

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Janesville, Wisconsin

Financial Statements and Additional Information

Year Ended December 31, 2009

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Financial Statements and Additional Information
Year Ended December 31, 2009

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Independent Auditor's Report

Board of Directors
Beloit Assisted Living, Inc.
Janesville, Wisconsin

We have audited the accompanying statement of financial position of Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH, as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Beloit Assisted Living, Inc.'s management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beloit Assisted Living, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010, on our consideration of Beloit Assisted Living, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting data included in this report shown on pages 8 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Beloit Assisted Living, Inc. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The supporting information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wipfli LLP

February 10, 2010
Madison, Wisconsin

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Financial Position

December 31, 2009

Account Number	<i>Assets</i>	
	Current assets:	
1120	Cash	\$ 22,809
1130	Tenant accounts receivable	56
1200	Miscellaneous prepaid expenses	1,113
1100T	Total current assets	23,978
1191	Tenant security deposits - Funded	8,078
	Restricted deposits:	
1320	Reserve for replacement	65,438
1300T	Total restricted deposits	65,438
	Property and equipment:	
1410	Land	4,141
1420	Building	2,163,927
1450	Furniture	21,335
1400T	Total property and equipment	2,189,403
1495	Less accumulated depreciation	318,875
1400N	Property and equipment, net	1,870,528
1000T	TOTAL ASSETS	\$ 1,968,022
	<i>Liabilities and Net Deficit</i>	
	Current liabilities:	
2110	Accounts payable, operations	3,210
2113	Accounts payable, entity	7,159
2150	Accrued property taxes	13,757
2122T	Total current liabilities	24,126
2191	Tenant security deposits	8,078
	Long-term liabilities:	
2320	Mortgage payable	2,251,500
2000T	Total liabilities	2,283,704
3131	Unrestricted net deficit	(315,682)
2033T	TOTAL LIABILITIES AND NET DEFICIT	\$ 1,968,022

See accompanying notes to financial statements.

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Activities

Year Ended December 31, 2009

Revenue:	
Rent, net of \$3,006 of vacancies	\$ 126,082
Financial	163
Other	2,810
<hr/>	
Total revenue	129,055
<hr/>	
Expenses:	
Project services:	
Utilities	19,075
Operating and maintenance	33,369
Taxes and insurance	17,553
Depreciation	56,232
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Total project services	126,229
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Administration	46,526
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Total expenses	172,755
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Change in unrestricted net deficit	(43,700)
Unrestricted net deficit - Beginning of year	(271,982)
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Unrestricted net deficit - End of year	(\$ 315,682)
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Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Cash Flows

Year Ended December 31, 2009

<u>Account Number</u>		
	Change in cash:	
	Cash flows from operating activities:	
S1200-010	Rental receipts	\$ 125,727
S1200-020	Interest receipts	163
S1200-030	Other	2,810
S1200-040	<u>Total receipts</u>	<u>128,700</u>
S1200-050	Administration	(32,340)
S1200-070	Management fee	(10,976)
S1200-090	Utilities	(19,075)
S1200-110	Operating and maintenance	(33,369)
S1200-120	Real estate taxes	(15,430)
S1200-140	Property insurance	(3,796)
S1200-240	<u>Net cash provided by operating activities</u>	<u>13,714</u>
	Cash flows from investing activities:	
S1200-250	Deposits to reserve for replacement and interest retained in account	(9,785)
S1200-350	<u>Net cash used in investing activities</u>	<u>(9,785)</u>
S1200-470	Net change in cash	3,929
S1200-480	<u>Cash at beginning of year</u>	<u>18,880</u>
S1200T	<u>Cash at end of year</u>	<u>\$ 22,809</u>

See accompanying notes to financial statements.

