

**SCRIBER POINTE SENIOR HOUSING
ASSOCIATION / SCRIBER POINTE SENIOR
APARTMENTS - HUD PROJECT NO. 127-EE022**

Financial Statements and Single Audit Reports

For the Year Ended December 31, 2015

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Supplementary Information Required by HUD:	
Statement of Financial Position	11 - 12
Statement of Activities	13 - 14
Statement of Equity	15
Statement of Cash Flows	16 - 17
Schedule of Reserves	18
Computation of Surplus Cash, Distributions and Residual Receipts	19
Supplemental Schedule of Changes in Fixed Assets	20
Supplementary Information Required by the Uniform Guidance:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21 - 22
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	23 - 25
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28 - 29
Corrective Action Plan	30
Summary of Prior Year Findings	31
Certification of Project Owner	32
Managing Agent's Certification	33

Independent Auditor's Report

Board of Directors

Scriber Pointe Senior Housing Association

Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Scriber Pointe Senior Housing Association (the Association), Scriber Pointe Senior Apartments - HUD Project No. 127-EE022, (the Project), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, changes in net assets, 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Association's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 11 through 20 is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 26 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Certified Public Accountants

March 24, 2016

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Financial Position
December 31, 2015 (With Comparative Totals for 2014)

	2015	2014
Assets		
Rental Property and Equipment at Cost:		
Land	\$ 413,950	\$ 413,950
Land improvements	149,804	149,804
Buildings and improvements	2,967,276	2,967,276
Furniture and equipment	143,322	141,160
	3,674,352	3,672,190
Accumulated depreciation	(1,253,485)	(1,166,277)
Total Rental Property and Equipment, Net	2,420,867	2,505,913
Restricted Deposits and Funded Reserves:		
Replacement reserve	144,066	130,291
Residual receipts reserve	4,530	558
Total Restricted Deposits and Funded Reserves	148,596	130,849
Other Assets:		
Cash and cash equivalents	18,519	20
Prepaid expenses		461
Accounts receivable - tenant	2,317	806
Accounts receivable - subsidy	1,368	66,699
Accounts receivable - other	9,770	
Tenant security deposits held in trust	7,852	7,551
Total Other Assets	39,826	75,537
Total Assets	\$ 2,609,289	\$ 2,712,299
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,035	\$ 20,318
Accounts payable - related party	1,360	34,262
Accrued wages		2,492
Accrued management fee	708	49
Prepaid rent	8	
Tenant security deposits	7,852	7,551
Total Liabilities	13,963	64,672
Net Assets:		
Unrestricted	125,840	89,406
Temporarily restricted	2,469,486	2,558,221
Total Net Assets	2,595,326	2,647,627
Total Liabilities and Net Assets	\$ 2,609,289	\$ 2,712,299

See accompanying notes.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Activities
For the Year Ended December 31, 2015 (With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenues and Reclassifications:				
Gross potential rent-				
Tenant rental income	\$ 115,416	\$ -	\$ 115,416	\$ 105,116
Subsidy rental income	<u>112,239</u>		<u>112,239</u>	<u>121,403</u>
Total gross potential rent	227,655		227,655	226,519
Less vacancy loss	<u>(7,354)</u>		<u>(7,354)</u>	<u>(7,274)</u>
Net rental revenue	220,301		220,301	219,245
Interest income	203		203	200
Other	2,117		2,117	2,661
Released from temporary restriction	<u>88,735</u>	<u>(88,735)</u>		
Total Revenues and Reclassifications	311,356	(88,735)	222,621	222,106
Expenses:				
Program services-				
Utilities	34,294		34,294	35,274
Operating and maintenance	35,872		35,872	31,944
Taxes and insurance	17,480		17,480	12,836
Elderly and congregate expenses	16,319		16,319	16,930
Depreciation	<u>87,208</u>		<u>87,208</u>	<u>86,712</u>
Total program services	191,173		191,173	183,696
Supporting services-				
Administrative	<u>83,749</u>		<u>83,749</u>	<u>70,049</u>
Total supporting services	<u>83,749</u>		<u>83,749</u>	<u>70,049</u>
Total Expenses	274,922		274,922	253,745
Change in Net Assets	\$ 36,434	\$ (88,735)	\$ (52,301)	\$ (31,639)

