

ANNUAL FINANCIAL REPORT
MID-CITY GARDENS APARTMENTS
JUNE 30, 2022

MID-CITY GARDENS APARTMENTS

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INDEPENDENT AUDITOR'S REPORT

September 14, 2022

Louisiana Housing Corporation
Mid-City Gardens Apartments
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mid-City Gardens Apartments as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise Mid-City Gardens Apartments' basic financial statements as listed in the index to report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid-City Gardens Apartments as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mid-City Gardens Apartments, 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.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Mid-City Gardens Apartments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Mid-City Gardens Apartments' 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 Mid-City Gardens Apartments' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, these financial statements include only the activities of Mid-City Gardens Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022, on our consideration of Mid-City Gardens Apartments' 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 the Mid-City Gardens Apartments' 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 Mid-City Gardens Apartments' internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Drake, LLP
New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

The Management's Discussion and Analysis of Mid-City Gardens Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2022. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

FINANCIAL HIGHLIGHTS

- The Complex's net position was \$9,522,645 at June 30, 2022, which represents a 4.8% decrease from last fiscal year. The largest portion of the net position was \$9,500,121 and reflects the Complex's net investment in capital assets (building, furniture, and equipment). The Complex uses these capital assets to provide services to tenants.
- The Complex's operating revenues decreased by \$3,620, or 0.71%, and total expenses increased by \$4,726 or 0.46%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Complex as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by *Government Accounting Standards*.

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets	\$ 43,809	\$ 58,207
Security deposits	13,380	13,594
Utility Deposits	488	488
Capital assets	9,500,121	9,974,449
Total assets	9,557,798	10,046,738
Deferred outflows of resources	2,210	300
Total assets and deferred resources	\$ 9,560,008	\$ 10,047,038
Current liabilities	\$ 14,819	\$ 21,925
Security deposits	13,380	13,594
Total liabilities	28,199	35,519
Deferred inflows of resources	9,164	8,703
Net position		
Net investment in capital assets	9,500,121	9,974,449
Unrestricted	22,524	28,367
Total net position	9,522,645	10,002,816
Total liabilities, deferred inflows of resources and net position	\$ 9,560,008	\$ 10,047,038

CAPITAL ASSETS

At the end of fiscal year 2022, the Complex had \$9,500,121 net investment in capital assets. This amount represents a decrease of \$474,328 since last year resulting from depreciation expense of \$474,328 for the fiscal year. There were no additions or disposals of assets during fiscal year 2022.

NET POSITION

The Complex's net position includes contributions from owner, for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$480,171.

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses
and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 503,262	\$ 506,882
Operating expenses	<u>1,027,272</u>	<u>1,022,546</u>
Operating loss	(524,010)	(515,664)
Non-operating revenue	<u>-</u>	<u>3,375</u>
Change in net position	(524,010)	(512,289)
Net position - beginning of year	10,002,816	10,426,369
Contributions from owner	<u>43,839</u>	<u>88,736</u>
Net position - end of year	<u>\$ 9,522,645</u>	<u>\$ 10,002,816</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels have ranged from 98% at the beginning of the year to 100% at the end of the year, with several months at 100% occupancy. With rental rates being generally aligned with market rates, the management company has made significant improvements in achieving and maintaining current occupancy levels. While management is working towards improving the results from operations, for the Corporation's operating budget for the fiscal year ending June 30, 2023, no "distributions to owner" amounts were included for the Complex.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation
Carlos Dickerson, Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808

MID-CITY GARDENS APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current assets:

Cash on hand and in banks	\$ 33,927
Tenant receivables, net of allowance for doubtful accounts	9,882
Total current assets	43,809

Deposits:

Cash - tenant security deposits	13,380
Utility Deposits	488
Total deposits held in trust	13,868

Capital assets:

Building	14,056,329
Furniture, fixtures, and equipment	248,643
	14,304,972
Less: accumulated depreciation	4,804,851
Net capital assets	9,500,121

TOTAL ASSETS

9,557,798

DEFERRED OUTFLOWS OF RESOURCES

Prepaid expenses	2,210
	2,210

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 9,560,008

LIABILITIES

Current liabilities:

