

January 31, 2022

Matt Wachter  
Burr Oaks Senior Housing, LLC  
c/o CDA of the City of Madison  
215 Martin Luther King Jr. Blvd #161  
Madison , WI 53703

Curt Peerenboom  
c/o Horizon Management Services, Inc.  
5201 East Terrace Drive, Suite 300  
Madison, WI 53718

This letter includes a brief summary of our responsibilities regarding considerations of fraud and internal control in the performance of our audit engagement. In addition, this letter summarizes certain matters required to be communicated to you under professional standards in your oversight responsibilities for the entity's financial reporting process.

Financial information presented in this letter was derived from the entity's financial statements which were audited by us, and such financial information should be read in conjunction with those financial statements and our report thereon.

## **REQUIRED COMMUNICATIONS**

Professional standards require that we provide you with certain information related to our audit. These Required Communications are attached to this letter.

## **CONSIDERATION OF INTERNAL CONTROL AND FRAUD**

### Fraud Considerations

As described in our engagement letter, we planned and performed our audit to obtain reasonable assurance about whether the financial statements were free of material misstatements, whether from errors, fraudulent reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

An audit is not designed to provide absolute assurance, and because we do not perform a detailed testing of all transactions, there is a risk that material misstatements may exist and not be detected by us. An audit is also not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

#### Internal Control Considerations

As described in our engagement letter, our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify deficiencies in internal control, that is, significant deficiencies in the design or operation of internal control. However, we would communicate to you internal control matters that are required to be communicated under professional standards. Our findings are presented in the Internal Control Communication attached to this letter.

#### **CONCLUSION**

We would like to thank you and your employees for the assistance provided to us in the performance of our engagement. We hope we have provided you with valuable information during the course of our engagement.

This information is intended solely for the information and use of management, the members, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



**Douglas K. Berry, CPA, CGMA**

*Principal*

(608) 826-2225 | [berryd@sva.com](mailto:berryd@sva.com)

## REQUIRED COMMUNICATIONS

We have audited the financial statements of Burr Oaks Senior Housing, LLC for the year ended December 31, 2021, and have issued our report thereon dated January 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 27, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### SIGNIFICANT AUDIT MATTERS

#### Qualitative Aspects of Accounting Practices

##### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burr Oaks Senior Housing, LLC are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting Estimates*

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

Management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, are based on historical factors and industry practice. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.

##### *Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of the Land Use Restriction Agreement and the HOME Program Agreement in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### Significant Unusual Transactions

There were no significant unusual transactions identified during the course of our audit.

### Difficulties Encountered in Performing the Audit

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

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letters dated January 31, 2022. Copies of these signed representation letters are attached.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

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

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles; the method of preparing it has not changed from the prior period; and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **INTERNAL CONTROL COMMUNICATION**

In planning and performing our audit of the financial statements of Burr Oaks Senior Housing, LLC as of and for the year ended December 31, 2021 in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing auditing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, members, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

**SIGNED MANAGEMENT REPRESENTATION LETTERS**

SVA Certified Public Accountants, S.C.  
P.O. Box 44966  
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Burr Oaks Senior Housing, LLC which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity, and cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

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

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 28, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. In that regard, the measurement process used in determining accounting estimates is appropriate and consistent; and the assumptions used appropriately reflect our intent and ability to carry out specific courses of action; the disclosures related to accounting estimates are complete and appropriate.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
11. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements have been properly disclosed.
13. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles have been properly disclosed.
14. All liabilities which are subordinated to any other actual or possible liabilities of Burr Oaks Senior Housing, LLC have been properly disclosed.
15. All leases and material amounts of rental obligations under long-term leases have been properly disclosed.
16. Burr Oaks Senior Housing, LLC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
17. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

### **Information Provided**

18. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters. Among other things, relevant information may include completeness and availability of all minutes of the meetings of the members, or summaries of actions of recent meetings for which minutes have not yet been

