

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2022**

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**CONTENTS**

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<b>Auditor Disclosure Information .....</b>	<b>1</b>
<b>Independent Auditors' Report.....</b>	<b>2-4</b>
<b>Financial Statements</b>	
Balance Sheet.....	5
Statement of Operations.....	6
Statement of Changes in Partners' Deficit.....	7
Statement of Cash Flows .....	8-9
<b>Notes to Financial Statements.....</b>	<b>10-16</b>
<b>Supplementary Information (Required by HUD)</b>	
Balance Sheet Data .....	17-18
Profit and Loss Data.....	19-20
Equity Data .....	21
Cash Flow Data.....	22-23
Reserve Accounts Data .....	24
Surplus Cash .....	25
Fixed Asset Data .....	26
<b>Other Information</b>	
Mortgagor's Certification .....	27
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>28-29</b>
<b>Independent Auditors' Report on Compliance for Each Major HUD Program and Report on Internal Control Over Compliance Required by the <i>Consolidated Audit Guide for Audits of HUD Programs</i> .....</b>	<b>30-32</b>
<b>Schedule of Findings, Questioned Costs and Recommendations .....</b>	<b>33</b>
<b>Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations .....</b>	<b>34</b>
<b>Independent Accountants' Report on Applying Agreed-Upon Procedure .....</b>	<b>35-36</b>
<b>Attachment to Independent Accountants' Report on Applying Agreed-Upon Procedure.....</b>	<b>37</b>

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**AUDITOR DISCLOSURE INFORMATION**

**DECEMBER 31, 2022**

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FIRM	<u>Marcum LLP</u>
AUDIT PARTNER	<u>Frank Miceli</u>
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EMPLOYER IDENTIFICATION NUMBER	<u>11-1986323</u>

## INDEPENDENT AUDITORS' REPORT

To the Partners

**Hannah Duston Associates Limited Partnership**

### *Opinion*

We have audited the financial statements of Hannah Duston Associates Limited Partnership, HUD Project No. 023-43331 (the Project), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in partners' 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 the Project, as of December 31, 2022, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Project, 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 the Project's ability to continue as a going concern for one year after the financial statements are issued.

## ***Auditors' 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 the Project'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 the Project'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 accompanying supplementary information required by the U.S. Department of Housing and Urban Development (HUD) shown on pages 17 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Information***

The Mortgagor's Certification included herein has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the Project'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 result of that testing, and not to provide an opinion on the effectiveness of the Project'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 the Project's internal control over financial reporting and compliance.

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

Hartford, CT  
March 23, 2023

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**BALANCE SHEET**

**DECEMBER 31, 2022**

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**Assets**

**Current Assets**

Cash	\$ 167,345
Prepaid expenses	584

<b>Total Current Assets</b>	<u>167,929</u>
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**Funded Reserves**

Escrow deposits	82,981
Reserve for replacement	321,566

<b>Total Funded Reserves</b>	<u>404,547</u>
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**Property and Equipment**

Land	81,037
Buildings and improvements	9,367,765
Equipment	494,451

	9,943,253
Less accumulated depreciation	<u>5,467,116</u>

Net property and equipment	<u>4,476,137</u>
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<b>Total Assets</b>	<u><u>\$ 5,048,613</u></u>
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**Liabilities and Partners' Deficit**

**Current Liabilities**

First mortgage payable - current maturities	\$ 155,956
Accrued interest payable - first mortgage	27,924
Replacement reserve exchange	485,921
Accrued expenses	9,720

<b>Total Current Liabilities</b>	<u>679,521</u>
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**Long-Term Debt**

First mortgage payable, net of current maturities and unamortized debt issuance costs	8,262,177
Due to related parties	364,053

<b>Total Long-Term Debt</b>	<u>8,626,230</u>
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<b>Total Liabilities</b>	9,305,751
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<b>Partners' Deficit</b>	<u>(4,257,138)</u>
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<b>Total Liabilities and Partners' Deficit</b>	<u><u>\$ 5,048,613</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**Revenue**