Accounts payable	\$ 9,677
Accrued expenses	5,142
Total current liabilities	14,819

Long term liabilities:

Tenant security deposits	13,380
Total long term liabilities	13,380
Total liabilities	28,199

DEFERRED INFLOWS OF RESOURCES

Advanced rent	9,164
Total deferred inflows of resources	9,164

NET POSITION

Net investment in capital assets	9,500,121
Unrestricted	22,524
Total net position	9,522,645

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 9,560,008

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Rental income	\$ 494,594
Tenant charges	8,668
Total operating revenues	<u>503,262</u>
OPERATING EXPENSES	
Administrative	50,403
Personnel services	141,887
Operating and maintenance	187,649
Utilities	90,428
Depreciation	474,328
Insurance	52,531
Bad debt expense	11,601
Management fees	18,445
Total operating expenses	<u>1,027,272</u>
Operating loss	(524,010)
NET POSITION - Beginning of year	10,002,816
Contributions from owners	<u>43,839</u>
NET POSITION - End of year	<u><u>\$ 9,522,645</u></u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Rental receipts	\$ 503,077
Other receipts	8,668
Tenant security deposits	214
	511,959
Cash paid for:	
Administrative expenses	(50,403)
Personnel services	(141,887)
Operating and maintenance	(194,755)
Utilities	(90,428)
Insurance	(54,441)
Management fees	(18,445)
	(550,359)
Net cash used by operating activities	(38,400)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	43,839
Net cash provided by non-capital financing activities	43,839

Net change in cash	5,439
Cash - beginning of year	28,488
CASH - END OF YEAR	\$ 33,927

RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (524,010)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	474,328
Bad debt	11,601
Changes in operating assets and liabilities:	
Prepaid expenses	(1,910)
Accounts receivable	8,236
Tenant security deposits	214
Accounts payable	(1,354)
Accrued expenses	(5,752)
Lease Receivable	
Deferred lease income	(214)
Advance rent	461
Net cash used by operating activities	\$ (38,400)

See accompanying notes.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NATURE OF ORGANIZATION AND OPERATIONS:

Mid-City Gardens Apartments (the Complex) is a 60-unit apartment complex in East Baton Rouge Parish, Louisiana. The Louisiana Housing Corporation (LHC) acquired the property in 2010 through the foreclosure of a HOME project which LHC funded. The Complex was named Capital City South Apartments at that time. LHC obtained NSP funding through an agreement with the Office of Community Development to rebuild and rename the Complex to Mid-City Gardens. In addition, LHC used approximately \$600,000 of HOME funds for the rebuild initiative. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities and operations of the Louisiana Housing Corporation.

Basis of Accounting:

The Complex is considered a proprietary fund and is presented as a business-type activity. Proprietary fund types are used to account for activities that are similar to those found in the private sector where the determination of operating income and changes in net position is necessary or useful for sound financial administration. The GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting).

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. As of June 30, 2022 there was no allowance for doubtful accounts. Bad debt expense recorded during the year ended June 30, 2022 was \$11,601.

Tenant Security Deposits:

Regulations of LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$2,500. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	30 years
Furniture and equipment	7 years

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Net investment in capital assets - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The Complex has one item that meets the criterion for this category, related to prepaid utilities.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Complex has one item that meets the criterion for this category. Deferred inflows related to advanced rent are included in the financial statements.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Rental Income:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are reported as deferred inflows of resources. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in Baton Rouge, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, cleaning fees, laundry income, vending income, lease termination fees, and trash income.

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2022 was \$9,717.

New Accounting Standard:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This Statement outlines a single model for certain leases based on the foundational principle that leases are financings of the right to use an underlying asset. Other than short term leases, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Complex has analyzed the provisions of GASB Statement No. 87, *Leases*, and has concluded that there are no leasing arrangements which qualify for adjustment or disclosure under the new statement. Therefore, no restatement of prior periods or cumulative effect adjustment recorded in the year of adoption, was considered necessary.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2022, the Complex had cash and cash equivalents (book balances) which were demand deposits at a local financial institution.

