

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Janesville, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2012

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Financial Statements and Supplementary Information
Year Ended December 31, 2012

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Independent Auditor's Report

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

Report on Financial Statement

We have audited the accompanying financial statements of Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 opinions on these financial statements based on our audits. We conducted our audits 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 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 opinions.

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, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters


Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information, required by the U.S. Department of Housing and Urban Development, pages 9 through 12, and schedule of expenditures of federal awards, page 13, which includes requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 February 21, 2013, 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* in considering Beloit Assisted Living, Inc.'s internal control over financial reporting and compliance.


Wipfli LLP

February 21, 2013
Madison, Wisconsin

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Financial Position

December 31, 2012

Account Number	<i>Assets</i>	
	Current assets:	
1120	Cash	\$ 28,207
1200	Miscellaneous prepaid expenses	417
1100T	Total current assets	28,624
1191	Tenant security deposits - Funded	8,468
	Restricted deposits:	
1320	Reserve for replacement	53,219
1340	Residual receipts	21,974
1300T	Total restricted deposits	75,193
	Property and equipment:	
1410	Land	4,141
1420	Building	2,204,682
1450	Furniture	21,335
1400T	Total property and equipment	2,230,158
1495	Less accumulated depreciation	482,250
1400N	Property and equipment, net	1,747,908
1000T	TOTAL ASSETS	\$ 1,860,193
	<i>Liabilities and Net Deficit</i>	
	Current liabilities:	
2110	Accounts payable, operations	\$ 8,948
2150	Accrued property taxes	11,923
2122T	Total current liabilities	20,871
2191	Tenant security deposits	8,468
	Long-term liabilities:	
2320	Capital advance	2,251,500
2000T	Total liabilities	2,280,839
3131	Unrestricted net deficit	(420,646)
2033T	TOTAL LIABILITIES AND NET DEFICIT	\$ 1,860,193

See accompanying notes to financial statements.

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Activities

Year Ended December 31, 2012

Revenue:	
Rent, net of \$4,032 of vacancies	\$ 138,041
Financial	94
Other	3,736
<hr/>	
Total revenue	141,871
<hr/>	
Expenses:	
Project services:	
Utilities	18,417
Operating and maintenance	51,479
Taxes and insurance	15,124
Depreciation	55,179
<hr/>	
Total project services	140,199
<hr/>	
Administration	40,833
<hr/>	
Total expenses	181,032
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Change in unrestricted net deficit	(39,161)
Unrestricted net deficit - Beginning of year	(381,485)
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Unrestricted net deficit - End of year	(\$ 420,646)

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Statement of Cash Flows

Year Ended December 31, 2012

<u>Account Number</u>			
	Change in cash:		
	Cash flows from operating activities:		
S1200-010	Rental receipts	\$	138,691
S1200-020	Interest receipts		94
S1200-030	Other		3,736
S1200-040	<u>Total receipts</u>		<u>142,521</u>
S1200-050	Administration	(	24,633)
S1200-070	Management fee	(	16,200)
S1200-090	Utilities	(	18,417)
S1200-110	Operating and maintenance	(	51,479)
S1200-120	Real estate taxes	(	3,061)
S1200-140	Property insurance	(	3,200)
S1200-230	<u>Total disbursements</u>	(	<u>116,990)</u>
S1200-240	<u>Net cash provided by operating activities</u>		<u>25,531</u>
	Cash flows from investing activities:		
S1200-250	Net withdrawals from reserve for replacement		31,435
S1200-260	Deposits to residual receipts and interest retained in account	(	9,875)
S1200-330	Purchase of fixed assets	(	40,755)
S1200-350	<u>Net cash used in investing activities</u>	(	<u>19,195)</u>
S1200-470	Net change in cash		6,336
S1200-480	<u>Cash at beginning of year</u>		<u>21,871</u>
S1200T	<u>Cash at end of year</u>	\$	<u>28,207</u>

See accompanying notes to financial statements.

