><u>\$ 4,200,822</u></u>	<u><u>\$ 219,628</u></u>	<u><u>\$ (26,017,393)</u></u>
Partners' percentage of income (losses)	<u><u>0.01%</u></u>	<u><u>99.99%</u></u>	<u><u>0.00%</u></u>	<u><u>0.00%</u></u>	<u><u>100.00%</u></u>

See Notes to Financial Statements.

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Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Rental receipts	\$ 3,811,831
Interest receipts	14,938
Other operating receipts	7,928
	<hr/>
Total receipts	3,834,697
	<hr/>
Administrative expenses paid	(184,798)
Management fees paid	(171,047)
Utilities paid	(351,607)
Salaries and wages paid	(562,898)
Operating and maintenance paid	(307,650)
Real estate taxes paid	(150,393)
Property insurance paid	(60,166)
Tenant security deposits received	688
Other operating expenses paid	(376,054)
Interest paid on first mortgage	(959,526)
Mortgage insurance premium paid	(63,162)
Miscellaneous financial expenses paid	(3,112)
	<hr/>
Total disbursements	(3,189,725)
	<hr/>
Net cash provided by operating activities	644,972
	<hr/>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	2,260
Net deposits to reserve for replacements	(41,654)
Net deposits to residual receipts reserve	(15,815)
Net purchases of rental property	(121,244)
Entity/construction investing activities (include detail)	
Due to Coleman I	21,391
Due from Coleman II	(21,391)
	<hr/>
Net cash used in investing activities	(176,453)
	<hr/>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(370,467)
	<hr/>
Net cash used in financing activities	(370,467)
	<hr/>
Net increase in cash and restricted cash	98,052
	<hr/>
Cash and restricted cash, beginning	714,064
	<hr/>
Cash and restricted cash, end	\$ 812,116
	<hr/> <hr/>

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Statement of Cash Flows
Year Ended December 31, 2019

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 821,733</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	123,925
Amortization of debt issuance costs	4,730
Bad debts	5,335
Rental property donated by affiliate	(45,554)
Rental property funded from grant proceeds	(199,290)
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(6,513)
Accounts receivable - other	17,926
Prepaid expenses	(19,356)
Increase (decrease) in liabilities	
Accounts payable	(126,570)
Accrued liabilities	3,639
Accrued interest payable	69,289
Tenant security deposits held in trust	688
Prepaid revenue	(3,689)
Other adjustments (include detail)	
Miscellaneous current liabilities	<u>(1,321)</u>
Total adjustments	<u>(176,761)</u>
Net cash provided by operating activities	<u><u>\$ 644,972</u></u>
Significant noncash investing and financing activities	
Rental property donated by affiliate	<u>\$ 45,554</u>
Rental property funded from grant proceeds	<u>\$ 199,290</u>
Rental property included in accounts payable - operations	<u><u>\$ 101,395</u></u>

See Notes to Financial Statements.

2Life Coleman Limited Partnership
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Notes to Financial Statements
December 31, 2019

Note 1 - Organization and nature of operations

2Life Coleman Limited Partnership ("Coleman House") ("the Partnership") was organized under the laws of the Commonwealth of Massachusetts for the purposes of owning, rehabilitating, and operating a government subsidized, multifamily apartment complex, Coleman House (the "Project"), for the elderly located in Newton, Massachusetts. On April 24, 2018, the Partnership acquired the Project, which consists of 146 residential units. The Project is regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. Coleman House I consists of 100 units and commenced operations in November 1984. Coleman House II consists of 46 units and commenced operations in October 1998. Surplus cash of Coleman II, as defined by HUD, is required to be deposited into a residual receipts reserve. For the year ended December 31, 2019, Coleman House II had no surplus cash available.

2Life Communities Services, Inc., an affiliate, manages 1,200 units of housing in Brighton, Newton and Framingham, Massachusetts for the elderly and handicapped. All but 84 units are subsidized for low-income tenants under the Section 8 program. Coleman House is one of six buildings managed by 2Life Communities Services, Inc.

The Partnership consists of a General Partner, 2Life Coleman GP LLC, which has a .01% ownership interest and an Investor Limited Partner, 2Life Partners, Inc., which has a 99.99% ownership interest. Except as otherwise specified in the Partnership Agreement, all items of income, expense, gain, loss, tax preferences, tax-credits and cash are allocated to the Partners based on those percentages.

On November 8, 2019, an article of amendment was filed to change the legal name of the Partnership from JCHE Coleman Limited Partnership to 2Life Coleman Limited Partnership.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tenant receivables and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Management closely monitors outstanding balances and write offs, as of year-end, all balances that it deems uncollectible based upon such factors as tenant payment history, the results of collection efforts, and the commencement of tenant eviction proceedings. Tenants' rent subsidies receivable are deemed by management to be fully collectible based on its historical collection experience. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

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Notes to Financial Statements
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Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. Depreciation is calculated for the buildings, land improvements and furniture for project/tenant use using the estimated useful lives of 40, 10 and 7 years, respectively. Expenditures greater than \$5,000, for major renewals and betterments that extend the useful lives of the rental property, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended December 31, 2019.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax-credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2018 remain open.

Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Advertising and marketing

Advertising and marketing costs are charged to operations when incurred. For the year ended December 31, 2019, the Partnership incurred \$154 of advertising and marketing costs.

Grants and contracts

The Partnership has various grants and contracts from foundations. For grants and cost reimbursable type contracts, revenue is recognized based on expenses incurred. For fixed price awards, revenue is determined based on the stated fixed rate for services provided. Grants receivable at year-end represent uncollected revenue based on amounts earned.