The deposit accounts are subject to custodial credit risk; that is, in the event of a bank failure, the funds may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2022, the Complex's demand deposit bank balances totaling \$51,643 were fully covered by FDIC insurance.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Furniture & fixtures	\$ 248,643	\$ -	\$ -	\$ 248,643
Buildings	14,056,329	-	-	14,056,329
	14,304,972	-	-	14,304,972
Accumulated depreciation	(4,330,523)	474,328	-	(4,804,851)
Capital assets, net	<u>\$ 9,974,449</u>	<u>\$ 474,328</u>	<u>\$ -</u>	<u>\$ 9,500,121</u>

Depreciation expense for the year ended June 30, 2022 was \$474,328.

4. LEASES:

The Complex's lease agreements are for apartment rentals and have various start dates with all leases having one-year terms that convert to a month to month basis upon completion of the lease and prior to signing of a new lease. The payment amounts are based on a market rent and adjusted based on individual tenants' needs. The cost and carrying value of the lease property is \$14,056,329. Future minimum lease revenue as of June 30, 2022 is \$209,861 and is anticipated to be collected in the next fiscal year.

5. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$1,800 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through December 31, 2022. For the year ended June 30, 2022, there was \$18,445 in management fees incurred.

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multi-family real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including additional

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS: (Continued)

administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to the issued, September 14, 2022.



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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

September 14, 2022

To the Board of Directors of
Louisiana Housing Corporation
Mid-City Gardens Apartments
Baton Rouge, Louisiana

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 Mid-City Gardens Apartments, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mid-City Gardens Apartments' basic financial statements, and have issued our report thereon dated September 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-City Gardens Apartments' 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 Mid-City Gardens Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-City Gardens Apartments' internal control.

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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 Mid-City Gardens Apartments' 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 considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-City Gardens Apartments' financial statements are free from material misstatements, 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 results 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Sharpness, Hogan and Skater, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Mid-City Gardens Apartments for the year ended June 30, 2022 was unmodified.

2. Internal Control

Material weaknesses: none noted
Significant deficiencies: none noted

3. Compliance

None noted

4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

None noted.

SUMMARY OF PRIOR YEAR FINDINGS:

None noted.

ANNUAL FINANCIAL REPORT
VILLAGE DE JARDIN APARTMENTS
JUNE 30, 2022

VILLAGE DE JARDIN APARTMENTS

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INDEPENDENT AUDITOR'S REPORT

September 14, 2022

Louisiana Housing Corporation
Village de Jardin Apartments
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Village de Jardin Apartments as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Village de Jardin Apartments' basic financial statements as listed in the index to report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Village de Jardin Apartments as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Village de Jardin Apartments, 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.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Village de Jardin Apartments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Village de Jardin Apartments' 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 Village de Jardin Apartments' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, these financial statements include only the activities of Village de Jardin Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022, on our consideration of Village de Jardin Apartments' 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 the Village de Jardin Apartments' 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 Village de Jardin Apartments' internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Parker, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

The Management's Discussion and Analysis of Village de Jardin Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2022. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

FINANCIAL HIGHLIGHTS

- The Complex's net position was \$37,922,296 at June 30, 2022, which represents a 3% decrease from last fiscal year. The largest portion of the net position was \$37,048,178 and reflects the Complex's net investment in capital assets (building, furniture, and equipment). The Complex uses these capital assets to provide services to tenants.
- The Complex's operating revenues decreased by \$25,069, or 1.3%, operating expenses decreased by \$50,044, or 1.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Complex as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by *Government Accounting Standards*.

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets	\$ 915,063	\$ 800,333
Security deposits	57,800	58,100
Capital assets (net)	37,048,178	38,293,495
Total assets	<u>38,021,041</u>	<u>39,151,928</u>
Deferred outflows of resources	<u>29,585</u>	<u>3,296</u>
Total assets and deferred outflows of resources	<u>\$ 38,050,626</u>	<u>\$ 39,155,224</u>
Current liabilities	\$ 63,071	\$ 91,319
Security deposits	57,800	58,100
Total liabilities	<u>120,871</u>	<u>149,419</u>
Deferred inflows of resources	<u>7,459</u>	<u>5,283</u>
Net position		
Net investment in capital assets	37,048,178	38,293,495
Unrestricted	874,118	707,027
Total net position	<u>37,922,296</u>	<u>39,000,522</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 38,050,626</u>	<u>\$ 39,155,224</u>

CAPITAL ASSETS

At the end of fiscal year 2022, the Complex had \$37,048,178 net investment in capital assets. This amount represents a decrease of \$1,245,316 since last year resulting from depreciation expense. There were no additions or disposals of assets during fiscal year 2022.