<u>Account Number</u>			
	Reconciliation of change in unrestricted net deficit to net cash provided by operating activities:		
3250	Change in unrestricted net deficit	(\$	39,161)
	Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities:		
6600	Depreciation		55,179
	Changes in operating assets and liabilities:		
S1200-520	Miscellaneous prepaid expenses		650
S1200-530	Tenant security deposits - Funded	(	678)
S1200-540	Accounts payable		8,885
S1200-560	Accrued liabilities	(	22)
S1200-580	Tenant security deposits		678
S1200-610	<u>Net cash provided by operating activities</u>	<u>\$</u>	<u>25,531</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 the Elderly. The Project's non-major 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)

Income Taxes (Continued)

BALI is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. BALI has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the tax years 2009, and beyond remain subject to examination by the Internal Revenue Service.

Subsequent Events

Subsequent events have been evaluated through February 21, 2013, 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.

Within 60 days after the end of each fiscal year, the Project must deposit into the residual receipts fund all surplus cash, as defined in the regulatory agreement. Any use of the fund is subject to the prior approval of HUD.

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.

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.

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Notes to Financial Statements

Note 5 Capital Advance

BALI was financed principally by a HUD capital advance mortgage note (Note) in the amount of \$2,251,500, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, May 1, 2044.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, the entire principal shall become due and payable without notice. In addition, interest at a rate equal to 5.375% per annum shall be payable on demand with respect to the payment of principal. Interest expense will only be recognized if it becomes payable.

The Note, in its principal amount, is reflected on the statement of financial positions as long-term debt until such time as the HUD capital advance Note expires. Although management currently intends to comply with all Note provisions over the term of the Note, management believes that the possibility that repayment may occur is other than remote and; therefore, believes recognition of the Note as long-term debt is the appropriate treatment.

Note 6 Management Fee

The Project is approved to pay a management fee that is equal to 12.2% of potential gross income collected or \$45 per unit for 2012. The fees paid were \$16,200, which was calculated using the per unit amount for the year ended December 31, 2012. 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 2012 amount was \$11,924. The agreement requires that the payment be made in the manner and time that real property taxes are paid.

Supplementary Information

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
Year Ended December 31, 2012

Number			
	Reserve for replacement:		
1320P	Reserve for replacement at January 1, 2012	\$	84,654
1320INT	Interest earned		78
1320DT	Required deposits		9,242
1320WT	Approved withdrawals	(	40,755)
1320	Reserve for replacement at December 31, 2012	\$	53,219
	Residual receipts:		
1340P	Residual receipts at January 1, 2012	\$	12,099
1340INT	Interest earned		11
1340DT	Required deposits		9,864
1320	Residual receipts at December 31, 2012	\$	21,974
	Computation of surplus cash - Annual:		
S1300-010	Cash	\$	28,207
S1300-010	Cash, tenant security deposits funded		8,468
S1300-040	Current assets and restricted deposits		36,675
	Current obligations:		
S1300-075	Accounts payable - 30 days		8,948
2191	Tenant security deposits liability		8,468
S1300-100	Accrued property taxes		11,923
S1300-140	Total current obligations		29,339
S1300-150	<u>Surplus cash</u>	\$	<u>7,336</u>

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
 Schedule of Changes in Fixed Assets
 Year Ended December 31, 2012

	Balance 1/1/2012	Additions	Dispositions	Balance 12/31/2012
Land	\$ 4,141	\$ 0	\$ 0	\$ 4,141
Buildings	2,163,927	40,755	0	2,204,682
Furniture	21,335	0	0	21,335
Totals	\$ 2,189,403	\$ 40,755	\$ 0	2,230,158
Accumulated depreciation	(\$ 427,071)	(\$ 55,179)	\$ 0	(482,250)
Net book value				<u>\$ 1,747,908</u>

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
 Statement of Activities Data
 Year Ended December 31, 2012

Account Number			
	Revenue:		
5120	Rent revenue	\$	96,879
5121	Tenant assistant payments		45,194
5100T	Total rent revenue		142,073
5220	Vacancies, apartments	(	4,032)
5152N	Net rental revenue		138,041
5430	Income from investments, residual receipts		11
5440	Income from investments, reserve for replacement		78
5490	Income from investments, miscellaneous		5
5400T	Total financial revenue		94
5910	Laundry and vending revenue		3,386
5920	Tenant charges		350
5900T	Total other revenue		3,736
5000T	Total revenue		141,871
	Expenses:		
6210	Advertising		2,699
6250	Other renting expenses		487
6311	Office expenses		6,847
6320	Management fee		16,200
6330	Manager or superintendent salaries		6,842
6350	Auditing expense		7,650
6390	Miscellaneous administrative expenses		108
6263T	Total administrative expenses		40,833
6450	Electricity		8,218
6451	Water		4,762
6452	Gas		5,437
6400T	Total utility expenses		18,417
6515	Supplies		1,066
6520	Contracts		24,263
6590	Miscellaneous operating and maintenance expenses		26,150
6500T	Total operating and maintenance		51,479

See Independent Auditor's Report.