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Notes to Financial Statements
December 31, 2019

Change in accounting principles

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, ending cash and restricted cash as of December 31, 2018 was increased from \$644,358 to \$714,064.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective January 2019, the Partnership adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Partnership's contracts with customers. No practical expedients were applied. The majority of the Partnership's revenue is derived from leases with tenants of the Property generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the property during the period presented or on the opening balance of partners' equity (deficit) as of January 1, 2019.

Note 3 - Mortgage payable

First mortgage

The Partnership entered into a mortgage agreement with Red Mortgage Capital, LLC in the amount of \$25,830,000 which is insured by HUD under section 223(f) of the National Housing Act. The mortgage bears interest at 3.77% compounded per annum, and is secured by a mortgage lien on the rental property. On the Amortization Commencement Date payments of interest and principal are required until maturity, which is 35 years from the Amortization Commencement Date, but no later than May 1, 2053. During the year ended December 31, 2019, interest of \$963,092 was incurred, including amortization of debt issuance costs of \$4,730. As of December 31, 2019, the outstanding principal and accrued interest were \$25,249,780 and \$79,326, respectively.

Aggregate annual maturities of the first mortgage payable over each of the next five years and thereafter are as follows:

December 31, 2020	\$	384,679
2021		399,333
2022		414,754
2023		430,664
2024		447,184
Thereafter		<u>23,173,166</u>
Total	\$	<u>25,249,780</u>

Debt issuance costs, net of accumulated amortization, totaled \$346,438 as of December 31, 2019, and are primarily related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 3.87%.

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Notes to Financial Statements
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Second mortgage

Coleman House II (HUD Project No. 023-EE-056) has a mortgage note with an original balance of \$4,056,700 under which terms the principal bears no interest and repayment is not required so long as the housing remains available to low-income elderly persons and low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959 and Section 811 of the National Affordable Housing Act of 1990. If there has been no default on the mortgage note for reasons under the Note, Mortgage or Regulatory Agreements, the Note shall be deemed paid and discharged at maturity, May 1, 2053. The mortgage shall bear no interest unless there is a default at which time, interest per year at a rate of 6.75% shall be payable on demand with respect to the payment of the principal. As of December 31, 2019, the balance outstanding on the loan totaled \$4,056,700.

The terms of these two mortgages and other contract documents require the establishment of restricted deposits and funded reserves to be held and invested by the mortgagor. Accordingly, the Partnership is obligated under its loan agreements to deposit a minimum amount per month into a repair and replacement reserve. As of December 31, 2019, the amount was \$7,168 per month. In general, these deposits are to be applied towards the cost of extraordinary maintenance or replacement of furniture and equipment. As of December 31, 2019, the balance on the replacement reserve totaled \$1,092,294.

The Partnership is subject to rental charge limits and operating methods as a provision of the HUD Section 202 of Housing Act of 1959 mortgages, the Section 8 housing assistance program contracts (see Note 8), and partnership agreement. The liability of the Partnership under the first and second mortgages is limited to the underlying value of the real estate collateral and an assignment of rents and leases.

Third mortgages

Coleman House II is also funded by a \$200,000 grant from the City of Newton. The City of Newton, CDBG mortgage and the related interest shall be forgiven and discharged by the City of Newton provided the Partnership complies with all loan and occupancy provisions over a period of 40 years from the date of occupancy and the full occupancy of units by low- to moderate-income persons aged 62 and older. As of December 31, 2019, the balance outstanding on the loan totaled \$200,000.

The Partnership also holds a note payable to 2Life Development, Inc., an affiliate, in the amount of \$10,091. No interest was charged for the year ended December 31, 2019. As of December 31, 2019, all amounts were paid.

As management represents that it has fully complied with the provisions of Section 202 of the Housing Act of 1959 and Section 811 of the National Affordable Housing Act of 1990, the Notes, Mortgages and Regulatory Agreement, all amounts owing related to Coleman House II are considered to be non-current liabilities.

Seller Note

The Partnership has entered into a loan agreement (the "Seller Loan") with Jewish Community Housing for the Elderly V, Inc., a related party, in the original amount of \$4,200,822. The loan bears interest at 3.04% and matures on May 1, 2063. Payments of principal and interest will be due annually or semi-annually from available Net Cash Flow. The loan is secured by the Project, and is subordinate to the first mortgage. As of December 31, 2019, the outstanding principal balance and accrued interest were \$4,200,822 and \$219,628, respectively. During the year ended December 31,

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Notes to Financial Statements
December 31, 2019

2019, interest was \$132,498. The seller note's accrued interest and interest expense are included in the statement of partners' equity (deficit).

Sponsor Note

The Partnership has entered into a loan agreement (the "Sponsor Loan") with Jewish Community Housing for the Elderly IV, Inc., a related party, in the original amount of \$2,233,035. The loan bears interest at 3.05% and matures on June 12, 2053. Payments of principal and interest will be due annually only from available Net Cash Flow. As of December 31, 2019, the outstanding principal balance and accrued interest were \$2,233,035 and \$117,475, respectively. During the year ended December 31, 2019, interest was \$70,453.

Note 4 - Related party transactions

The property is managed by 2Life Communities Services, Inc., an affiliate, pursuant to a management agreement approved by HUD. The current management agreement provides for a management fee of 3.32% of net rental collections for 100 units in Coleman House I, and 9.20% of net rental collections for 46 units in Coleman House II. Such fees charged to operations during the year ended December 31, 2019 for Coleman House I and Coleman House II were \$104,920 and \$60,200, respectively, and as of December 31, 2019, management fees of \$8,089 and \$4,769, respectively, remain payable.

In addition, 2Life Communities Services, Inc. provides support services to residents of all 2Life affiliated properties at or below cost in accordance with its nonprofit mission. In carrying out these activities, 2Life Communities Services, Inc. executes contracts for these services, and during the year ended December 31, 2019 paid \$5,399 for the Generations program, and \$5,870 for Caring Choices program, \$9,489 for transportation services, \$10,607 for fitness services, and \$2,603 for translation services and are included in Nursing home/Assisted living and other elderly care expenses on the accompanying statement of operations.