NET POSITION

The Complex's net position includes contributions from owner for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$1,078,226.

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 1,978,035	\$ 2,003,104
Operating expenses	2,814,082	2,864,126
Operating loss	<u>(836,047)</u>	<u>(861,022)</u>
Non-operating revenue	83,499	-
Non-operating expenses	9,214	-
Non operating gain	<u>74,285</u>	<u>-</u>
Change in net position	(761,762)	(861,022)
Net position - beginning of year	39,000,522	40,233,650
Contributions from owner	154,987	142,358
Distributions to owner	<u>(471,451)</u>	<u>(514,464)</u>
Net position - end of year	<u>\$ 37,922,296</u>	<u>\$ 39,000,522</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 99% over the fiscal year ended June 30, 2022. Management remains steadfast to maintaining the occupancy levels for the complex, and thus keeping corresponding rental receipts at a consistent level. Continued development of the surrounding New Orleans area infrastructure and owner involvement should provide for maintaining a high occupancy rate, along with a high level of operating revenues. Average rents in the New Orleans area decreased by only .7% over last year, which means affordable housing is still a necessity in the area. Management expects that the results from operations for the fiscal year ending June 30, 2023, will provide for owner distributions near current levels.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation
Carlos Dickerson, Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS:

Current assets:

Cash on hand and in banks	\$ 906,266
Tenant receivables, net of allowance for doubtful accounts	8,797
Total current assets	915,063

Deposits:

Cash - tenant security deposits	57,800
Total deposits held in trust	57,800

Capital assets:

Building	49,812,674
Furniture, fixtures, and equipment	191,911
	50,004,585
Less accumulated depreciation	12,956,407
Net capital assets	37,048,178

TOTAL ASSETS 38,021,041

DEFERRED OUTFLOWS OF RESOURCES:

Prepaid expenses	29,585
	29,585

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 38,050,626

LIABILITIES:

Current liabilities:

Accounts payable	\$ 33,393
Accrued expenses	29,678
Total current liabilities	63,071

Long term liabilities:

Tenant security deposits	57,800
Total long term liabilities	57,800

TOTAL LIABILITIES 120,871

DEFERRED INFLOWS OF RESOURCES:

Advanced rent	7,459
Total deferred inflows of resources	7,459

NET POSITION:

Net investment in capital assets	37,048,178
Unrestricted - board designated	695,895
Unrestricted	178,223
Total net position	37,922,296

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION \$ 38,050,626

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES:

Rental income	\$ 1,958,525
Tenant charges	19,510
Total operating revenues	1,978,035

OPERATING EXPENSES:

Administrative	67,067
Personnel services	289,699
Operating and maintenance	475,404
Utilities	477,510
Depreciation	1,245,316
Insurance	165,835
Bad debt expense	4,301
Management fees	88,950
Total operating expenses	2,814,082

Operating Loss	(836,047)
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Non operating Revenues

Misc. Income	493
Claim Reimbursement	83,006
Total Non operating revenues	83,499

Non operating Expenses

Hurricane-Flood	5,500
Hurricane-Wind	3,714
Total Non Operating expenses	9,214

Change in net position	(761,762)
------------------------	-----------

NET POSITION - Beginning of year	39,000,522
----------------------------------	------------

Contributions from owner	154,987
--------------------------	---------

Distributions to owner	(471,451)
------------------------	-----------

NET POSITION - End of year	\$ 37,922,296
----------------------------	---------------

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from:	
Rental receipts	\$ 1,980,456
Other receipts	19,510
	1,999,966
Cash paid for:	
Administrative expenses	(67,067)
Personnel services	(308,434)
Operating and maintenance	(503,652)
Utilities	(503,799)
Insurance	(165,835)
Management fees	(70,212)
	(1,618,999)
Net cash provided by operating activities	380,967