Rent revenue - nursing home	\$ 612,044
Financial revenue - replacement reserves	334
Financial revenue - money market	<u>1,610</u>

<b>Total Revenue</b>	<u>613,988</u>
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**Expenses**

Miscellaneous office expenses	467
Audit expense	11,445
Real estate taxes	54,706
Property insurance	7,152
Interest on mortgage	351,360
Mortgage insurance premium	67,206
Depreciation	<u>353,388</u>

<b>Total Expenses</b>	<u>845,724</u>
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<b>Net Loss</b>	<u><u>\$ (231,736)</u></u>
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*The accompanying notes are an integral part of these financial statements.*



**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**STATEMENT OF CHANGES IN PARTNERS' DEFICIT**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<b>Partners' Deficit - Beginning of year</b>	\$ (4,025,402)
Net loss	<u>(231,736)</u>
<b>Partners' Deficit - End of year</b>	<u><u>\$ (4,257,138)</u></u>

*The accompanying notes are an integral part of these financial statements.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**Cash Flows from Operating Activities**

Rental receipts	\$ 612,044
Interest received	<u>1,944</u>

Total Receipts	<u>613,988</u>
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Administrative	(10,067)
Real estate taxes	(54,706)
Property insurance	(7,005)
Mortgage interest paid	(338,257)
Mortgage insurance	<u>(67,206)</u>

Total Disbursements	<u>(477,241)</u>
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<b>Net Cash Provided by Operating Activities</b>	<u>136,747</u>
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**Cash Flows from Financing Activities**

Mortgage principal payments	(150,045)
Net payments into replacement reserves	<u>74,244</u>

<b>Net Cash Used in Financing Activities</b>	<u>(75,801)</u>
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<b>Net Change in Cash and Restricted Cash</b>	60,946
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<b>Cash and Restricted Cash - Beginning of year</b>	<u>510,946</u>
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<b>Cash and Restricted Cash - End of year</b>	<u><u>\$ 571,892</u></u>
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**Reconciliation of Net Loss to Net Cash**

**Provided by Operating Activities**

Net loss	\$ (231,736)
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Adjustments to reconcile net loss to net cash  
provided by operating activities

Depreciation	353,388
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Amortization	13,587
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Prepaid expenses	147
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Accrued expenses	1,845
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Accrued interest payable	<u>(484)</u>
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<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 136,747</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**Reconciliation of Cash and Restricted Cash  
to Amounts Reported in the Balance Sheet at the  
End of the Period**

Cash	\$ 167,345
Funded Reserves	
Escrow deposits	82,981
Replacement reserves	<u>321,566</u>
	<u>\$ 571,892</u>

*The accompanying notes are an integral part of these financial statements.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION***

Hannah Duston Associates Limited Partnership (the Partnership) leases a 128 bed nursing home in Haverhill, Massachusetts, to HDH Corporation d/b/a Hannah Duston Long-Term Healthcare Center, a related party.

***BASIS OF ACCOUNTING***

The financial statements are presented under the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability for goods and services is incurred, regardless of the timing of the related cash flows.

***USE OF ESTIMATES***

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

***CASH AND CASH EQUIVALENTS***

The Partnership considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. All escrow balances held by third parties that meet the definition of cash or cash equivalents are considered restricted cash or restricted cash equivalents for cash flow purposes. The supplemental information presented with these financial statements reports these escrows and replacement reserves separately as required by the HUD Real Estate Assessment Center.

***PROPERTY, PLANT, AND EQUIPMENT***

Property, plant, and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated life of the assets. The useful lives of property, plant and equipment for purposes of computing depreciation are as follows:

Buildings and improvements	20-40 years
Equipment	10 years

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

***PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)***

Depreciation expense amounted to \$353,388 for the year ended December 31, 2022.

***IMPAIRMENT OF LONG-LIVED ASSETS***

The Project reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operations to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, the long-lived assets of the operation are written down to fair value. Fair value is determined based on the discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2022, there were no impairment losses recognized for long-lived assets.

