



Financial Statements
September 30, 2024

Shoreline North, LLC
HUD Project Number 124-11033

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Independent Auditor's Report

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline North, LLC
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shoreline North, LLC, which comprise the balance sheet as of September 30, 2024, and the related statements of operations and member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Shoreline North, LLC as of September 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shoreline North, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shoreline North, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shoreline North, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shoreline North, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2025, on our consideration of Shoreline North, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shoreline North, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shoreline North, LLC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
February 7, 2025

Shoreline North, LLC
 HUD Project Number 124-11033
 Balance Sheet
 September 30, 2024

Assets	
Cash	\$ 583,758
Accounts receivable, net of allowance	10,225
Prepaid expenses	4,787
Tenant security deposits	16,901
Restricted deposits and funded reserves	192,780
Property and equipment, at cost, less accumulated depreciation	<u>1,470,826</u>
	<u><u>\$ 2,279,277</u></u>
Liabilities and Member's Deficit	
Liabilities	
Accounts payable	\$ 1,947
Prepaid rent	5,336
Accrued expenses	9,471
Accrued interest	5,123
Tenant security deposits payable	16,900
Long-term debt, net of unamortized debt issuance costs of \$152,311 in 2024	<u>2,911,397</u>
Total liabilities	2,950,174
Member's Deficit	<u>(670,897)</u>
	<u><u>\$ 2,279,277</u></u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Statement of Operations and Member's Deficit
 Year Ended September 30, 2024

Operations

Revenue

Gross tenant rent	\$ 628,200
Less: vacancies and concessions	<u>(31,926)</u>
Net tenant rent	596,274
Tenant charges	540
Interest	18,104
Other revenue	<u>305</u>
Total revenue	<u>615,223</u>

Expenses

Administrative	86,995
Utilities	22,740
Operating and maintenance	62,739
Health insurance and other employee benefits	24,601
Insurance	40,112
Interest	98,876
Depreciation	<u>159,479</u>
Total expenses	<u>495,542</u>

Net Income	<u><u>\$ 119,681</u></u>
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Member's Deficit

Balance, October 1, 2023	\$ (790,578)
Net income	<u>119,681</u>
Balance, September 30, 2024	<u><u>\$ (670,897)</u></u>

Operating Activities	
Receipts	
Rental receipts	\$ 586,017
Interest receipts	18,104
Other operating receipts	<u>1,353</u>
Total receipts	<u>605,474</u>
Disbursements	
Administrative	17,804
Management fee	40,449
Utilities	22,037
Salaries and wages	74,202
Operating and maintenance	51,210
Property insurance	29,214
Interest on first mortgage	93,389
Mortgage insurance premium	<u>10,898</u>
Total disbursements	<u>339,203</u>
Net Cash from Operating Activities	<u>266,271</u>
Investing Activities	
Purchase of fixed assets	<u>(28,345)</u>
Net Cash used for Investing Activities	<u>(28,345)</u>
Financing Activities	
Principal payments on long-term debt	<u>(71,518)</u>
Net Cash used for Financing Activities	<u>(71,518)</u>
Net Change in Cash, Tenant Security Deposits and Restricted Cash	166,408
Cash, Tenant Security Deposits and Restricted Cash, Beginning of Year	<u>627,031</u>
Cash, Tenant Security Deposits and Restricted Cash, End of Year	<u><u>\$ 793,439</u></u>
Cash	
Cash	\$ 583,758
Tenant security deposits	16,901
Restricted deposits and funded reserves	<u>192,780</u>
Total Cash, Tenant Security Deposits and Restricted Cash	<u><u>\$ 793,439</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

Net income	\$ 119,681
Adjustments to reconcile net income to net cash from operating activities	
Depreciation	159,479
Interest expense attributable to amortization of debt issuance costs	5,607
Loss on disposal of property and equipment	439
Changes in operating assets and liabilities	
Accounts receivable	(10,215)
Prepaid expenses	703
Accounts payable	(12,104)
Accrued interest	(120)
Tenant security deposit payable	508
Prepaid rent	(42)
	266,271
Net Cash from Operating Activities	\$ 266,271

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

Shoreline North, LLC (the Company) was formed April 22, 2016, as a limited liability company under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Company was formed for the purpose of owning and operating a 54-unit affordable rental housing complex located in Boise, Idaho. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations during November 2016. The Company has entered into a regulatory agreement with the U.S. Department of Housing and Urban Development (Note 9).