During the year, 2Life Communities Services, Inc. periodically pays common expenses and is reimbursed by the Partnership for their respective share. In addition, 2Life Communities Services, Inc. is reimbursed for payroll and related benefits, including retirement costs, allocated to the Partnership.

Note 5 - Grants

The Partnership entered into a grant agreement with the Low-Income Energy Affordability Network ("LEAN") in the amount of \$199,290. The grant funds are restricted to costs that are related to energy efficient costs of the project. For the year ended December 31, 2019, \$199,290 had been expended related to this grant.

2Life Coleman Limited Partnership
HUD Project Nos.: 023-1148/023-EE-056

Notes to Financial Statements
December 31, 2019

Note 6 - Statement of cash flows

The following table provides a reconciliation of cash, and restricted cash reported within the balance sheet that sums to the total of the same such amounts in the statement of cash flows.

Cash	\$ 740,718
Deposits held in trust - funded	38,732
Other reserves	<u>32,666</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 812,116</u></u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property and other reserves as required by regulatory authority and the partnership agreement.

Note 7 - Liability for HUD use of excess balance of residual receipts

In connection with its HAP contract, HUD has notified the Partnership that, in accordance with Notice H-2012-14 ("Notice"), which was issued by HUD on August 3, 2012, any balance in the Coleman House I Project's residual receipts account in excess of \$25,000 (its "Retained Balance") will be used by HUD to offset HAP payments. Under the Notice, the Partnership is allowed to retain residual receipts up to the amount of its Retained Balance for general project purposes. During the year ended December 31, 2019, the Partnership recorded an expense of \$431 for the amount of its residual receipts account in excess of its Retained Balance and is included in miscellaneous financial expenses.

For the year ended December 31, 2019, Coleman House I has a liability of \$773, which reflects the remaining excess amount of its residual receipts account. The liability includes an accrual for the amount, if any, of surplus cash that is required to be deposited into the residual receipts account after the end of the year that would cause the balance of the account to exceed the Retained Balance amount.

In connection with its Project Rental Assistance Contract ("PRAC"), HUD notified Coleman II in a memo dated March 11, 2016 that, in accordance with the Consolidated Appropriations Act, 2016 enacted on December 18, 2015, any balance in its residual receipts account greater than \$250 per unit must be remitted to HUD's Accounting Center upon "termination" of the PRAC. Termination is defined as expiration of the contract term which for most PRACs is the annual contract anniversary date. Subsequently, on various dates, Congress enacted legislation extending this requirement. The updated requirement to return excess residual receipts now applies to PRAC's with expiration dates through September 30, 2020.

During the year ended December 31, 2019, the Partnership recorded other financial expenses of \$15,384 to reflect excess residual receipts either paid to HUD, or payable as of December 31, 2019. The liability of \$54,887 includes an accrual for the amount, if any, of surplus cash that is required to be deposited into the residual receipts account causing an increase in the amount of excess residual receipts owed to HUD.

2Life Coleman Limited Partnership
HUD Project Nos.: 023-1148/023-EE-056

Notes to Financial Statements
December 31, 2019

Note 8 - Housing assistance payment contract agreement

HUD has contracted with the Partnership pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of assistance made available to low-income families and the elderly. Under the program, assisted tenants pay the landlord 30% of their adjusted gross income as rental payments and HUD contracts to pay the difference. The effective date of the contract is April 24, 2018 and the initial term of the contract shall be 20 years. For the year ended December 31, 2019, approximately 88% of the Partnership's rental income attributable to the Coleman House I ("HUD No. 023-EH-184") portion of the development ("99 apartments") is obtained from HUD under the Section 8 Housing Program. For the year ended December 31, 2019, the Partnership recognized \$2,767,915 under this contract.

Coleman House II has a Project Rental Assistance Contract ("PRAC") with HUD pursuant to Section 202 of the Housing Act of 1959. Under PRAC, HUD will make housing assistance payments to enable low-income households to occupy units in the Project. Approximately 74% of the rental income attributable to Coleman House II ("HUD Project No. 023-EE-056") portion of the development ("45 apartments") is obtained from HUD through a PRAC, and for the year ended December 31, 2019 the Partnership recognized \$483,061 under this contract. The contract was assigned to the Partnership on April 24, 2018. The contract expires on November 1, 2020.

Note 9 - Concentration of credit risk

The Partnership maintains its cash accounts at institutions with balances that may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2019.

Note 10 - Current vulnerability due to certain concentrations

The Partnership's principal asset is a 146-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal and state agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, state legislature or an administrative change mandated by HUD, or another agency. 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.

Note 11 - Significant contracts

The Partnership entered into contracts for the purchase of natural gas from Direct Energy LP and Constellation Energy Gas Choice, LLC. The contracts provide for the purchase of natural gas at a predetermined cost based on a monthly volume commitment. Usage in the monthly electricity and natural gas demand are charged at an incremental rate depending on usage in excess of or less than the actual demand in relation to the contracted demand. The total costs incurred under these contracts for the year ended December 31, 2019 totaled \$66,783.

2Life Coleman Limited Partnership
HUD Project Nos.: 023-1148/023-EE-056

Notes to Financial Statements
December 31, 2019

Note 12 - Economic dependency

The Partnership operates the property located in Newton, Massachusetts. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in low-income housing subsidies or the demand for such housing.

Note 13 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be 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 Partnership through April 27, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent event discussed below that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity, which could result in a loss of lease revenue and other material adverse effects to the Partnership's financial position, results of operations, and cash flows. The Partnership is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Partnership's operations continue for an extended period of time the Partnership may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Partnership is unable to continue as a going concern.