<u>Account Number</u>		
	Reconciliation of change in unrestricted net deficit to net cash used in operating activities:	
3250	Change in unrestricted net deficit	(\$ 43,700)
	Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities:	
6600	Depreciation	56,232
	Changes in operating assets and liabilities:	
S1200-490	Tenant accounts receivable	741
S1200-520	Miscellaneous prepaid expenses	(1,096)
S1200-530	Tenant security deposits - Funded	(885)
S1200-540	Accounts payable	3,210
S1200-560	Accrued property tax	(1,673)
S1200-580	Tenant security deposits	885
S1200-610	<u>Net cash provided by operating activities</u>	<u>\$ 13,714</u>

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Organization

Beloit Assisted Living, Inc. (BALI) was organized in 2001. BALI provides housing needs to the elderly. BALI currently owns and operates a 30-unit housing project, Project No. 075-EE099-WAH (the "Project"), located in Beloit, Wisconsin. The Project is regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is an award received under the Supportive Housing for Persons with Disabilities. The Project's nonmajor program is its Section 8 rent subsidy. The Project's EIN is 39-2021602.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

BALI reports information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are capitalized at cost and depreciated over their useful life using the straight-line method.

Income Taxes

BALI is a private nonprofit corporation. BALI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through February 10, 2010, which is the date the financial statements were available to be issued.

Note 2 Restricted Deposits

Under the regulatory agreement, the Project is required to make periodic deposits to a reserve for replacement established to meet future commitments. These funds are restricted and disbursements therefrom must be approved by HUD. Sale of the Project's fixed assets is also subject to certain HUD restrictions.

Note 3 Related Party Transactions

BALI and Community Action, Inc. of Rock and Walworth Counties (CAI) are related parties in that members of CAI's management and Board of Directors comprise BALI's Board of Directors. CAI's management also manages BALI.

CAI has paid for expenditures of BALI. At December 31, 2009, BALI owed CAI \$7,159.

Note 4 Current Vulnerability Due to Certain Concentrations

The Project's sole asset is a 30-unit apartment project. The Project's operations are concentrated in the elderly real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 5 Mortgage Payable - HUD

BALI renovated a low-income senior housing property. BALI received financing for the renovation from HUD. The HUD financing is in the form of a \$2,251,500 no interest, forgivable mortgage payable. The mortgage payable is collateralized by BALI's property at 405 Olympian Boulevard, Beloit, Wisconsin. The HUD mortgage payable is forgivable after 40 years, if BALI retains ownership in the property and continues to use the property for the purpose of providing senior low-income housing. Should BALI not meet these conditions, the mortgage payable and interest at a rate of 5.375% per annum would, at once, become due and payable. No maturity schedule is provided for the forgivable mortgage payable on the basis that BALI intends to comply with HUD's holding restrictions, and the deferred mortgage payable will be forgiven on May 1, 2044.

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Notes to Financial Statements

Note 6 Management Fee

The Project pays a management fee that is equal to 8% of gross income collected or \$28 per unit, whichever is greater. The fees paid were \$10,976 for the year ended December 31, 2009. The management fee was paid to Wisconsin Management Company, Inc.

Note 7 Payment in Lieu of Real Estate Taxes

The Project is subject to terms and conditions of a development agreement with the City of Beloit. The agreement requires a minimum guaranteed payment annually, a portion of which is required to be paid by BALI, based generally on a per unit allocation. The 2009 amount was \$13,757. The agreement requires that the payment be made in the manner and time that real property taxes are paid.

Additional Information

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD

December 31, 2009

Account Number			
	Reserve for replacement:		
1320P	Reserve for replacement at December 31, 2008	\$	55,653
1320INT	Interest earned		155
1320DT	Required deposits		9,630
1320	Reserve for replacement at December 31, 2009		65,438
	Computation of surplus cash - annual:		
S1300-010	Cash		22,809
S1300-030	Tenant accounts receivable		56
S1300-010	Cash, tenant security deposits funded		8,078
S1300-040	Current assets and restricted deposits		30,943
	Current obligations:		
S1300-075	Accounts payable - 30 days		3,210
2191	Tenant security deposits liability		8,078
S1300-100	Accrued property taxes		13,757
S1300-140	Total current obligations		25,045
S1300-150	Surplus cash	\$	5,898