***DEBT ISSUANCE COSTS***

Debt issuance costs are bank fees and other costs incurred in obtaining financing that are amortized using the effective interest method, over the term of the related debt. Debt issuance costs are presented as a direct deduction of the carrying amount of the debt. Amortization of debt issuance costs is included in interest expense.

***RENTAL REVENUE***

The Project recognizes rental revenue in accordance with the contractual terms of the written lease agreement with its tenant when collection is reasonably assured.

***INCOME TAXES***

The Project is taxed as a partnership, and accordingly, the Project does not pay federal or state taxes on its taxable income. Instead, the partners are liable for income taxes on the Project's income.

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

***INCOME TAXES (CONTINUED)***

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Project and recognize a tax liability if the Project has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management believes that no uncertain tax positions exist as of December 31, 2022. Any penalties or interest assessed to the Project would be reported as income tax expense, or interest expense, respectively, in the financial statements. The Project is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

***NEW ACCOUNTING PRONOUNCEMENT***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the model under FASB Accounting Standards Codification (ASC) 840, *Leases (ASC 840)*, with the distinction between operating and financial leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard (ASC 606). Additionally, the new standard requires extensive quantitative and qualitative disclosures. The Partnership adopted ASU 2016-02 on January 1, 2022 using the modified retrospective transition method and elected the package of practical expedients, both provided for under ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. The package of practical expedients allows the Partnership not to reassess whether contracts are or contain leases, lease classification, and whether initial direct costs qualify for capitalization. The standard had no impact on the Partnership's balance sheet, statement of operations, statement of changes in partners' deficit, and cash flows.

***SUBSEQUENT EVENTS***

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements were available to be issued. No events requiring recognition or disclosure in these financial statements has been identified.

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 2 – RELATED PARTY TRANSACTIONS**

The Partnership has entered into the following transactions with related parties:

***RENTAL INCOME***

The Partnership leases land, building and equipment to HDH Corporation d/b/a Hannah Duston Long-term Healthcare Center. Rent earned amounted to \$612,044 for the year ended December 31, 2022.

The lease agreement was amended effective January 1, 2009 to include minimum annual rents equal to 100% of mortgage principal, interest, mortgage insurance premiums, sinking fund payments, real estate tax escrows, and casualty insurance escrows with additional rent as agreed to by the lessor and lessee from time to time. In addition, the Lessee shall fund the monthly replacement reserve deposits and be entitled to reimbursement for qualified expenditures. The lease agreement is for a 60-year period, commencing January 1993 and in effect through December 2053.

Future minimum lease payments through the end of the lease term are estimated as follows:

<u>Year Ending December 31,</u>	
2023	\$ 619,827
2024	619,827
2025	619,827
2026	619,827
2027	619,827
Thereafter	<u>16,115,502</u>
	<u><u>\$ 19,214,637</u></u>

***REPLACEMENT RESERVE EXCHANGE***

Each month, the lessee makes payments to the Project for replacement reserves. The funds are deposited in the replacement reserve account (see Note 3) and a corresponding liability is recorded. The liability is reduced when the replacement reserves are drawn down and returned to the lessee for purchases of property and equipment made by the lessee. The balance of the replacement reserve exchange liability may only be returned to the lessee under certain circumstances. The balance of the replacement reserve exchange is \$485,921 at December 31, 2022.

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 2 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***RELATED-PARTY LOANS***

Related-party loans, which bear no interest and have no fixed repayment terms, are as follows at December 31, 2022:

Due to Related Parties	
HDH Corporation	\$ <u>364,053</u>
 Total due to related parties	 \$ <u>364,053</u>

Payment of these loans will be made only from surplus cash or upon approval from HUD.

**NOTE 3 – FUNDED RESERVES**

Under the terms of the HUD Regulatory Agreement, the Partnership is required to make monthly payments to an escrow account to cover FHA mortgage insurance, property insurance and real estate taxes. In addition, the Partnership must make monthly payments of \$6,187 to a reserve for replacements, which may be used for capital expenditures and major repairs. Withdrawals from the reserve for replacements are subject to approval by HUD. At December 31, 2022, the balance in the escrow accounts and the replacement reserves were \$82,981 and \$321,566, respectively.



