

Internal Audit Division
City of Greensboro

August 26, 2015

TO: Barbara Harris, Director of Neighborhood Development
FROM: Internal Audit Division
SUBJECT: Trinity Building Corporation 2013-2014
(No Response Required)

The Internal Audit Division has performed our compliance review for the year ended December 31, 2014 of Trinity Building Corporation ("Borrower"). This property received a non-interest bearing loan in the amount of \$70,000 provided by the City of Greensboro ("City") to help in the rehabilitation of 152 apartments located at Carrieland Drive, Fairbrother Street and Tillman Avenue. These units are called Trinity Gardens Apartments and are rented to families or individuals based upon their ability to pay. Effective June 1, 2013, Multifamily Select, Incorporated became the management company for Trinity Gardens Apartments.

In accordance with the written loan agreement, annual payments on the \$70,000 non-interest bearing loan shall commence on April 1, 2000, and shall be equal to fifty percent (50%) of the Residual Receipts, as defined in the Regulatory Agreement dated September 27, 1973, and determined in accordance with HUD procedures and recorded in the annual audit computation of surplus cash. All payments shall be applied first to accrued interest and then to unpaid principal. Based on the surplus cash computation for fiscal year ended December 31, 2014, there was no payment due.

As noted in Note C of the audited financial statements for fiscal year ended December 31, 2014, the Borrower obtained a Flexible Subsidy Loan payable to HUD, in the amount of \$1,227,934. The loan accrues interest at a rate of 1% per annum, which is not compounded, and is due upon payment of the loan. The loan was due in full in October 2013. Based on the Borrower's fiscal year ended December 31, 2014 financial statements, we calculated a cash flow of **negative** \$1,400,882. In Note F of the audited financial statements for year ended December 31, 2014, the auditor states: *"The Organization does not have sufficient cash flow to pay off the debt. This factor raises substantial doubt about the Organization's ability to continue as a going concern. During the year, the Organization submitted an application for a rehabilitation loan and subsequent to year-end received a firm commitment from HUD. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern."*

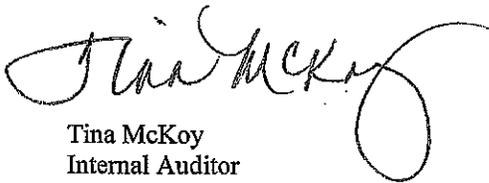
Note G of the audited financial statements for fiscal year ended December 31, 2014 further explained: *"Subsequent to year-end, the Organization received a loan commitment with HUD for additional financing from a 221(d)(4) loan in the amount of \$9,052,600 for rehabilitation of the project. The loan will bear interest at the rate of 3.42% per annum and have a maturity date of 40 years from the date of closing. The Organization is subject to special conditions as outlined in the firm commitment including obtaining deferment of remaining outstanding principal balance on the Flexible Subsidy Loan and modifying the loan terms with the City of Greensboro. These special conditions require satisfaction prior to initial endorsement with HUD."*

The Borrower paid its outstanding loan balance with the City of \$65,003 with check number 50961, dated June 19, 2015.

On July 7, 2015, Ms. Von Patrick, Neighborhood Outreach Specialist for the Planning Department, performed exterior inspections of the buildings. Some repairs were suggested, including: cleaning the gutters on two building, patching the sidewalks at two buildings, and removing writing off the side of one building. A copy of her report was given to the On-site Manager to address before they escalate into costly problems.

We examined selected program documentation maintained by the Borrower for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met.

We would like to thank Ms. Tracy Moseley, On-Site Project Manager of Trinity Gardens Apartments; and the staff of Multifamily Select, Incorporated for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Chris Wilson, Assistant City Manager
Mary Vigue, Assistant City Manager, General Government Results Area
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development
Lucinda Williams, Senior Vice-President, Multifamily Select, Incorporated