Supplementary Information
Supporting Data Required by HUD
Coleman House I

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Balance Sheet Data
December 31, 2019**

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations	\$	734,003
1125	Cash - entity		2,356
1130	Tenant accounts receivable		4,704
1135	Accounts receivable - HUD		7,143
1200	Prepaid expenses		<u>48,907</u>
1100T	Total current assets		797,113
Deposits held in trust - funded			
1191	Tenant deposits		26,822
Restricted deposits and funded reserves			
1310	Escrow deposits	\$	90,488
1320	Reserve for replacements		691,096
1340	Residual receipts reserve		<u>25,773</u>
1300T	Total deposits		807,357
Rental property			
1410	Land		373,188
1420	Buildings		746,409
1450	Furniture for project/tenant use		<u>136,500</u>
1400T	Total fixed assets		1,256,097
1495	Less accumulated depreciation		<u>(81,203)</u>
1400N	Net fixed assets		<u>1,174,894</u>
1000T	Total assets	\$	<u><u>2,806,186</u></u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Balance Sheet Data
December 31, 2019**

Liabilities and Partners' Equity (Deficit)

<u>Account No.</u>			
<u>Current liabilities</u>			
2110	Accounts payable - operations		\$ 105,541
2120	Accrued wages payable		27,713
2123	Accrued management fee payable		8,089
2131	Accrued interest payable - first mortgage		79,326
2134	Accrued interest payable - other loans/notes		117,475
2170	Mortgage payable - first mortgage (short-term)		384,679
2190	Miscellaneous current liabilities		51,367
2210	Prepaid revenue		<u>10,664</u>
2122T	Total current liabilities		784,854
<u>Deposits liability</u>			
2191	Tenant deposits held in trust (contra)		26,822
<u>Long-term liabilities</u>			
2311	Notes payable - surplus cash	\$ 2,233,035	
2320	Mortgage payable - first mortgage	<u>24,518,663</u>	
2300T	Total long-term liabilities		<u>26,751,698</u>
2000T	Total liabilities		27,563,374
3130	Partners' equity (deficit)		<u>(24,757,188)</u>
2033T	Total liabilities and partners' equity (deficit)		<u><u>\$ 2,806,186</u></u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 423,650	
5121	Tenant assistance payments	<u>2,767,915</u>	
5100T	Total rental revenue		\$ 3,191,565
Vacancies			
5220	Apartments	<u>(38,285)</u>	
5200T	Total vacancies		<u>(38,285)</u>
5152N	Net rental revenue		3,153,280
Financial revenue			
5410	Financial revenue - project operations	4,331	
5430	Revenue from investments - residual receipts	431	
5440	Revenue from investments - replacement reserve	<u>1,638</u>	
5400T	Total financial revenue		6,400
Other revenue			
5910	Laundry and vending	7,033	
5920	Tenant charges	175	
5990	Miscellaneous revenue	<u>137,197</u>	
5900T	Total other revenue		<u>144,405</u>
5000T	Total revenue		<u>3,304,085</u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Administrative expenses			
6203	Conventions and meetings	299	
6204	Management consultants	1,477	
6210	Advertising and marketing	106	
6250	Other renting expenses	1,066	
6310	Office salaries	297,618	
6311	Office expenses	29,762	
6320	Management fee	104,920	
6340	Legal expense - project	1,809	
6350	Auditing expense	15,300	
6351	Bookkeeping fees/accounting services	7,710	
6370	Bad debts	5,080	
6390	Miscellaneous administrative expenses	68,374	
6263T	Total administrative expenses		533,521
Utilities expense			
6450	Electricity	110,727	
6451	Water	76,878	
6452	Gas	44,380	
6400T	Total utilities expense		231,985
Operating and maintenance expenses			
6510	Payroll	96,781	
6515	Supplies	19,307	
6520	Contracts	135,123	
6525	Garbage and trash removal	9,094	
6530	Security payroll/contract	8,035	
6546	Heating/cooling repairs and maintenance	34,579	
6548	Snow removal	7,582	
6590	Miscellaneous operating and maintenance expenses	10,578	
6500T	Total operating and maintenance expenses		321,079

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	103,771	
6711	Payroll taxes	24,894	
6720	Property and liability insurance	37,041	
6722	Workmen's compensation	868	
6723	Health insurance and other employee benefits	<u>131,534</u>	
6700T	Total taxes and insurance		298,108
Financial expenses			
6820	Interest on first mortgage payable	963,092	
6830	Interest on notes payable - long-term	70,453	
6850	Mortgage insurance premium/service charge	64,279	
6890	Miscellaneous financial expenses	<u>2,998</u>	
6800T	Total financial expenses		<u>1,100,822</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>23,262</u>
6000T	Total cost of operations before depreciation		<u>2,508,777</u>
5060T	Income (loss) before depreciation		<u>795,308</u>
Depreciation			
6600	Depreciation expense	<u>51,375</u>	
	Total depreciation		<u>51,375</u>
5060N	Operating income (loss)		<u>743,933</u>
	Total expenses		<u>2,560,152</u>
3250	Net income (loss)		<u><u>\$ 743,933</u></u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>	
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.
	<u>\$ 370,467</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.
	<u>\$ 40,000</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.
	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.
	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.
	<u>\$ -</u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2019**

Account No.