**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 4 – LONG-TERM DEBT**

The Partnership was liable under long-term debt as of December 31, 2022 as follows:

3.87% mortgage payable to Lument Capital, LLC,  
secured by substantially all assets and insured by  
the U.S. Department of Housing and Urban  
Development (HUD), payable in monthly installments  
of \$40,692, due December 1, 2052. \$ 8,658,744

Less unamortized debt issuance costs (240,611)

Long-term debt, net of unamortized debt issuance costs 8,418,133  
Less current maturities (155,956)

Long-term debt, net \$ 8,262,177

Interest incurred and charged to operations amounted to \$351,360 for 2022, including \$13,587 of amortized debt issuance costs.

Current maturities of long-term debt for the ensuing five years and thereafter, are as follows:

Year Ending December 31,

2023	\$ 155,956
2024	162,100
2025	168,485
2026	175,123
2027	182,021
Thereafter	<u>7,815,059</u>
	<u><u>\$ 8,658,744</u></u>

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**NOTE 5 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of the following:

***CASH AND CASH EQUIVALENTS AND FUNDED RESERVES***

The Project maintains cash balances, including its funded reserve deposits, in federally insured financial institutions in the same geographic area. Bank balances are insured up to \$250,000 per depositor. During the year, there may be times when uninsured cash is significant. The Project has not suffered any losses in connection with this banking activity. The Project monitors the ratings of the financial institutions in which it maintains cash deposits on a quarterly basis.

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**BALANCE SHEET DATA**

**DECEMBER 31, 2022**

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<u>Account No.</u>		
	<b>Assets</b>	
1120	Cash - operations	\$ 167,345
1200	Prepaid expenses	<u>584</u>
1100T	<b>Total Current Assets</b>	<u>167,929</u>
1310	Escrow deposits	82,981
1320	Replacement reserve	<u>321,566</u>
1300T	<b>Total Deposits</b>	<u>404,547</u>
1410	Land	81,037
1420	Buildings and improvements	9,367,765
1440	Building equipment (portable)	<u>494,451</u>
1400T	Total Fixed Assets	9,943,253
1495	Accumulated depreciation	<u>5,467,116</u>
1400N	Net Fixed Assets	<u>4,476,137</u>
1000T	<b>Total Assets</b>	<u><u>\$ 5,048,613</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**BALANCE SHEET DATA (CONTINUED)**

**DECEMBER 31, 2022**

<b>Account No.</b>		
	<b>Liabilities and Partners' Deficit</b>	
	<b>Liabilities</b>	
	<b>Current Liabilities</b>	
2131	Accrued interest payable - first mortgage	\$ 27,924
2170	Mortgage payable - first mortgage (short-term)	155,956
2173	Loans and notes payable - surplus cash (short-term)	485,921
2190	Accrued expenses	<u>9,720</u>
2122T	<b>Total Current Liabilities</b>	<u>679,521</u>
	<b>Long-Term Liabilities</b>	
2320	Mortgage payable - first mortgage	8,502,788
2340	Debt issuance costs	(240,611)
2323	Other loans and notes payable - surplus cash (Due to related parties)	<u>364,053</u>
2300T	<b>Total Long-Term Liabilities</b>	<u>8,626,230</u>
2000T	<b>Total Liabilities</b>	9,305,751
3130	<b>Partners' Deficit</b>	<u>(4,257,138)</u>
2033T	<b>Total Liabilities and Partners' Deficit</b>	<u><u>\$ 5,048,613</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**PROFIT AND LOSS DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