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of September 30, 2024, the allowance for doubtful accounts is \$12,006. Management considers the remaining accounts receivable to be collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in change in net assets.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and land improvements	5 - 40 years
Furniture and equipment	3 - 10 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at September 30, 2024.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members in accordance with the company agreement. Therefore, no provisions for income taxes have been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of September 30, 2024, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the project. Any rent received prior to the month of occupancy is reported as prepaid rent. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2024 in fiscal year 2025, are approximately \$62,400.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements. The straight-line method of amortization is used which is a reasonable estimate of the effective interest method.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through February 7, 2025, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2024 consist of the following:

Tax and insurance escrow	\$ 37,051
Replacement reserve	<u>155,729</u>
	<u><u>\$ 192,780</u></u>

Tax and Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, the Company is required to maintain a mortgage escrow account. The escrow account is to be used to pay the next year’s mortgage insurance premium, taxes, and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Company is required to deposit \$1,575 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Company. Withdrawals from this account are subject to HUD approval.

Note 3 - Tenant Security Deposits

The Company has set aside \$16,901 as of September 30, 2024, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD regulatory agreement.

Note 4 - Property and Equipment

All of the Company’s property and equipment is subject to operating leases with residential tenants at September 30, 2024. Property and equipment at September 30, 2024, consist of the following:

Land	\$ 177,409
Building and improvements	4,203,035
Equipment and furnishings	<u>250,933</u>
	4,631,377
Accumulated depreciation	<u>(3,160,551)</u>
	<u><u>\$ 1,470,826</u></u>

Note 5 - Accrued Expenses

Accrued expenses at September 30, 2024, consist of the following:

Accrued wages payable	\$ 9,471
	<u>\$ 9,471</u>

Note 6 - Long-Term Debt

Long-term debt at September 30, 2024 consist of:

3.01%, \$3,462,265 mortgage note payable to Centennial Mortgage, due in monthly installments of \$13,742, including interest, beginning January 1, 2017 through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases and a HUD regulatory agreement, net of unamortized debt issuance costs of \$152,311 in 2024 and based on an effective interest rate of 4.33% (A)	\$ 3,063,708
Less unamortized debt issuance costs	<u>(152,311)</u>
Long-term debt, less unamortized debt issuance costs	<u>\$ 2,911,397</u>

(A) – The loan is insured by HUD under the HUD Section 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Year Ended September 30,	Amount
2025	\$ 73,699
2026	75,948
2027	78,266
2028	80,655
2029	83,116
Thereafter	2,672,024
Less unamortized debt issuance costs	<u>(152,311)</u>
	<u>\$ 2,911,397</u>

Note 7 - Related Party Transactions

Member Distributions

All distributions to the Member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2024, there were no distributions made from surplus cash.

Management Fees

The Company has entered into an agreement with Boise City Housing Authority (the Housing Authority), the single member of the LLC, to provide management services. Under the terms of the agreement, the Housing Authority is to receive management fees as a percentage of gross receipts. For 2024, the Housing Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2024, the Company incurred management fees of \$40,449.

Other Transactions

During the year ended September 30, 2024, the Company reimbursed the Housing Authority approximately \$51,900 and \$20,300, for payroll and benefits, respectively. As of September 30, 2024, the Company owed the Housing Authority \$2,599 for reimbursed payroll and benefits, which is included in accrued expenses on the balance sheet. In addition, the Company owed approximately \$6,900 for vacation benefits earned but not yet paid at September 30, 2024. These are included in accrued expenses on the balance sheet.