Account Number		
	Expenses: (Continued)	
6710	Real estate taxes	11,924
6720	Property and liability insurance	3,200
6700T	<u>Total taxes and licenses</u>	<u>15,124</u>
6000T	<u>Total cost of operations before depreciation</u>	<u>125,853</u>
5060T	Change in net deficit before depreciation	16,018
6600	Depreciation	55,179
5060N	<u>Operating loss</u>	<u>(39,161)</u>
3247	<u>Change in unrestricted net deficit</u>	<u>(39,161)</u>
3250	<u>Change to total net deficit</u>	<u>(\$ 39,161)</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 9,242

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Supporting Data Required by HUD
Schedule of Miscellaneous Revenue and Expenses
Year Ended December 31, 2012

<u>Account Number</u>			
6590-010	Furniture/appliance and equipment repair	\$	19,803
6590-010	Improvements		6,347
			<hr/>
6590	Miscellaneous expense	\$	26,150
			<hr/> <hr/>

Beloit Assisted Living, Inc.

HUD Project No. 075-EE099-WAH

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

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 (3)
Project Rental Assistance Contract	14.181	45,194
Total		\$ 2,296,694

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Beloit Assisted Living, Inc. under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Beloit Assisted Living, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Beloit Assisted Living, Inc.

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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Capital Advance

This is a capital advance from the Department of Housing and Urban Development at December 31, 2012 (see financial statement Note 5).



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, 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, the financial statements of Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements and have issued our report thereon dated February 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beloit Assisted Living, Inc.'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 Beloit Assisted Living, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Beloit Assisted Living, Inc.'s internal control.

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

Our consideration of internal control 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 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Beloit Assisted Living, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beloit Assisted Living, Inc.'s internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

February 21, 2013
Madison, Wisconsin



Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Beloit Assisted Living, Inc., HUD Project No. 075-EE099-WAH (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended December 31, 2012. 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.

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 Beloit Assisted Living, Inc.'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; 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 or 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Beloit Assisted Living, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Beloit Assisted Living, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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 programs. In planning and performing our audit of compliance, we considered Beloit Assisted Living, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133, 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 the Beloit Assisted Living, Inc.'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, 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 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 compliance that we consider to be material weaknesses, as defined above.

This 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 OMB Circular A-133. Accordingly this report is not suitable for any other purpose.


Wipfli LLP

February 21, 2013
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 That Could Have a Direct and Material Effect on 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

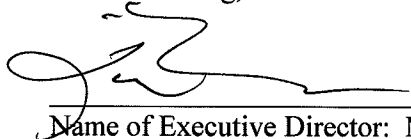
D. Prior Year Findings

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 supplementary data of Beloit Assisted Living, Inc. and to the best of our knowledge and belief, the same are complete and accurate.

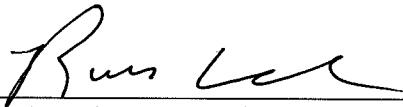


Name of Executive Director: Ms. Lisa Furseth
Telephone Number: 608.755.2475

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 supplementary 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: Russ Endres

Managing Agent Tax Identification Number: 27-1570657



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 table below.

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 compliance	Auditor’s Reports on the Financial Statements and Compliance	Agrees
Audit findings narrative	Schedule of Findings and Questioned Costs	Agrees
Type of opinion on supplemental data	Auditor’s Report on Supplemental Data	Agrees

We were engaged to perform an audit of the financial statements of Beloit Assisted Living, Inc. as of and for the year ended December 31, 2012, and have issued our reports thereon dated February 21, 2013. 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 21, 2013, 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 21, 2013
Madison, Wisconsin