See accompanying notes.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Changes in Net Assets
For the Year Ended December 31, 2015 (With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets, January 1, 2014	\$ 32,310	\$ 2,646,956	\$ 2,679,266
Change in net assets	<u>57,096</u>	<u>(88,735)</u>	<u>(31,639)</u>
Net Assets, December 31, 2014	89,406	2,558,221	2,647,627
Change in net assets	<u>36,434</u>	<u>(88,735)</u>	<u>(52,301)</u>
Net Assets, December 31, 2015	<u>\$ 125,840</u>	<u>\$ 2,469,486</u>	<u>\$ 2,595,326</u>

See accompanying notes.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Cash Flows
For the Year Ended December 31, 2015 (With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (52,301)	\$ (31,639)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	87,208	86,712
Changes in assets and liabilities:		
Prepaid expenses	461	(461)
Accounts receivable - tenant	(1,511)	(614)
Accounts receivable - subsidy	65,331	(66,699)
Accounts receivable - other	(9,770)	
Accounts payable	(10,035)	5,423
Accounts payable - related party	(32,902)	15,540
Accrued wages	(2,492)	731
Accrued management fee	659	(748)
Prepaid rent	8	(156)
Net Cash Provided by Operating Activities	44,656	8,089
Cash Flows From Investing Activities:		
Purchases of rental property and equipment	(8,410)	(11,059)
Deposits to replacement reserve	(13,775)	(308)
Deposits to residual receipts reserve	(9,602)	
Withdrawals from residual receipts reserve	5,630	119
Net Cash Used by Investing Activities	(26,157)	(11,248)
Net Change in Cash and Cash Equivalents	18,499	(3,159)
Cash and cash equivalents, beginning of year	20	3,179
Cash and Cash Equivalents, End of Year	\$ 18,519	\$ 20
Supplemental Disclosure of Cash Flow Information:		
Rental property and equipment acquired for which accounts payable exist at year-end.	\$ -	\$ 6,248

See accompanying notes.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Scriber Pointe Senior Housing Association (the Association) is a Washington nonprofit corporation formed January 13, 1999. It was organized to acquire real property located in Lynnwood, Washington, and to construct and operate thereon a 40-unit apartment complex, Scriber Pointe Senior Apartments - HUD Project No. 127-EE022 (the Project), under Section 202 of the National Housing Act. Such projects are regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The use restriction is in effect from July 1, 2002, through July 1, 2042 for HUD and 2052 for Snohomish County.

Revenue is earned primarily from tenant rents and rental assistance from HUD. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units. During the years ended December 31, 2015 and 2014, rental revenue from HUD totaled \$112,239 and \$121,403, respectively, representing 51 percent and 55 percent of net rental revenue, respectively. The contract is renewable annually. The current contract expires on May 28, 2016.

The Association is a subsidiary of Senior Services of Snohomish County (SSSC) due to the articles of incorporation of the Association requiring that the majority of the board members be board members of SSSC, which provides SSSC with a controlling financial interest in the Association.

Basis of Presentation - Accounting principles generally accepted in the United States of America (U.S. GAAP) require nonprofit entities to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no permanently restricted net assets.

Basis of Accounting - The Association prepares its financial statements on the accrual basis of accounting consistent with U.S. GAAP.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Economic Concentrations - The Association's sole revenue producing asset is a 40-unit senior housing complex in Lynnwood, Washington. Future operations could be affected by changes in the economy or other conditions in that geographical area or by changes in federal affordable housing subsidies or the demand for such housing.

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 the change.

Accounts Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 - Continued

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tenant receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at December 31, 2015 and 2014. Accordingly, no allowance for doubtful accounts has been recorded.

Rental Property, Equipment, and Depreciation - Rental property and equipment are recorded at cost. Additions in excess of \$500 with a useful life greater than one year are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

Land improvements	20 years
Building	40 years
Building improvements	20 years
Furniture and equipment	7 - 10 years

The Association reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized for the years ended December 31, 2015 or 2014.

Tax-Exempt Status - The Internal Revenue Service (IRS) has determined the Association is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no federal income taxes have been provided for in the accompanying financial statements.

Property Tax Exemption - The Association has been granted exemption from property taxes because it provides housing for low-income seniors under the Provisions of Article 84.36.560 of the Revised Code of Washington.