		<u>General partner</u>	<u>Limited partner</u>	<u>Seller note</u>	<u>Seller note accrued interest</u>	<u>Total</u>
S1100-010	Partners' equity (deficit) December 31, 2018	\$ (30,011,092)	\$ 222,019	\$ 4,200,822	\$ 87,130	\$ (25,501,121)
S1100-020	Other changes in equity					
S1100-030/040	Seller note interest expense	(132,498)	-	-	132,498	-
3250	Net income (loss)	<u>74</u>	<u>743,859</u>	<u>-</u>	<u>-</u>	<u>743,933</u>
3130	Partners' equity (deficit) December 31, 2019	<u>\$ (30,143,516)</u>	<u>\$ 965,878</u>	<u>\$ 4,200,822</u>	<u>\$ 219,628</u>	<u>\$ (24,757,188)</u>
	Partners' percentage of income (losses)	<u>0.01%</u>	<u>99.99%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>100.00%</u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Cash Flows Data
Year Ended December 31, 2019**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,157,504
S1200-020	Interest receipts	6,400
S1200-030	Other operating receipts	<u>7,905</u>
S1200-040	Total receipts	<u>3,171,809</u>
S1200-050	Administrative expenses paid	(133,084)
S1200-070	Management fees paid	(110,545)
S1200-090	Utilities paid	(250,333)
S1200-100	Salaries and wages paid	(395,661)
S1200-110	Operating and maintenance paid	(216,263)
S1200-120	Real estate taxes paid	(103,771)
S1200-140	Property insurance paid	(39,648)
S1200-160	Net tenant security deposits received (paid)	1
S1200-170	Other operating expenses paid	(284,133)
S1200-180	Interest paid on first mortgage	(959,526)
S1200-210	Mortgage insurance premium paid	(63,162)
S1200-220	Miscellaneous financial expenses paid	<u>(2,704)</u>
S1200-230	Total disbursements	<u>(2,558,829)</u>
S1200-240	Net cash provided by operating activities	<u>612,980</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	2,260
S1200-250	Net withdrawals from reserve for replacements	10,629
S1200-260	Net deposits to residual receipts reserves	(431)
S1200-330	Net purchases of fixed assets	(121,244)
S1200-345	Entity/construction investing activities (include detail)	
S1200-346	Due from Coleman II	<u>\$ 21,391</u>
		<u>21,391</u>
S1200-350	Net cash used in investing activities	<u>(87,395)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(370,467)</u>
S1200-460	Net cash used in financing activities	<u>(370,467)</u>
S1200-470	Net increase in cash	155,118
S1200-480	Cash, beginning	<u>581,241</u>
S1200T	Cash, end	<u>\$ 736,359</u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

Supplementary Information

**Statement of Cash Flows Data
Year Ended December 31, 2019**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 743,933</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		51,375
S1200-486	Amortization of debt issuance costs		4,730
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(5,744)
S1200-500	Accounts receivable - other		15,732
S1200-520	Prepaid expenses		(12,841)
S1200-530	Tenant security deposits funded		(575)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(120,673)
S1200-560	Accrued liabilities		1,148
S1200-570	Accrued interest payable		69,289
S1200-580	Tenant security deposits held in trust		576
S1200-590	Prepaid revenue		(2,844)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	\$ 5,080	
S1200-601	Rental property funded from grant proceeds	(136,500)	
S1200-601	Miscellaneous current liabilities	<u>294</u>	
			<u>(131,126)</u>
	Total adjustments		<u>(130,953)</u>
S1200-610	Net cash provided by operating activities		<u>\$ 612,980</u>
S1200-620	Comments		
	Rental property funded from grant proceeds		<u>\$ 136,500</u>
	Rental property included in accounts payable - operations		<u>\$ 101,395</u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at December 31, 2018	\$ 701,725
1320DT	Total monthly deposits	40,000
1320INT	Interest income	1,638
1320WT	Approved withdrawals	<u>(52,267)</u>
1320	Balance at December 31, 2019	<u><u>\$ 691,096</u></u>

Residual Receipts Reserve

<u>Account No.</u>		
1340P	Balance at December 31, 2018	\$ 25,342
1340INT	Interest income	<u>431</u>
1340	Balance at December 31, 2019	<u><u>\$ 25,773</u></u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>		
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$	760,825
1135	Accounts receivable - HUD		7,143
			<hr/>
S1300-040	Total cash		767,968
			<hr/>
S1300-050	Accrued mortgage interest payable		79,326
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		105,541
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		86,396
2210	Prepaid revenue (Account 2210)		10,664
2191	Tenant security deposits liability (Account 2191)		26,822
S1300-110	Other current obligations (describe in detail)		
S1300-120	Mortgage principal	\$	31,506
S1300-120	Replacement reserve deposit		3,333
S1300-120	Tax and insurance escrow deposit		20,815
S1300-120	MIP escrow deposit		5,138
			<hr/>
			60,792
			<hr/>
S1300-140	Less total current obligations		369,541
			<hr/>
S1300-150	Surplus cash (deficiency)	\$	398,427
			<hr/> <hr/>
S1300-200	Amount available for distribution during next fiscal period	\$	398,427
			<hr/> <hr/>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Changes in Fixed Asset Accounts

	Assets			Balance 12/31/19
	Balance 12/31/18	Additions	Deletions	
Land	\$ 373,188	\$ -	\$ -	\$ 373,188
Buildings	523,770	222,639	-	746,409
Furniture for project/tenant use	-	136,500	-	136,500
	\$ 896,958	\$ 359,139	\$ -	\$ 1,256,097
Accumulated depreciation	\$ 29,828	\$ 51,375	\$ -	\$ 81,203
Total net book value				\$ 1,174,894

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Elevator	\$ 110,344
WiFi	101,395
Landscaping	10,900
	\$ 222,639

Additions to Furniture for Project/Tenant Use Account

Item and quantity	Amount
Refridgerators	\$ 136,500

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Detail of Accounts - Balance Sheet

Miscellaneous Current Liabilities (Account No. 2190)

Accounts payable - management	\$ 22,730
Accrued audit expense	18,050
Accrued electricity	3,582
Accrued gas expense	3,558
Accrued water expense	2,674
Excess residual receipts	<u>773</u>
	<u><u>\$ 51,367</u></u>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