<u>Account No.</u>		
	<b>Rent Revenue</b>	
5195	Lease revenue (nursing home)	\$ 612,044
5100T	<b>Total Rent Revenue</b>	<u>612,044</u>
	<b>Financial Revenue</b>	
5410	Revenue from investments - money market	1,610
5440	Revenue from investments - replacement reserve	<u>334</u>
5400T	<b>Total Financial Revenue</b>	<u>1,944</u>
5000T	<b>Total Revenue</b>	<u>613,988</u>
	<b>Administrative Expenses</b>	
6350	Audit expense	11,445
6390	Miscellaneous administrative expenses	<u>467</u>
6263T	<b>Total Administrative Expenses</b>	<u>11,912</u>
	<b>Taxes and Insurance</b>	
6710	Real estate taxes	54,706
6720	Property and liability insurance (hazard)	<u>7,152</u>
6700T	<b>Total Taxes and Insurance</b>	<u>61,858</u>
	<b>Financial Expenses</b>	
6820	Interest on first mortgage payable	351,360
6850	Mortgage insurance premium/service charge	<u>67,206</u>
6800T	<b>Total Financial Expenses</b>	<u>418,566</u>
6000T	<b>Total Cost of Operations Before Depreciation</b>	<u>492,336</u>
5060T	<b>Profit Before Depreciation</b>	121,652
6600	<b>Depreciation Expenses</b>	<u>353,388</u>
5060N	<b>Operating Loss</b>	<u>(231,736)</u>
3250	<b>Net Loss</b>	<u><u>\$ (231,736)</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**PROFIT AND LOSS DATA (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<b>Account No.</b>		
	<b>Profit and Loss Data Part II</b>	
S1000-010	Total Mortgage (or Bond) Principal Payments Required During the Audit Year	<u>\$ 150,045</u>
S1000-020	Total of 12 Monthly Deposits into the Replacement Reserve in Accordance with the Regulatory Agreement Even if Payments May Be Temporarily Suspended or Reduced	<u>\$ 74,245</u>
S1000-030	Replacement Reserve Amounts Released Included as Expense Items on this Profit and Loss Statement	<u>\$ --</u>
S1000-040	Project Improvement Reserve Releases Under the Flexible Subsidy Program that are Included as Expense Items on this Profit and Loss Statement	<u>\$ --</u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**EQUITY DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<u>Account No.</u>		
S1100-010	<b>Partners' Deficit</b> - Beginning of Year	\$ (4,025,402)
3250	Net loss	<u>(231,736)</u>
3130	<b>Partners' Deficit</b> - End of Year	<u><u>\$ (4,257,138)</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**CASH FLOW DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Account No.</b>		
	<b>Cash Flows from Operating Activities</b>	
S1200-010	Rental receipts	\$ 612,044
S1200-020	Interest receipts	<u>1,944</u>
S1200-040	Total Receipts	<u>613,988</u>
S1200-050	Administrative	(10,067)
S1200-120	Real estate taxes	(54,706)
S1200-140	Property insurance	(7,005)
S1200-180	Interest on first mortgage	(338,257)
S1200-210	Mortgage insurance premium (MIP)	<u>(67,206)</u>
S1200-230	Total Disbursements	<u>(477,241)</u>
S1200-240	<b>Net Cash Provided by Operating Activities</b>	<u>136,747</u>
	<b>Cash Flows from Investing Activities</b>	
S1200-245	Net withdrawals from the mortgage escrow accounts	5,175
S1200-250	Net deposits to reserve for replacement account	<u>(74,579)</u>
S1200-350	<b>Net Cash Used in Investing Activities</b>	<u>(69,404)</u>
	<b>Cash Flows from Financing Activities</b>	
S1200-360	Principal payments - first mortgage	(150,045)
S1200-450	Net payments to related parties for replacement reserves	<u>74,244</u>
S1200-460	<b>Net Cash Used in Financing Activities</b>	<u>(75,801)</u>
S1200-470	<b>Net Change in Cash and Cash Equivalents</b>	(8,458)
S1200-480	<b>Cash and Cash Equivalents - Beginning of year</b>	<u>175,803</u>
S1200T	<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 167,345</u></u>