Rental Income and Prepaid Rent - Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are classified as liabilities until earned.

Functional Expenses - Expenditures incurred in connection with the Association's operations have been summarized on a functional basis in the statement of activities based on the relative benefits derived by function.

Comparative Totals - The financial information includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's audited financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent Events - The Association has evaluated subsequent events through March 24, 2016, which is the date the financial statements were available to be issued.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Notes to Financial Statements
For the Year Ended December 31, 2015

Note 2 - Restricted Cash

Tenant Security Deposits - Security and pet deposits are obtained from tenants. Deposits are held in a segregated, interest bearing account. The interest earnings on these deposits accrue to the tenants.

Replacement Reserve - Under the regulatory agreement, the Association is required to set aside amounts for the replacement of property and other project expenditures. Use of the replacement reserve is subject to prior, written approval from HUD. The balance in the replacement reserve account was \$144,066 and \$130,291 at December 31, 2015 and 2014, respectively.

Residual Receipts - The Project's surplus cash is deposited in a residual receipts reserve account. Use of the residual receipts reserve is contingent upon HUD's prior written approval. The balance in the residual receipts reserve account at December 31, 2015 and 2014 was \$4,530 and \$558, respectively.

Tenant deposits, replacement reserves, and residual receipts are held in separate bank accounts and generally are not available for operating purposes.

Note 3 - Temporarily Restricted Net Assets

The Association obtained financing for the construction of the Project through forgivable loans. Under the terms of the agreements, repayment is not required as long as housing remains available for low-income seniors and disabled persons. The restricted use requirements extend through the year 2052 (Note 5). The Association believes that the construction of the Project met the primary requirements of the agreements and has the intent and ability to meet the use restrictions. Therefore, the forgivable loan proceeds have been classified as temporarily restricted revenues. The restrictions are being released over the term of the agreements.

Temporarily restricted net assets are available for the following purpose at December 31:

	<u>2015</u>	<u>2014</u>
Affordable housing for low-income seniors and disabled individuals	\$ 2,469,486	\$ 2,558,221

Note 4 - Related Party Transactions

Operating Expenses - SSSC, the Association's parent organization, was reimbursed by the Association for elderly care expenses paid on its behalf. Elderly care expenses for the years ended December 31, 2015 and 2014 were \$16,319 and \$16,930, respectively.

As of December 31, 2015 and 2014 the Association's outstanding accounts payable to SSSC for operating expenses totaled \$1,360 and \$34,262, respectively.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Notes to Financial Statements
For the Year Ended December 31, 2015

Note 5 - Forgivable Loans

The Association obtained financing for the construction of the Project through forgivable loans. Under terms of the agreements, the proceeds must be used for the specific purpose intended in the loan documents. As management believes the conditions related to these loans are being met and are likely to continue to be met, the proceeds from these forgivable loans have been recognized as temporarily restricted revenues (Note 3). The restricted balances are being released over the terms of the agreements. The original loan balance is due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the Association sell the property or fall out of compliance with the specified use restriction. As of December 31, 2015, the Association is in compliance with the restrictions. Each forgivable loan has specific agreements and covenants surrounding the use of the property and the terms of forgiveness depend upon adherence to the terms.

Forgivable loans that represent contingent liabilities consist of the following at December 31, 2015:

Scriber Pointe Senior Apartments - HUD Project 127-EE022:

Note payable to HUD under the Federal Section 202 program; bears no interest as long as the Association is not in default of note covenants; collateralized by a deed of trust on the property; forgiven at maturity, in 2042, provided the Association complies with all loan terms.

\$ 3,073,400

Note payable to Snohomish County under the Federal HOME program; bears no interest as long as the Association is not in default of note covenants; collateralized by a deed of trust on the property; forgiven at maturity, in 2052, provided the Association complies with all loan terms.