Beloit Assisted Living, Inc.
HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
 Schedule of Changes in Fixed Assets
 December 31, 2009

	<u>Assets</u>			Balance 12/31/2009
	Balance 1/1/2009	Additions	Dispositions	
Land	\$ 4,141	\$ 0	\$ 0	\$ 4,141
Buildings	2,163,927	0	0	2,163,927
Furniture	21,335	0	0	21,335
Totals	\$ 2,189,403	\$ 0	\$ 0	2,189,403
Accumulated depreciation	(\$ 262,643)	(\$ 56,232)	\$ 0	(318,875)
Net book value				<u><u>\$ 1,870,528</u></u>

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD

Statement of Activities Data

December 31, 2009

Account Number		
	Revenue:	
5120	Rent revenue	\$ 101,456
5121	Tenant assistant payments	27,632
5100T	Total rent revenue	129,088
5220	Vacancies, apartments	(3,006)
5152N	Net rental revenue	126,082
5440	Income from investments, reserve for replacement	155
5490	Income from investments, miscellaneous	8
5400T	Total financial revenue	163
5910	Laundry and vending revenue	2,810
5900T	Total other revenue	2,810
5000T	Total revenue	129,055
	Expenses:	
6210	Advertising	1,626
6250	Other renting expenses	3,677
6311	Office expenses	6,681
6320	Management fee	10,976
6330	Manager or superintendent salaries	6,696
6350	Auditing expense	7,200
6390	Miscellaneous administrative expenses	9,670
6263T	Total administrative expenses	46,526
6450	Electricity	9,998
6451	Water	3,253
6452	Gas	5,824
6400T	Total utility expenses	19,075
6515	Supplies	1,811
6520	Contracts	18,695
6590	Miscellaneous operating and maintenance expenses	12,863
6500T	Total operating and maintenance	33,369

See Independent Auditor's Report.

Account Number		
	Expenses: (Continued)	
6710	Real estate taxes	13,757
6720	Property and liability insurance	3,796
6700T	Total taxes and licenses	17,553
6000T	Total cost of operations before depreciation	116,523
5060T	Change in net assets before depreciation	12,532
6600	Depreciation	56,232
5060N	Operating loss	(43,700)
3247	Change in unrestricted net assets	(43,700)
3250	Change to total net assets	(\$ 43,700)
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 9,630

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
Schedule of Miscellaneous Revenue and Expenses
December 31, 2009

<u>Account Number</u>			
6390-010	Service coordinator	\$	9,600
6390-010	Fees		70
			<hr/>
6390	Miscellaneous administrative expense	\$	9,670
			<hr/>
6590-010	Furniture/appliance and equipment repair	\$	9,956
6590-010	Improvements		2,907
			<hr/>
6590	Miscellaneous expense	\$	12,863
			<hr/>

Beloit Assisted Living, Inc.
HUD Project No. 075-EE099-WAH

Schedule of Expenditures of Federal Awards
 December 31, 2009

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Supportive Housing for the Elderly	14.157	\$ 2,251,500 (2)
Project Rental Assistance Contract	14.181	27,632
Total		\$ 2,279,132

Notes to Schedule of Expenditures of Federal Awards

- (1) The schedule of expenditures of federal awards includes the federal grant activity of Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- (2) Federal loan from the Department of Housing and Urban Development at December 31, 2009 (see Footnote 5 to the financial statements).



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*

Board of Directors
Beloit Assisted Living, Inc.
Janesville, Wisconsin

We have audited the financial statements of Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH, as of and for the year ended December 31, 2009, and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beloit Assisted Living, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beloit Assisted Living, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Beloit Assisted Living, Inc.'s internal control over financial reporting.

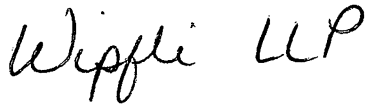
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beloit Assisted Living, Inc.'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*.