*See independent auditors' report.*



**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**CASH FLOW DATA (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<b>Account No.</b>		
	<b>Reconciliation of Net Loss to Cash Provided by Operating Activities</b>	
3250	Net loss	\$ (231,736)
	Adjustment to reconcile net loss to net cash provided by operating activities:	
6600	Depreciation expense	353,388
S1200-486	Amortization expense	13,587
	Changes in:	
S1200-520	Prepaid expenses	147
S1200-560	Accrued expenses	1,845
S1200-570	Accrued interest payable	<u>(484)</u>
S1200-610	<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 136,747</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**RESERVE ACCOUNTS DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<u>Account No.</u>		
	<b>Schedule of Reserve for Replacements</b>	
1320P	<b>Balance</b> - December 31, 2021	\$ 246,987
1320DT	Total monthly deposits	74,245
1320WT	Approved withdrawals	--
1320INT	Interest on replacement reserve accounts	<u>334</u>
1320	<b>Balance</b> - December 31, 2022	<u><u>\$ 321,566</u></u>
1320R	<b>Deposits Suspended or Waived Indicator</b>	<u><u>No</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**SURPLUS CASH DATA**

**DECEMBER 31, 2022 AND JUNE 30, 2022**

<u>Account No.</u>		
	<b>Surplus Cash, Distributions, and Residual Receipts as of December 31, 2022</b>	
S1300-010	Cash	\$ 167,345
S1300-040	<b>Total Cash</b>	<u>167,345</u>
S1300-050	Accrued mortgage interest payable	27,924
S1300-100	Accrued expenses (not escrowed)	<u>9,720</u>
S1300-140	<b>Total Current Obligations</b>	<u>37,644</u>
S1300-150	<b>Surplus Cash</b>	<u><u>\$ 129,701</u></u>
S1300-200	<b>Amount Available for Distribution During Next Fiscal Period</b>	<u><u>\$ 129,701</u></u>
	<b>Surplus Cash, Distributions, and Residual Receipts as of June 30, 2022</b>	
S1400-010	Cash	\$ 168,199
S1400-050	<b>Total Cash</b>	<u>168,199</u>
S1400-060	Accrued mortgage interest payable	<u>28,169</u>
S1400-180	<b>Total Current Obligations</b>	<u>28,169</u>
S1400-190	<b>Surplus Cash</b>	<u><u>\$ 140,030</u></u>
S1400-240	<b>Amount Available for Distribution During Next Fiscal Period</b>	<u><u>\$ 140,030</u></u>

*See independent auditors' report.*

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**

**FIXED ASSET DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

<u>Account No.</u>		
	<b>Schedule of Changes in Fixed Asset Accounts for the Year Ended December 31, 2022</b>	
1410P	Beginning balance for 1410	\$ 81,037
1410	Land	<u>81,037</u>
1420P	Beginning balance for 1420	<u>9,367,765</u>
1420	Buildings and improvements	<u>9,367,765</u>
1440P	Beginning balance for 1440	<u>494,451</u>
1440	Building equipment (portable)	<u>494,451</u>
1400PT	Total beginning balance fixed assets	<u>9,943,253</u>
1400T	Total fixed assets	<u>9,943,253</u>
1495P	Beginning balance for 1495	(5,113,728)
6600	Total provisions	<u>353,388</u>
1495	Ending balance for accumulated depreciation	<u>(5,467,116)</u>
1400N	<b>Total Net Book Value</b>	<u><u>\$ 4,476,137</u></u>

*See independent auditors' report.*

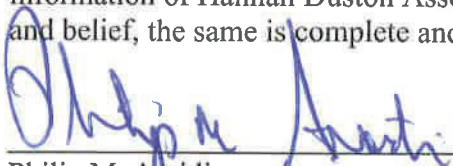
**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**MORTGAGOR'S CERTIFICATION**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

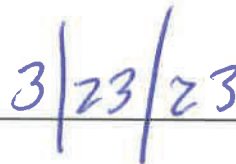
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I hereby certify that I have examined the accompanying financial statements and supplemental information of Hannah Duston Associates Limited Partnership, and, to the best of my knowledge and belief, the same is complete and accurate.



Philip M. Arcidi  
For the General Partners  
Phone No. 978-556-5858  
EIN: 04-3209147

Date



*See independent auditors' report.*

**INDEPENDENT AUDITORS' 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 Partners

**Hannah Duston Associates Limited Partnership**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hannah Duston Associates Limited Partnership (the Project), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) as a basis for designing 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 the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Project'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*.