Note 8 - Member's Equity

Member	Ownership Percentages
Boise City Housing Authority	100%

Note 9 - Regulatory Agreement

The Company has entered into an agreement with HUD that contains the following provisions:

- During the term of the regulatory agreement, the Company is obligated to make monthly deposits in the amount of \$1,575 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
- Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.



Supplementary Information Required by HUD
September 30, 2024

Shoreline North, LLC

HUD Project Number 124-11033

Assets

Current Assets

1120	Cash - operations	\$	583,758
1130	Accounts receivable - tenants		22,231
1131	Allowance for doubtful accounts		<u>(12,006)</u>
113N	Net accounts receivable		10,225
1200	Prepaid expenses		<u>4,787</u>
1100T	Total current assets		<u>598,770</u>

Deposits Held in Trust

1191	Tenant deposits held in trust		<u>16,901</u>
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Restricted Deposits and Funded Reserves

1310	Escrow deposits		37,051
1320	Replacement reserve		<u>155,729</u>
1300T	Total deposits		<u>192,780</u>

Property and Equipment, at Cost

1410	Land		177,409
1420	Buildings		4,203,035
1450	Furniture for project/tenant use		<u>250,933</u>
1400T	Total fixed assets		4,631,377

1495	Accumulated depreciation		<u>(3,160,551)</u>
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1400N	Net fixed assets		<u>1,470,826</u>
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1000T	Total assets	\$	<u><u>2,279,277</u></u>
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Liabilities and Member's Deficit

Current Liabilities

2110	Accounts payable - operations	\$	1,947
2120	Accrued wages payable		9,471
2131	Accrued interest - first mortgage		5,123
2170	Mortgage payable - first mortgage (short term)		73,699
2210	Prepaid rent revenue		<u>5,336</u>
	2122T Total current liabilities		<u>95,576</u>

Deposit Liability

2191	Tenant security deposits payable		<u>16,900</u>
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Long-Term Liabilities

2320	Mortgage payable - first mortgage		<u>2,837,698</u>
	2300T Total long-term liabilities		<u>2,837,698</u>

	2000T Total liabilities		2,950,174
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Member's Deficit

3130	Member's deficit		<u>(670,897)</u>
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	2033T Total liabilities and member's deficit		<u><u>\$ 2,279,277</u></u>
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Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2024

Rent Revenue		
5120	Rent revenue - gross potential	\$ <u>628,200</u>
5100T	Total rent revenue	<u>628,200</u>
Vacancies		
5220	Apartments	11,669
5250	Rental concessions	<u>20,257</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>596,274</u>
Financial Revenue		
5410	Financial revenue - project operations	17,744
5440	Revenue from investments - replacement reserve	<u>360</u>
5400T	Total financial revenue	<u>18,104</u>
Other Revenue		
5920	Tenant charges	540
5990	Miscellaneous revenue	<u>305</u>
5900T	Total other revenue	<u>845</u>
5000T	Total Revenue	<u>615,223</u>
Administrative Expenses		
6310	Office salaries	28,742
6320	Management fees	40,449
6350	Audit expense	9,450
6370	Bad debts	7,820
6390	Miscellaneous administrative expenses	<u>534</u>
6263T	Total administrative expenses	<u>86,995</u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2024

Utilities Expenses		
6450 Electricity	\$	4,736
6451 Water		5,490
6453 Sewer		<u>12,514</u>
6400T Total utilities expenses		<u>22,740</u>
Operating and Maintenance Expenses		
6510 Payroll		23,194
6515 Supplies		6,918
6520 Contracts		21,306
6548 Snow removal		2,650
6525 Garbage and trash removal		4,611
6546 Heating/cooling repairs and maintenance		2,376
6590 Miscellaneous operating and maintenance		<u>1,684</u>
6500T Total operating and maintenance expenses		<u>62,739</u>
Insurance Expenses		
6720 Property and liability insurance (hazard)		29,214
6723 Health insurance and other employee benefits		<u>24,601</u>
6700T Total insurance expenses		<u>53,815</u>
Financial Expenses		
6820 Interest on mortgage payable		98,876
6850 Mortgage insurance premium		<u>10,898</u>
6800T Total financial expenses		<u>109,774</u>
6000T Total Cost of Operations Before Depreciation		<u>336,063</u>
5060T Profit Before Depreciation		<u>279,160</u>
6600 Depreciation expense		<u>159,479</u>
5060N Operating Profit		<u>119,681</u>
3250 Net Income	\$	<u><u>119,681</u></u>