595,000

Less amounts released from restriction

(1,198,914)

Forgivable Loans Included in Temporarily Restricted Net Assets

\$ 2,469,486

SUPPLEMENTARY INFORMATION

Required by HUD and the Uniform Guidance

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Financial Position - Assets - HUD Presentation
December 31, 2015

Current Assets:

1120	Cash - operations	\$	18,519
1130	Accounts receivable - tenant		2,317
1135	Accounts receivable - HUD		1,368
1140	Accounts receivable - operations		<u>9,770</u>

1100T Total Current Assets **31,974**

Deposits Held in Trust - Funded:

1191	Tenant deposits held in trust		7,852
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Restricted Deposits and Funded Reserves:

1320	Replacement reserve		144,066
1340	Residual receipts reserves		<u>4,530</u>

1300T Total Restricted Deposits and Funded Reserves **148,596**

Fixed Assets, at Cost:

1410	Land and improvements		563,754
1420	Buildings		2,967,276
1440	Building equipment (portable)		41,405
1450	Furniture and equipment		16,873
1460	Furnishings		<u>85,044</u>

1400T Total Fixed Assets **3,674,352**

1495	Accumulated depreciation		<u>(1,253,485)</u>
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1400N Net Fixed Assets **2,420,867**

1000T Total Assets **\$ 2,609,289**

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Financial Position - Liabilities and Net Assets - HUD Presentation
December 31, 2015

Current Liabilities:

2110	Accounts payable - operations	\$	5,395
2123	Accrued management fee payable		708
2210	Prepaid revenue		<u>8</u>

2122T Total Current Liabilities **6,111**

Deposit Liabilities:

2191	Tenant security deposits		<u>7,852</u>
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2000T Total Liabilities **13,963**

Net Assets:

3131	Unrestricted net assets		125,840
3132	Temporarily restricted net assets		<u>2,469,486</u>

3130 Total Net Assets **2,595,326**

2033T Total Liabilities and Net Assets **\$ 2,609,289**

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Activities - HUD Presentation
For the Year Ended December 31, 2015

Revenue:		
5120	Rent revenue - gross potential	\$ 115,416
5121	Tenant assistance payments	<u>112,239</u>
5100T	Total Rent Revenue	227,655
Vacancies:		
5220	Apartments	<u>7,354</u>
5200T	Total Vacancies	7,354
5152N	Net Rental Revenue	220,301
Financial Revenue:		
5430	Revenue from investments - residual receipts reserve	4
5440	Revenue from investments - replacement reserve	<u>199</u>
5400T	Total Financial Revenue	203
Other Revenue:		
5910	Laundry and vending revenue	<u>2,117</u>
5900T	Total Other Revenue	2,117
5000T	Total Revenue	222,621
Administrative Expenses:		
6210	Advertising and marketing	427
6310	Office salaries	7,452
6311	Office expenses	6,323
6320	Management fee	26,592
6330	Manager or superintendent salaries	32,912
6350	Audit expense	7,250
6351	Bookkeeping fees/accounting services	2,028
6390	Miscellaneous administrative expenses (manager training, travel, credit checks, bank charges, miscellaneous administrative expenses)	<u>765</u>
6263T	Total Administrative Expenses	83,749
Utility Expenses:		
6450	Electricity	6,758
6451	Water	7,561
6452	Gas	4,226
6453	Sewer	<u>15,749</u>
6400T	Total Utility Expenses	34,294

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
 Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Activities - HUD Presentation (Continued)
 For the Year Ended December 31, 2015

Operating and Maintenance Expenses:

6510	Payroll	15,899
6515	Supplies	2,606
6520	Contracts	6,588
6525	Garbage and trash removal	3,281
6530	Security contract	5,587
6590	Miscellaneous operating and maintenance expenses (cable)	1,911

6500T Total Operating and Maintenance Expenses 35,872

Taxes and Insurance:

6711	Payroll taxes (project's share)	5,205
6720	Property and liability insurance (hazard)	6,503
6722	Workmen's compensation	2,940
6723	Health insurance and other employee benefits	2,491
6790	Miscellaneous taxes, licenses, permits and insurance	341

6700T Total Taxes and Insurance 17,480

Nursing Homes/Assisted Living/Board and Care/

Other Elderly Care Expenses:

6900	Nursing homes/assisted living/board and care/ other elderly care expenses	16,319
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Operating Results:

6000T Total Cost of Operations Before Depreciation 187,714

5060T Profit (Loss) Before Depreciation 34,907

6600 Depreciation expense 87,208

5060N Operating Profit or (Loss) (52,301)