LEAN grant	\$ 136,500
Miscellaneous income	697
	<hr/>
	\$ 137,197
	<hr/> <hr/>

Miscellaneous Administrative Expenses (Account No. 6390)

Computer center	\$ 22,514
Resident group and tenant center	21,584
Computer consulting	10,395
Training and conferences	4,595
Instruction and library	3,181
Membership and subscription	2,975
Miscellaneous expense	2,324
Corporate expense	806
	<hr/>
	\$ 68,374
	<hr/> <hr/>

Nursing Home/Assisted Living/Board and Care/Other Elderly Care Expenses (Account No. 6900)

6990	Other service expenses	\$ 23,262
		<hr/> <hr/>

**2Life Coleman Limited Partnership
Coleman House I HUD Project No.: 023-11481**

**Supplementary Information
Year Ended December 31, 2019**

Other Information

Schedule of notes payable:

<u>Account No.</u>	<u>Creditor</u>	<u>Lien placed on project assets? (Yes/No)</u>	<u>Amount due</u>
S3100-140	JCHE IV	Yes	\$ 2,233,035
S3100-190			<u>\$ 2,233,035</u>

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	2Life Communities Services, Inc.	<u>\$ 133,807</u>

Supplementary Information
Supporting Data Required by HUD
Coleman House II

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Balance Sheet Data
December 31, 2019**

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations	\$	4,359
1130	Tenant accounts receivable		859
1135	Accounts receivable - HUD		6,839
1140	Accounts and notes receivable - operations		11,389
1200	Prepaid expenses		<u>13,642</u>
1100T	Total current assets		37,088
Deposits held in trust - funded			
1191	Tenant deposits		11,910
Restricted deposits and funded reserves			
1320	Reserve for replacements	\$	401,198
1330	Other reserves		32,666
1340	Residual receipts reserve		<u>66,387</u>
1300T	Total deposits		500,251
Rental property			
1410	Land		36,568
1420	Buildings		2,566,875
1450	Furniture for project/tenant use		<u>62,790</u>
1400T	Total fixed assets		2,666,233
1495	Less accumulated depreciation		<u>(107,471)</u>
1400N	Net fixed assets		<u>2,558,762</u>
1000T	Total assets	\$	<u><u>3,108,011</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Balance Sheet Data
December 31, 2019**

<u>Account No.</u>	<u>Liabilities and Partners' Equity (Deficit)</u>	
Current liabilities		
2110	Accounts payable - operations	\$ 6,503
2120	Accrued wages payable	11,653
2123	Accrued management fee payable	4,769
2190	Miscellaneous current liabilities	69,840
2210	Prepaid revenue	<u>6,841</u>
2122T	Total current liabilities	99,606
Deposits liability		
2191	Tenant deposits held in trust (contra)	11,910
Long-term liabilities		
2324	Other loans and notes payable	<u>\$ 4,256,700</u>
2300T	Total long-term liabilities	<u>4,256,700</u>
2000T	Total liabilities	4,368,216
3130	Partners' equity (deficit)	<u>(1,260,205)</u>
2033T	Total liabilities and partners' equity (deficit)	<u><u>\$ 3,108,011</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 176,279	
5121	Tenant assistance payments	<u>483,061</u>	
5100T	Total rental revenue		\$ 659,340
Vacancies			
5220	Apartments	<u>(3,663)</u>	
5200T	Total vacancies		<u>(3,663)</u>
5152N	Net rental revenue		655,677
Financial revenue			
5410	Financial revenue - project operations	1,235	
5430	Revenue from investments - residual receipts	1,042	
5440	Revenue from investments - replacement reserve	<u>6,261</u>	
5400T	Total financial revenue		8,538
Other revenue			
5990	Miscellaneous revenue	<u>108,367</u>	
5900T	Total other revenue		<u>108,367</u>
5000T	Total revenue		<u>772,582</u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Administrative expenses			
6203	Conventions and meetings	133	
6204	Management consultants	738	
6210	Advertising and marketing	48	
6250	Other renting expenses	406	
6310	Office salaries	122,553	
6311	Office expenses	13,230	
6320	Management fee	60,200	
6350	Auditing expense	6,925	
6351	Bookkeeping fees/accounting services	3,539	
6370	Bad debts	255	
6390	Miscellaneous administrative expenses	<u>21,080</u>	
6263T	Total administrative expenses		229,107
Utilities expense			
6450	Electricity	33,676	
6451	Water	34,539	
6452	Gas	<u>24,122</u>	
6400T	Total utilities expense		92,337
Operating and maintenance expenses			
6510	Payroll	43,436	
6515	Supplies	5,505	
6520	Contracts	58,889	
6525	Garbage and trash removal	3,822	
6530	Security payroll/contract	4,041	
6546	Heating/cooling repairs and maintenance	18,431	
6548	Snow removal	3,407	
6570	Vehicle and maintenance equipment operation and repairs	261	
6590	Miscellaneous operating and maintenance expenses	<u>1,072</u>	
6500T	Total operating and maintenance expenses		138,864

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	46,622	
6711	Payroll taxes	10,537	
6720	Property and liability insurance	19,096	
6722	Workmen's compensation	389	
6723	Health insurance and other employee benefits	<u>58,782</u>	
6700T	Total taxes and insurance		135,426
Financial expenses			
6890	Miscellaneous financial expenses	<u>15,792</u>	
6800T	Total financial expenses		<u>15,792</u>
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<u>10,706</u>
6000T	Total cost of operations before depreciation		<u>622,232</u>
5060T	Income (loss) before depreciation		<u>150,350</u>
Depreciation			
6600	Depreciation expense	<u>72,550</u>	
	Total depreciation		<u>72,550</u>
5060N	Operating income (loss)		<u>77,800</u>
	Total expenses		<u>694,782</u>
3250	Net income (loss)		<u><u>\$ 77,800</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2019**

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u><u>\$ -</u></u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u><u>\$ 46,022</u></u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u><u>\$ -</u></u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u><u>\$ -</u></u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u><u>\$ -</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2019**

Account No.