Part II

S1000-010 Total first mortgage principal payments required during the audit period.	<u>\$ 71,518</u>
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.	<u>\$ 21,603</u>
S1000-030 Replacement reserve releases, which are included as expense items on this profit and loss statement.	<u>\$ -</u>

Shoreline North, LLC
HUD Project Number 124-11033
Supplementary Information Required by HUD
Statement of Member's Deficit
Year Ended September 30, 2024

S1100-010	Member's Deficit, Beginning of Year	\$ (790,578)
3250	Net Income	<u>119,681</u>
3130	Member's Deficit, End of Year	<u><u>\$ (670,897)</u></u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Cash Flows
 Year Ended September 30, 2024

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 586,017
S1200-020 Interest receipts	18,104
S1200-030 Other operating receipts	<u>845</u>
S1200-040 Total receipts	<u>604,966</u>
Expenses	
S1200-050 Administrative	17,804
S1200-070 Management fee	40,449
S1200-090 Utilities	22,037
S1200-100 Salaries and wages	74,202
S1200-110 Operating and maintenance	51,210
S1200-140 Property insurance	29,214
S1200-180 Interest on first mortgage	93,389
S1200-210 Mortgage insurance premium	<u>10,898</u>
S1200-230 Total disbursements	<u>339,203</u>
S1200-240 Net Cash from Operating Activities	<u>265,763</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(1,827)
S1200-250 Net deposits to the replacement reserve account	(21,873)
S1200-330 Purchase of fixed assets	<u>(28,345)</u>
S1200-350 Net Cash used for Investing Activities	<u>(52,045)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(71,518)</u>
S1200-460 Net Cash used for Financing Activities	<u>(71,518)</u>
S1200-470 Net Change in Cash	142,200
S1200-480 Cash, Beginning of Year	<u>441,558</u>
S1200T Cash, End of Year	<u><u>\$ 583,758</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

3250 Net income	\$	119,681
Adjustments to reconcile net income to net cash from operating activities		
6600 Depreciation		159,479
S1200-486 Amortization of debt issuance costs		5,607
S1200-600 Other adjustments - Loss on disposal of property and equipment		439
Changes in assets and liabilities		
S1200-490 Accounts receivable		(10,215)
S1200-520 Prepaid expenses		703
S1200-530 Tenant security deposits		(509)
S1200-540 Accounts payable		(12,104)
S1200-560 Accrued expenses		2,335
S1200-570 Accrued interest payable		(120)
S1200-580 Tenant security deposit liability		509
S1200-590 Prepaid rent		(42)
		<hr/>
S1200-610 Net Cash from Operating Activities	\$	<u><u>265,763</u></u>

Schedule of Reserve for Replacement

1320P Balance, October 1, 2023	\$ 133,856
1320DT Required deposits by HUD	21,603
1320INT Interest on replacement reserve accounts	360
1320OT Other withdrawals	<u>(90)</u>
 1320 Balance, September 30, 2024	 <u>\$ 155,729</u>
 1320R Deposits suspended or waived indicator	 <u>No</u>

Schedule of Changes in Fixed Asset Accounts

	<u>Balance October 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2024</u>
1410 Land	\$ 177,409	\$ -	\$ -	\$ 177,409
1420 Buildings and improvements	4,179,335	23,700	-	4,203,035
1450 Furniture for project/tenant use	<u>247,771</u>	<u>4,645</u>	<u>(1,483)</u>	<u>250,933</u>
Total	4,604,515	28,345	(1,483)	4,631,377
 1495 Accumulated depreciation	 <u>(3,002,116)</u>	 <u>(159,479)</u>	 <u>1,044</u>	 <u>(3,160,551)</u>
Net property and equipment	<u>\$ 1,602,399</u>	<u>\$ (131,134)</u>	<u>\$ (439)</u>	<u>\$ 1,470,826</u>