3247 Change in unrestricted net assets from operations 36,434

3248 Change in temporarily restricted net assets from operations (88,735)

Net Income From Operations:

3250 Change in Total Net Assets From Operations \$ (52,301)

Part II

S1000-020 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. \$ 10,769

S1000-030 Replacement reserves or residual receipts and releases which are included as expense items on this profit and loss statement. \$ 5,630

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Equity - HUD Presentation
For the Year Ended December 31, 2015

Equity Data:

S1100-060	Previous year unrestricted net assets	\$ 89,406
3247	Change in unrestricted net assets from operations	<u>36,434</u>
3131	Unrestricted Net Assets	125,840
S1100-070	Previous year temporarily restricted net assets	2,558,221
3248	Change in temporarily restricted net assets	<u>(88,735)</u>
3132	Temporarily Restricted Net Assets	2,469,486
S1100-050	Previous year total net assets	2,647,627
3250	Change in total net assets from operations	<u>(52,301)</u>
3130	Total Net Assets	<u>\$ 2,595,326</u>

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Cash Flows - HUD Presentation
For the Year Ended December 31, 2015

Cash Flows From Operating Activities:

Cash received from-

S1200-010	Rental receipts	\$ 284,113
S1200-020	Interest receipts	203
S1200-030	Other operating receipts	<u>2,117</u>

S1200-040 Total Receipts **286,433**

Cash paid for-

S1200-050	Administrative	(80,301)
S1200-070	Management fee	(35,703)
S1200-090	Utilities	(35,221)
S1200-100	Salaries and wages	(58,341)
S1200-110	Operating and maintenance	(22,643)
S1200-140	Property insurance	(8,110)
S1200-150	Miscellaneous taxes and insurance	<u>(1,458)</u>

S1200-230 Total Disbursements **(241,777)**

S1200-240 Net Cash Provided by Operating Activities **44,656**

Cash Flows From Investing Activities:

S1200-250	Net deposits to replacement reserve	(13,775)
S1200-260	Net deposits to residual receipts reserves	(3,972)
S1200-330	Net purchase of fixed assets	<u>(8,410)</u>

S1200-350 Net Cash Used by Investing Activities **(26,157)**

S1200-470 Net Decrease in Cash and Cash Equivalents **18,499**

S1200-480 Beginning of period cash 20

S1200T End of Period Cash **\$ 18,519**

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Statement of Cash Flows - HUD Presentation (Continued)
For the Year Ended December 31, 2015

Reconciliation of Change in Net Assets to Net Cash

Provided by Operating Activities:

3250	Change in total net assets from operations	\$	(52,301)
	Adjustments to reconcile change in total net assets to net cash provided by operating activities-		
6600	Depreciation expense		87,208
	Change in assets (increase) decrease:		
S1200-490	Tenant accounts receivable		(1,511)
S1200-500	Accounts receivable - other		55,561
S1200-520	Prepaid expenses		461
S1200-530	Tenant deposits held in trust		(301)
	Change in liabilities increase (decrease):		
S1200-540	Accounts payable - operations		(42,937)
S1200-560	Accrued liabilities		(1,833)
S1200-580	Tenant deposits held in trust		301
S1200-590	Prepaid revenue		8
			<u>8</u>
	Total adjustments		<u>96,957</u>
S1200-610	Net Cash Provided by Operating Activities	\$	<u><u>44,656</u></u>

See independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Schedule of Reserves - HUD Presentation
For the Year Ended December 31, 2015

Schedule of Reserve for Replacement:

1320P	Balance, beginning of year	\$	130,291
1320DT	Total monthly deposits		10,769
1320ODT	Other deposits		2,807
1320INT	Interest on replacement reserve account		199
			<hr/>
1320	Balance, End of Year	\$	144,066
			<hr/>
1320R	Deposits suspended or waived	Y/N	N
			<hr/>

Schedule of Residual Receipts Reserve:

1340P	Balance, beginning of year	\$	558
1340DT	Total deposits		9,598
1340INT	Interest on residual receipts account		4
1340WT	Approved withdrawals		(5,599)
1340OWT	Other withdrawals		(31)
			<hr/>
1340	Balance, End of Year	\$	4,530
			<hr/>

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Computation of Surplus Cash, Distributions and Residual Receipts - HUD Presentation
For the Year Ended December 31, 2015