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

*Marcum LLP*

Hartford, CT  
March 23, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED AUDIT  
GUIDE FOR AUDITS OF HUD PROGRAMS***

To the Partners  
**Hannah Duston Associates Limited Partnership**

***Report on Compliance for Major HUD Program***

We have audited the Hannah Duston Associates Limited Partnership's (the Project) 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 Project's major U.S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2022. The Project's major HUD program and the related direct and material compliance requirements are as follows:

<b>Name of Major HUD Program</b>	<b>Direct and Material Compliance Requirements</b>
FHA Section 232 Mortgage Insurance	Federal financial reports; fair housing and non-discrimination; mortgage status; replacement reserve; distributions to owners; equity skimming; cash receipts; cash disbursements; management functions; unauthorized change of ownership/ acquisition of liabilities; unauthorized loans of project funds; leased nursing homes

In our opinion, the Project complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended December 31, 2022.

***Basis for Opinion on 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 Project and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for its major HUD program. Our audit does not provide a legal determination of the Project's compliance.

### ***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, regulations, rules and provisions of contracts or and grant agreements applicable to its HUD programs.

### ***Auditors' 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 express an opinion on the Project'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 Project's compliance with the requirements of its 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 Project's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Project'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 Project'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 Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of 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.

*Marcum LLP*

Hartford, CT  
March 23, 2023

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**CURRENT YEAR FINDINGS**

Our audit disclosed no findings that are required to be reported herein under the *HUD Consolidated Audit Guide*.

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED  
COSTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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Audit Report, dated March 16, 2022, for the year ended December 31, 2021, issued by Marcum LLP.

1. There were no findings in the prior year.
2. There were no reports issued by the HUD OIG or other federal agencies or contract administrators during the period covered by the audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURE**

To the Partners

**Hannah Duston Associates Limited Partnership**

We have performed the procedure described in the third paragraph of this report on the electronically submitted information that was included with the related hard copy documents within the audit reporting package. Hannah Duston Associates Limited Partnership (the Project) is responsible for the accuracy and completeness of the electronic submission.

The Project and the U.S. Department of Housing and Urban Development (HUD), Real Estate Assessment Center (REAC) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether the electronically submitted information agrees with the related hard copy documents within the audit reporting package. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

We compared the electronically submitted information identified in the "UFRS Rule Information" column of the chart/matrix on the attachment to this report with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedures indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Project to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronically submitted information identified in the "UFRS Rule Information" column of the chart/matrix on the attachment to this report agrees with the related hard copy documents within the reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We were engaged to perform an audit in accordance with the *Consolidated Audit Guide for Audits of HUD Programs* by the Project as of and for the year ending December 31, 2022, and have issued our reports thereon dated March 23, 2023. The information in the “Hard Copy Documents” column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated March 23, 2023, was expressed in relation to the basic financial statements of the Project taken as a whole.

A copy of the reporting package, required by the *Consolidated Audit Guide for Audits of HUD Programs*, which includes the auditors’ reports, is available in its entirety from the Project. 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 indented solely for the information and use of the Project and 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.

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

Hartford, CT  
March 23, 2023

**HANNAH DUSTON ASSOCIATES LIMITED PARTNERSHIP**  
**HUD PROJECT NUMBER 023-43331**

**ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURE**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<b>Procedure</b>	<b>UFRS Rule Information</b>	<b>Hard Copy Documents</b>
1	Balance Sheet, Revenue and Expense, Equity, and Cash Flow Data	Supplemental Data (i.e. Balance Sheet, Revenue and Expenses, Equity, and Cash Flows
2	Computation of Surplus Cash, Distributions and Residual Receipts	Computation of Surplus Cash, Distributions and Residual Receipts.
3	Footnotes to the Financial Statements	Footnotes to the Financial Statements
4	Auditor opinions on the financial statements, supplemental data, and reports on compliance and internal controls	Auditor opinions on the financial statements, supplemental data, and reports on compliance and internal controls
5	Schedule of Findings and Questioned Costs	Schedule of Findings and Questioned Costs