		<u>General partner</u>	<u>Limited partner</u>	<u>Total</u>
S1100-010	Partners' equity (deficit) December 31, 2018	\$ (1,318,020)	\$ (19,985)	\$ (1,338,005)
3250	Net income (loss)	<u>8</u>	<u>77,792</u>	<u>77,800</u>
3130	Partners' equity (deficit) December 31, 2019	<u>\$ (1,318,012)</u>	<u>\$ 57,807</u>	<u>\$ (1,260,205)</u>
	Partners' percentage of income (losses)	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Cash Flows Data
Year Ended December 31, 2019**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 654,327
S1200-020	Interest receipts	8,538
S1200-030	Other operating receipts	<u>23</u>
S1200-040	Total receipts	<u>662,888</u>
S1200-050	Administrative expenses paid	(51,714)
S1200-070	Management fees paid	(60,502)
S1200-090	Utilities paid	(101,274)
S1200-100	Salaries and wages paid	(167,237)
S1200-110	Operating and maintenance paid	(91,387)
S1200-120	Real estate taxes paid	(46,622)
S1200-140	Property insurance paid	(20,518)
S1200-170	Other operating expenses paid	(91,921)
S1200-220	Miscellaneous financial expenses paid	<u>(408)</u>
S1200-230	Total disbursements	<u>(631,583)</u>
S1200-240	Net cash provided by operating activities	<u>31,305</u>
	Cash flows from investing activities	
S1200-250	Net deposits to reserve for replacements	(52,283)
S1200-255	Net deposits to other reserves	
S1200-256	Other reserves	<u>\$ (1,005)</u>
		(1,005)
S1200-260	Net deposits to residual receipts reserves	(15,384)
S1200-345	Entity/construction investing activities (include detail)	
S1200-346	Due to Coleman I	<u>(21,391)</u>
		<u>(21,391)</u>
S1200-350	Net cash used in investing activities	<u>(90,063)</u>
S1200-470	Net decrease in cash	(58,758)
S1200-480	Cash, beginning	<u>63,117</u>
S1200T	Cash, end	<u><u>\$ 4,359</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

Supplementary Information

**Statement of Cash Flows Data
Year Ended December 31, 2019**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)	\$	<u>77,800</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		72,550
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(769)
S1200-500	Accounts receivable - other		2,194
S1200-520	Prepaid expenses		(6,515)
S1200-530	Tenant security deposits funded		(112)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(5,897)
S1200-560	Accrued liabilities		2,491
S1200-580	Tenant security deposits held in trust		112
S1200-590	Prepaid revenue		(845)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	\$	255
S1200-601	Rental property funded from grant proceeds		(62,790)
S1200-601	Rental property donated by affiliate		(45,554)
S1200-601	Miscellaneous current liability		<u>(1,615)</u>
			<u>(109,704)</u>
	Total adjustments		<u>(46,495)</u>
S1200-610	Net cash provided by operating activities	\$	<u><u>31,305</u></u>
S1200-620	Comments		
	Rental property donated by affiliate	\$	45,554
	Rental property funded from grant proceeds	\$	<u><u>62,790</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at December 31, 2018	\$ 348,915
1320DT	Total monthly deposits	46,022
1320INT	Interest income	<u>6,261</u>
1320	Balance at December 31, 2019	<u><u>\$ 401,198</u></u>

Residual Receipts Reserve

<u>Account No.</u>		
1340P	Balance at December 31, 2018	\$ 51,003
1340DT	Total annual deposits	14,342
1340INT	Interest income	<u>1,042</u>
1340	Balance at December 31, 2019	<u><u>\$ 66,387</u></u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 16,269
1135	Accounts receivable - HUD	6,839
		<hr/>
S1300-040	Total cash	23,108
		<hr/>
S1300-050	Accrued mortgage interest payable	-
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	6,503
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	31,375
2210	Prepaid revenue (Account 2210)	6,841
2191	Tenant security deposits liability (Account 2191)	11,910
		<hr/>
S1300-140	Less total current obligations	56,629
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ (33,521)
		<hr/> <hr/>
	<u>Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts</u>	
	<u>Limited Dividend Projects</u>	
S1300-160	Annual distribution earned during fiscal period covered by the statements	\$ -
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period	-
S1300-180	Distributions and entity expenses paid during fiscal period covered by the statements	-
		<hr/>
S1300-190	Amount remaining as distribution earned but unpaid	-
		<hr/>
S1300-200	Amount available for distribution during next fiscal period	\$ -
		<hr/> <hr/>
S1300-210	Deposit due residual receipts reserve	\$ -
		<hr/> <hr/>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Changes in Fixed Asset Accounts

	Assets			Balance 12/31/19
	Balance 12/31/18	Additions	Deletions	
Land	\$ 36,568	\$ -	\$ -	\$ 36,568
Buildings	2,521,321	45,554	-	2,566,875
Furniture for project/tenant use	-	62,790	-	62,790
	<u>\$ 2,557,889</u>	<u>\$ 108,344</u>	<u>\$ -</u>	<u>\$ 2,666,233</u>
Accumulated depreciation	<u>\$ 34,921</u>	<u>\$ 72,550</u>	<u>\$ -</u>	<u>\$ 107,471</u>
Total net book value				<u>\$ 2,558,762</u>

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
WiFi installation	<u>\$ 45,554</u>