Schedule of Surplus Cash:

S1300-010	Cash (Accounts 1120 and 1191)	\$	26,371
1135	Accounts receivable - HUD		<u>1,368</u>

S1300-040 Total Cash **27,739**

Current Obligations:

S1300-075	Accounts payable (due within 30 days)		5,395
S1300-100	Accrued expenses		708
2191	Tenant security deposits liability		7,852
2210	Prepaid revenue		<u>8</u>

S1300-140 Total Current Obligations **13,963**

S1300-150 Cash Surplus **\$ 13,776**

S1300-210 Deposit Due Residual Receipts **\$ 13,776**

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
 Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Supplemental Schedule of Changes in Fixed Assets - HUD Presentation
 For the Year Ended December 31, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
1410 Land and improvements	\$ 563,754	\$ -	\$ -	\$ 563,754
1420 Buildings	2,967,276			2,967,276
1440 Building equipment (portable)	41,405			41,405
1450 Furniture and equipment	16,873			16,873
1460 Furnishings	82,882	2,162		85,044
1400T Total	3,672,190	2,162		3,674,352
1495 Accumulated depreciation	(1,166,277)	(87,208)		(1,253,485)
1400N Net Book Value	\$ 2,505,913	\$ (85,046)	\$ -	\$ 2,420,867

Detail of Fixed Asset Additions

Furnishings:

Flooring	\$ 2,162
Total Furnishings	2,162
Total Additions	\$ 2,162

See independent auditor's report.

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

Independent Auditor's Report

**Board of Directors
Scriber Pointe Senior Housing Association
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022
Everett, Washington**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Scriber Pointe Senior Housing Association, which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 24, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Scriber Pointe Senior Housing Association'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 Scriber Pointe Senior Housing Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Scriber Pointe Senior Housing Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Scriber Pointe Senior Housing Association'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.



Certified Public Accountants
March 24, 2016

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
in Accordance With the Uniform Guidance**

Independent Auditor's Report

**Board of Directors
Scriber Pointe Senior Housing Association
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022
Everett, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Scriber Pointe Senior Housing Association's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Scriber Pointe Senior Housing Association's major federal programs for the year ended December 31, 2015. Scriber Pointe Senior Housing Association'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

Our responsibility is to express an opinion on compliance for each of Scriber Pointe Senior Housing Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scriber Pointe Senior Housing Association'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 federal program. However, our audit does not provide a legal determination of Scriber Pointe Senior Housing Association's compliance.



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Opinion on Each Major Federal Program

In our opinion, Scriber Pointe Senior Housing Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Scriber Pointe Senior Housing Association's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Scriber Pointe Senior Housing Association'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 Scriber Pointe Senior Housing Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Scriber Pointe Senior Housing Association'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Scriber Pointe Senior Housing Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

Scriber Pointe Senior Housing Association's responses to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Scriber Pointe Senior Housing Association'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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
March 24, 2016

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Award / Pass-Through Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development:				
Supportive Housing for the Elderly (Section 202)	14.157	127-EE022	\$ -	\$ 3,073,400
Supportive Housing for the Elderly (Section 202)	14.157	WA19-S981-001		<u>112,239</u>
Total 14.157				3,185,639
Passed Through Snohomish County:				
HOME Investment Partnerships Program	14.239			<u>595,000</u>
Total Federal Expenditures				<u>\$ 3,780,639</u>

See notes to schedule of expenditures of federal awards and independent auditor's report.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Scriber Pointe Senior Housing Association, HUD Project No. 127-EE022 (the Association) for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

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 Association has not elected to use the de minimus indirect rate allowed under the Uniform Guidance as the Schedule only includes forgivable loans and project rental assistance, which are not subject to indirect costs recoveries.

Note 3 - Loans

The Association had two forgivable loans outstanding at December 31, 2015. The loans will be forgiven at the expiration date if the Association complies with all of the terms and conditions of the loan documents. The Association is required to report compliance with the continuing use requirement to serve the low-income elderly as specified in the agreements. The loans balance outstanding is also included in the federal expenditures in the Schedule.