Additions to Fixed Assets

Carpet and vinyl flooring replacement	\$ 4,006
Appliances	639
HVAC replacement	<u>23,700</u>
	<u>\$ 28,345</u>

Deductions to Fixed Assets

Appliances	\$ (698)
Carpet and flooring	<u>(785)</u>
	<u>\$ (1,483)</u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2024

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 600,659
S1300-040 Total Cash	600,659

Current Obligations

S1300-050 Accrued mortgage interest payable	5,123
S1300-075 Accounts payable (due within 30 days)	1,947
S1300-100 Accrued expenses (not escrowed)	9,471
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	11,257
2210 Prepaid rents	5,336
2191 Tenant security deposits liability	16,900
S1300-140 Total Current Obligations	50,034
S1300-150 Surplus Cash (Deficiency)	\$ 550,625



Independent Auditor's Reports on Internal Control and
Compliance

September 30, 2024

Shoreline North, LLC

HUD Project Number 124-11033



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline North, LLC
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Shoreline North, LLC (the Company), which comprise the balance sheet as of September 30, 2024, and the related statements of operations and member’s deficit, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated February 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company’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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a deficiency in internal control, described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations as item 2024-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Company's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
February 7, 2025



Independent Auditor’s Report on Compliance for the Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Board of Commissioners
 Of Boise City Housing Authority
 Shoreline North, LLC
 Boise, Idaho

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Shoreline North, LLC’s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company’s major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2024. The Company’s major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
223 (f) HUD Loan	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Tenant Application, Eligibility and Recertification, Cash Receipts, Cash Disbursements, Management Functions.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended September 30, 2024.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 compliance requirement of a HUD 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 compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal*

control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho
February 7, 2025

Significant Deficiency in Internal Control over Financial Reporting

Corrective Action in Process

2024-01 Year-End Closing and Reconciliation

Statement of Condition – Reconciliations and reviews were not performed timely, and there was not a sufficient level of review by an appropriate level of management over those procedures.

Criteria – A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and third party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Cause – There was a mid-year (February 2024) conversion of the ERP platform that was the cause of these conditions. Due to personnel constraints, this conversion created a significant number of issues that management was unable to address and resolve before year-end.

Effect – There were delays during the audit of information which resulted in a rescheduling of fieldwork. Many documents received during the audit had to be returned because they did not agree to the trial balance. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, mortgage insurance premiums and prepaid insurance. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Company missing the HUD imposed deadline of December 31, 2024.

Recommendation – Many of the issues identified could have been detected and corrected had there been adequate time to resolve issues from the conversion and as well as adequate time for appropriate management level reviews. Closing procedures and review workflows should be evaluated and tailored for the new software system.

View of Responsible Individuals – Management agrees with the finding.

2024-01 Year-End Closing and Reconciliation

Actions Planned in Response to Finding: Management will evaluate review workflows for the new software system and ensure controls are strengthened to perform management level reviews timely and appropriately.

Explanation of Disagreement – None

Official Responsible for Ensuring Corrective Action Plan – Glenn Luke, Finance Director

Planned Completion for Correction Action – FY2025

Plan to Monitor Completion of Corrective Action – Management is drafting a formalized internal process oversight plan for ensuring that work product is accurate and within compliance.

Audit Report dated December 20, 2023, for the year ended September 30, 2023, issued by Eide Bailly, LLP.

There were no prior year compliance findings.

There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.

There were no letters or reports issued by HUD management during the period covered by this audit.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline North, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline North, LLC

By: _____
Deanna L. Watson, Executive Director
February 7, 2025

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline North, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline North, LLC

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

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Jodi Daugherty, Partner

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