This report is intended solely for the information and use of management and Board of Directors of Beloit Assisted Living, Inc. and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

February 10, 2010
Madison, Wisconsin



Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
Beloit Assisted Living, Inc.
Janesville, Wisconsin

Compliance

We have audited the compliance of Beloit Assisted Living, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. Beloit Assisted Living, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Beloit Assisted Living, Inc.'s management. Our responsibility is to express an opinion on Beloit Assisted Living, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Beloit Assisted Living, Inc.'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. Our audit does not provide a legal determination on Beloit Assisted Living, Inc.'s compliance with those requirements.

In our opinion, Beloit Assisted Living, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Beloit Assisted Living, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Beloit Assisted Living, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Beloit Assisted Living, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and Board of Directors of Beloit Assisted Living, Inc. and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

February 10, 2010
Madison, Wisconsin

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Beloit Assisted Living, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Beloit Assisted Living, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Beloit Assisted Living, Inc. expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program for Beloit Assisted Living, Inc.
7. The program tested as a major program was the U.S. Department of Housing and Urban Development CFDA #14.157.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Beloit Assisted Living, Inc. was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Findings: None

Questioned Costs: None

D. Prior Year Findings

None

Beloit Assisted Living, Inc.
HUD Project No. 075-EE099-WAH

Certification of Project Owner

We hereby certify that we have examined the accompanying financial statements and supplemental data of Beloit Assisted Living, Inc. and to the best of our knowledge and belief, the same are complete and accurate.

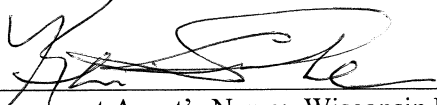


Name of Executive Director: Ms. Lisa Furseth
Telephone Number: 608.755.2475

Beloit Assisted Living, Inc.
HUD Project No. 075-EE099-WAH

Certification of Management Agent

We hereby certify that we have examined the accompanying financial statements and supplemental data of Beloit Assisted Living, Inc. and to the best of our knowledge and belief, the same are complete and accurate.



Management Agent's Name: Wisconsin Management Company, Inc.
Name of Management Agent's Representative: Kevin Senke
Managing Agent Tax Identification Number: 39-8278530



Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
Beloit Assisted Living, Inc.
Janesville, Wisconsin

We have performed the procedure described in the second paragraph of this report, which was agreed to by Beloit Assisted Living, Inc. and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Beloit Assisted Living, Inc. is responsible for accuracy and completeness of the electronic submission. The agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, of the financial statements of Beloit Assisted Living, Inc. as of and for the year ended December 31, 2009, and have issued our reports thereon dated February 10, 2010. The information in the "Hard Copy Document" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated February 10, 2010, was expressed in relation to the basic financial statements of Beloit Assisted Living, Inc. taken as a whole.

A copy of the financial statement package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from Beloit Assisted Living, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Beloit Assisted Living, Inc. and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

February 10, 2010
Madison, Wisconsin

Attachment to Independent Accountant’s Report on Applying Agreed-Upon Procedures

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance sheet, revenue and expense, and cash flow data	Supplemental Schedules with Financial Statement Data	Agrees
Surplus cash	Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)	Agrees
Footnotes	Notes to the Financial Statements	Agrees
Type of opinion on the financial statements and auditor’s reports	Auditor’s Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Audit findings narrative	Schedule of Findings and Questioned Costs	Agrees
General information	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees



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To the Board of Directors
Beloit Assisted Living, Inc.
Janesville, Wisconsin

We have audited the financial statements of Beloit Assisted Living, Inc. (the "Organization") for the year ended December 31, 2009, and have issued our report thereon dated February 10, 2010. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States and OMB Circular A-133

As stated in our engagement letter dated December 17, 2009 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we

examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. We are not aware of any documents or other information containing audited financial statements and, furthermore, management has not requested us to devote attention to any documents containing audited financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representatives, Mr. Dave Rohr and Ms. Tina Husted, in our letter about planning matters dated December 17, 2009, in addition to our engagement letter dated December 17, 2009, accepted by Ms. Lisa Furseth.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's expectations. The most sensitive estimate affecting the financial statements is the estimate of useful lives for fixed assets.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that are particularly sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We proposed and the Organization recorded two adjusting journal entries to record depreciation expense for the year ended December 31, 2009 and to record accounts payable to Lutheran Social Services.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2010, a copy of which accompanies this letter.