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expiration Date</u>	<u>Balance</u>
U.S. Department of Housing and Urban Development:			
Supportive Housing for the Elderly (Section 202)	14.157	2042	\$ 3,073,400
Passed Through Snohomish County:			
HOME Investment Partnerships Program	14.239	2052	595,000
			<u><u>\$ 3,668,400</u></u>

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

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)? Yes No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.157	Supportive Housing for the Elderly (Section 202)
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2015

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2015-001

Instance of Noncompliance and Significant Deficiency in Internal Controls over Compliance for Special Tests and Provisions Related to the Residual Receipts Account.

Federal Agency: U.S. Department of Housing and Urban Development
Program Title: Supportive Housing for the Elderly (Section 202)
CFDA Number: 14.157
Award Number: 127-EE022
Award Period: July 11, 2001 through July 1, 2042

Criteria

Per CFR 891.600 (e) Any project funds in the project funds account (including earned interest) following the expiration of the fiscal year shall be deposited in a Federally-insured residual receipts account within 60 days following the end of the fiscal year.

Condition/Context for Evaluation

As part of our audit procedures we noted the deposit due for residual receipts of \$9,598 at December 31, 2014 was not deposited within 60 days following the fiscal year end. The required deposit was subsequently made.

Questioned Costs

Not applicable

Effect or Potential Effect

Scriber Pointe Senior Housing Association is out of compliance with the special tests and provisions residual receipts requirements and did not make its required deposit timely.

Repeat Finding

Not applicable, as no similar finding was noted in the prior year audit of Scriber Pointe Senior Housing Association.

Cause

Proper internal controls were not established to ensure payment is made annually within 60 days following the end of the fiscal year.

Recommendation

We recommend that Scriber Pointe Senior Housing Association establish additional controls to ensure payments are made in accordance with the U.S. Department of Housing and Urban Development requirements.

Views of Responsible Officials of the Auditee

The residual reserve deposit was delayed as HAP was three months delinquent and operating cash was not available to make the residual reserve deposit within 60 days of year end.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Corrective Action Plan
For the Year Ended December 31, 2015

Finding Number

2015-001

Contact Person(s)

Steve Yago, stevey@evha.org, 425.303.1196

Explanation and Specific Reasons for Disagreement With the Audit Finding or That Corrective Action is not Required (if Applicable)

Not Applicable.

Corrective Action Planned

Conditioned upon HUD's approval, the Managing Agent will open a residual receipt account and deposit operating funds to maintain a minimum balance.

The Managing Agent within 60 days of year end will prepare a trial balance and calculate residual receipts. If surplus cash exists, the Managing Agent will make a preliminary residual receipt deposit. Upon completion of the entity's audited financial statement, the Managing Agent will make a HUD approved adjustment to the residual receipt account.

Anticipated Completion Date

February 28, 2017

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

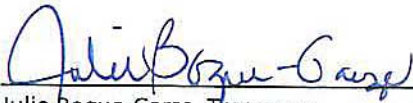
Summary of Prior Year Findings
For the Year Ended December 31, 2015

No matters were reported.

SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Certification of Project Owner
For the Year Ended December 31, 2015

We hereby certify we have examined the accompanying financial statements and supplementary information of Scriber Pointe Senior Apartments - HUD Project No. 127-EE022 and, to the best of our knowledge and belief, the same is complete and accurate.



Julie Bogue-Garza, Treasurer
Scriber Pointe Senior Housing Association

4/5/16

Date



Carol Wheeler, Chief Financial Officer
Senior Services of Snohomish County

3/28/14

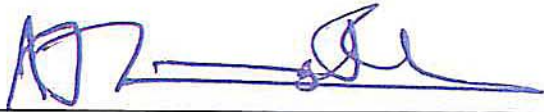
Date

Taxpayer Identification Number: 91-1997783

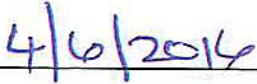
SCRIBER POINTE SENIOR HOUSING ASSOCIATION
Scriber Pointe Senior Apartments - HUD Project No. 127-EE022

Managing Agent's Certification
For the Year Ended December 31, 2015

I hereby certify I have examined the accompanying financial statements and supplementary information of Scriber Pointe Senior Apartments - HUD Project No. 127-EE022 and, to the best of my knowledge and belief, the same is complete and accurate.



Ashley Lommers-Johnson, Executive Director
Everett Housing Authority



Date

Taxpayer Identification Number: 91-6000965