Additions to Furniture for Project/Tenant Use Account

Item and quantity	Amount
Refridgerators	<u>\$ 62,790</u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Operations (Account No. 1140)

Other Other receivable	\$ 11,389
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Other Reserves (Account No. 1330)

Reserve - painting	\$ 11,630
Reserve - insurance	8,630
Reserve - taxes	7,989
Reserve - water	4,417
	<u>32,666</u>
	<u>\$ 32,666</u>

Miscellaneous Current Liabilities (Account No. 2190)

Excess residual receipts	\$ 54,887
Audit expense	7,775
Utility expense	4,117
Management fee	3,061
	<u>69,840</u>
	<u>\$ 69,840</u>

**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

LEAN program	\$ 62,790
Miscellaneous income	<u>45,577</u>
	<u>\$ 108,367</u>

Miscellaneous Financial Expenses (Account No. 6890)

Excess residual receipts	\$ 15,384
Miscellaneous financial expense	<u>408</u>
	<u>\$ 15,792</u>

Nursing Home/Assisted Living/Board and Care/Other Elderly Care Expenses (Account No. 6900)

6990 Other service expenses	<u>\$ 10,706</u>
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**2Life Coleman Limited Partnership
Coleman House II HUD Project No.: 023-EE-056**

**Supplementary Information
Year Ended December 31, 2019**

Other Information

Schedule of notes payable:

<u>Account No.</u>	<u>Creditor</u>	<u>Lien placed on project assets? (Yes/No)</u>	<u>Amount due</u>
S3100-140	Department of Housing and Urban Development	Yes	\$ 4,056,700
S3100-140	City of Newton, Community Block Grant	Yes	<u>200,000</u>
S3100-190			<u>\$ 4,256,700</u>

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	2Life Communities Service, Inc.	<u>\$ 71,208</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 General Partner
2Life Coleman Limited Partnership

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 2Life Coleman Limited Partnership, which comprise the balance sheet as of December 31, 2019, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 2Life Coleman Limited Partnership'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 2Life Coleman Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of 2Life Coleman Limited Partnership'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 2Life Coleman Limited Partnership's financial statements are free of 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.

CohnReznick LLP

Bethesda, Maryland
April 27, 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 General Partner
2Life Coleman Limited Partnership

Report on Compliance for Each Major HUD Program

We have audited 2Life Coleman Limited Partnership's 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 2Life Coleman Limited Partnership's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2019. 2Life Coleman Limited Partnership's major HUD programs are as follows:

- Section 223(f) Program; and
- Section 8 Housing Program; and
- Section 202 Capital Advance Program

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 2Life Coleman Limited Partnership's major HUD programs 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 a major HUD program occurred. An audit includes examining, on a test basis, evidence about 2Life Coleman Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of 2Life Coleman Limited Partnership's compliance.

Basis for Qualified Opinion on Section 202 Capital Advance Program

As described in the accompanying schedule of findings, questioned costs, and recommendations, 2Life Coleman Limited Partnership did not comply with requirements regarding *Section 202 Capital Advance Program* as further described in 2019-1. Compliance with such requirements is necessary, in our opinion, for 2Life Coleman Limited Partnership to comply with the requirements applicable to that program.

Qualified Opinion on Section 202 Capital Advance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 2Life Coleman Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Section 202 Capital Advance Program* for the year ended December 31, 2019.

Unmodified Opinion on Section 223(f) Program and Section 8 Housing Program

In our opinion, 2Life Coleman Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Section 223(f) Program* and *Section 8 Housing Program* for the year ended December 31, 2019.

Other Matters

2Life Coleman Limited Partnership's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. 2Life Coleman Limited Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of 2Life Coleman Limited Partnership 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 2Life Coleman Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program 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 2Life Coleman Limited Partnership's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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 a 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 the attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as item 2019-1 to be a material weakness.

2Life Coleman Limited Partnership's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. 2Life Coleman Limited Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 our testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
April 27, 2020

**2Life Coleman Limited Partnership
Coleman House - HUD Project Nos.: 023-EH-184/023-EE-056**

**Schedule of Findings and Questioned Costs
December 31, 2019**

Corrective Action Plan Not Started or in Process

Finding No. 2019-1

Statement of Condition

During the year ended December 31, 2019, management did not remit the excess residual receipts of \$39,845 from the residual receipts reserve in accordance with HUD memorandum the "Consolidated and Further Continuing Appropriations Act, 2015", applicable for projects with PRAC contract expiration after September 30, 2019. The Project's PRAC contract expired on November 1, 2019. However, management did not remit these funds.

Criteria

Any balance in its residual receipts reserve account greater than \$250 per unit must be remitted to HUD's Accounting Center upon termination of PRAC. Termination is defined as expiration of the contract term which for most PRACs is the annual contract anniversary date.

Effect

The holding of \$39,845 in the residual receipts reserve is a violation of HUD's required release of funds above the declared threshold of \$250 per unit.

Cause

Management did not receive correspondence from HUD to remit the funds.

Recommendations

Management should immediately disburse \$39,845 from the residual receipts reserve to HUD.

Auditor Noncompliance Code:

Z - Other

Reporting Views of Responsible Officials

Management has submitted their request to release the funds from the residual receipts account and will remit the funds to HUD.

2Life Coleman Limited Partnership
HUD Project Nos.: 023-11481/023-EE-056

**Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
December 31, 2019**

1. Audit Report, dated April 5, 2019, for the year ended December 31, 2018, issued by CohnReznick LLP.

There are no open findings from prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. Physical Inspection Summary Report issued on May 16, 2019 by HUD Real Estate Assessment Center ("REAC"), titled Inspection Summary Report.

Findings

REAC had various findings to the overall physical condition of the property. The Project received a score of 80 on this REAC physical inspection.

Status

Management has satisfactorily corrected and cleared all findings noted in the REAC physical inspection.



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