Beloit Assisted Living, Inc.

Page 4

February 10, 2010

Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect the Organization's financial statements or on the type of opinion which may be rendered on the financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors for the preceding year. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

We appreciate the opportunity to be of service to Beloit Assisted Living, Inc.

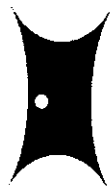
This letter is intended solely for the use of the board of directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, professional style.

Wipfli LLP

Enc.



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Dave Rohr
Fiscal & Property Manager
drohr@community-action.org
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Representation Letter for Beloit Assisted Living, Inc.

Wipfli LLP
2501 West Beltline Highway, Suite 401
P.O. Box 8700
Madison, WI 53708-8700

We are providing this letter in connection with your audit of the statement of financial position of Beloit Assisted Living, Inc. as of December 31, 2009, and the related statements of activities and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Beloit Assisted Living, Inc. in conformity with accounting principles generally accepted in the United States. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal controls, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

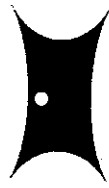
We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States and include all assets and liabilities under Beloit Assisted Living, Inc.'s control.
2. We are responsible for the supplementary information accompanying the basic financial statements required by HUD's Uniform Financial Reporting Standards for HUD Housing Programs and the information submitted to HUD through FASS submission templates is supported by the financial statements and underlying accounting records.

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Walworth County office
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Telephone: (262) 728-8296
Fax: (262) 728-8294

3. We have made available to you all:
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of meetings of Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications from HUD or other regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
6. There are no misstatements that have not been corrected to the financial statements taken as a whole.
7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal controls, or
 - c. Others where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
10. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity balances.
11. Receivables recorded in the financial statements represent valid claims against tenants or other parties arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.



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- c. Arrangements to repurchase assets previously sold.
- d. Guarantees, whether written or oral, under which Beloit Assisted Living, Inc. is contingently liable.

13. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the project owner vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

14. We are responsible for:

- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- b. Establishing and maintaining effective internal control over financial reporting.

15. Beloit Assisted Living, Inc. is an exempt organization under Internal Revenue Code Section 501(c)(3). Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.

16. There are no:

- a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.

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c. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have been properly reflected in the financial statements.

17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No 5 or which would affect federal financial award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.

18. Beloit Assisted Living, Inc. has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as made known to you and disclosed in the notes to the financial statements.

19. We are responsible for Beloit Assisted Living, Inc.'s compliance with the laws and regulations and the provisions of contracts and grant agreements applicable to it and the requirements of each HUD program; and we have identified, and disclosed to you, all laws and regulations and the provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and the requirements of each HUD program. We have complied with (a) all aspects of laws, regulations, and the provisions of contracts and grant agreements that would have a material effect on the financial statements in the event of noncompliance and (b) the requirements of each HUD program.

20. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

21. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

With respect to federal award programs:

a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, rent subsidies, federal cost-reimbursement contracts,



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loans, loan guarantees, capital advances, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

- c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, Cost Principles for Nonprofit Organizations, and Subpart C, Cost Sharing and Matching, of OMB Circular A-110, Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.

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- i. We have disclosed to you our interpretation of compliance requirements that have varying interpretations.
 - j. We have charged costs to federal awards in accordance with applicable cost principles.
 - k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - l. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
 - m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133 and we are responsible for preparing and implementing a corrective action plan for each audit finding.
22. Government Auditing Standards require the organization to distribute audit reports to the appropriate organizations. We authorize Wipfli LLP to distribute our report to the organizations in the listing we provided to you.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, supplementary information, or schedules.

Sincerely,



Lisa Furseth
President, Beloit Assisted Living, Inc.

02/10/10
Date