- prepared as well as communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
19. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  21. We have no knowledge of any fraud or suspected fraud that affects Burr Oaks Senior Housing, LLC and involves:
    - a. Management
    - b. Employees who have significant roles in internal control, or
    - c. Others where the fraud could have a material effect on the financial statements.
  22. We have no knowledge of any allegations of fraud or suspected fraud affecting Burr Oaks Senior Housing, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.
  23. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
  24. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  25. We have disclosed to you the names of all of the entity's related parties and all the related party relationships and transactions, including any side agreements.
  26. Except as made known to you and disclosed in the notes to the financial statements, the entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  27. Burr Oaks Senior Housing, LLC does not have any Variable Interest Entities as of December 31, 2021 and 2020 that will require disclosure or consolidation as a result of adopting the provisions of U.S.GAAP.

28. We acknowledge our responsibility for presenting the supplementary schedules of other revenue and expenses (supplementary schedules) in accordance with U.S. GAAP, and we believe the supplementary schedules, including their form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
29. In regard to the following services performed by you: assist with preparation of the financial statements and related notes and tax return preparation, we have—
  - a. Assumed all management responsibilities.
  - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.
30. We have managed this entity in compliance with:
  - a. Section 42 requirements.
  - b. Land Use Restriction Agreement.
  - c. HOME Program Agreement.
  - d. Mortgage and other long-term debt arrangements.
31. We are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.
32. As managing member of Burr Oaks Senior Housing, LLC, I hereby certify that for the period from January 1, 2021 through the date of this letter except as disclosed to you, there have been no:
  - a. Amendments to the operating agreement.
  - b. Sales or purchases of membership interests.
  - c. Acquisitions of other properties.

- d. Changes in managing member.
- e. New employment and other contracts with the members.
- f. Company guarantees of the obligations of others.
- g. The pledging of Burr Oaks Senior Housing, LLC's assets and/or revenue as collateral for the obligations of others.
- h. Authorization for the members to borrow funds for Burr Oaks Senior Housing, LLC, to enter into restrictive covenants on behalf of Burr Oaks Senior Housing, LLC, and to pledge Burr Oaks Senior Housing, LLC's assets and/or revenue as collateral for the loans.
- i. Distributions to the members.
- j. Amendments to or new management contracts.
- k. Refinancing of long-term debt.
- l. Matters that would have a significant effect on the financial statements for the years ended December 31, 2021 and 2020.

The above representations related to your audits are made to you as of January 31, 2022, the date of your audit report.

Sincerely,

Burr Oaks Senior Housing, LLC

*Matthew Wachter*

Matthew Wachter, Executive Director  
Community Development Authority of the City of Madison, Managing Member

SVA Certified Public Accountants, S.C.  
P.O. Box 44966  
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Burr Oaks Senior Housing, LLC which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity, and cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

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

### **Financial Statements**

1. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. In that regard, the measurement process used in determining accounting estimates is appropriate and consistent; and the assumptions used appropriately reflect our intent and ability to carry out specific courses of action; the disclosures related to accounting estimates are complete and appropriate.
5. As management agent, all related party relationships and transactions of which we are aware have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
10. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters. Among other things, relevant information may include communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects Burr Oaks Senior Housing, LLC and involves:
  - a. Management
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting Burr Oaks Senior Housing, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.
16. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
18. We acknowledge that you have orally communicated to us certain deficiencies in internal control that were not considered significant and certain other matters.
19. We acknowledge our responsibility for presenting the supplementary schedules of other revenue and expenses (supplementary schedules) in accordance with U.S. GAAP, and we believe the supplementary schedules, including their form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
20. In regard to the following services performed by you: assist with preparation of the financial statements and related notes, we have—
  - a. Assumed all management responsibilities.
  - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.
21. We have managed this entity in compliance with:
  - a. Section 42 requirements.
  - b. Land Use Restriction Agreement.
  - c. HOME Program Agreement
  - d. Mortgage and other long-term debt arrangements.

22. As management agent, we are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.

The above representations related to your audits are made to you as of January 31, 2022, the date of your audit report.

Sincerely,

Horizon Management Services, Inc., Management Agent for Burr Oaks Senior Housing, LLC



Curt Peerenboom, CFO