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from insurance	83,497
Building repairs	(9,214)
Net cash provided by capital financing activities	74,283

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Contributions from owner	154,987
Distributions to owner	(471,451)
Net cash used in non-capital financing activities	(316,464)

Net change in cash	138,786
Cash - Beginning of year	767,480
CASH - END OF YEAR	\$ 906,266

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (836,047)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,245,316
Bad debt	4,304
Changes in operating assets and liabilities:	
Accounts receivable	19,755
Prepaid expenses	(26,289)
Accounts payable	13,683
Accrued expenses	(41,931)
Advanced rent	2,176
Net cash provided by operating activities	\$ 380,967

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NATURE OF ORGANIZATION AND OPERATIONS:

Village de Jardin Apartments (the Complex) is a 224-unit apartment complex in New Orleans, Louisiana. The Complex was purchased on October 1, 1995, by the Louisiana Housing Corporation (LHC or the owner), the successor to the Louisiana Housing Finance Agency, at a cost of \$1 under the U.S. Department of Housing and Urban Development's Property Disposition Program. Under the terms of the purchase agreement, the owner is bound by certain use restrictions of the apartment complex, which primarily relate to low income housing. The Complex suffered significant damage in 2005 as a result of Hurricane Katrina and underwent renovations. The Complex resumed operations in April 2012. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities, and operations of the Louisiana Housing Corporation.

Basis of Accounting:

The Complex is considered a proprietary fund and is presented as a business-type activity. Proprietary fund types are used to account for activities that are similar to those found in the private sector where the determination of operating income and changes in net position is necessary or useful for sound financial administration. The GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting).

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly-liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. Allowance for doubtful accounts for the year ended June 30, 2022 was \$-0-. Bad debt expense recorded during the year ended June 30, 2022 was \$4,301.

Tenant Security Deposits:

Regulations of the LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$5,000. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	5 years

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Net investment in capital assets - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The Complex has one item that meets the criterion for this category, related to prepaid utilities.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Complex has one item that meets the criterion for this category. Deferred inflows related to advanced rent are included in the financial statements.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Rental Income:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are reported as deferred inflows of resources. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in New Orleans, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, application fees, cleaning fees, pet fees, laundry income, cable television income, and vending income.

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2022, was \$6,176.

New Accounting Standard:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This Statement outlines a single model for certain leases based on the foundational principle that leases are financings of the right to use an underlying asset. Other than short term leases, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Complex has analyzed the provisions of GASB Statement No. 87, *Leases*, and has concluded that there are no leasing arrangements which qualify for adjustment or disclosure under the new statement. Therefore, no restatement of prior periods or cumulative effect adjustment recorded in the year of adoption, was considered necessary.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2022, the Complex had cash and cash equivalents which were demand deposits at a local financial institution.

The deposit accounts are subject to custodial credit risk; that is, in the event of a bank failure, the funds may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. CASH AND CASH EQUIVALENTS: (Continued)

The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2022, the Complex's demand deposits (bank balances) totaling \$1,059,927 were fully covered by FDIC insurance and pledged securities collateral.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Furniture & fixtures	\$ 182,019	\$ -	\$ -	\$ 182,019
Buildings	49,812,674	-	-	49,812,674
Equipment	9,892	-	-	9,892
	50,004,585	-	-	50,004,585
Accumulated depreciation	(11,711,090)	(1,245,316)	-	(12,956,407)
Capital assets, net	<u>\$ 38,293,495</u>	<u>\$ (1,245,316)</u>	<u>\$ -</u>	<u>\$ 37,048,178</u>

Depreciation expense for the year ended June 30, 2022 was \$1,245,316.

4. LEASES:

The Complex's lease agreements are with tenants and have various start dates with all leases having one-year terms that converts to a month-month basis upon completion of lease term and prior to signing a new lease. The payment amounts are based on a market rent and adjusted based on individual tenants' needs. The cost and carrying amount of the leased property is \$49,812,674 and \$37,048,178 respectively. Future minimum lease revenue as of June 30, 2022 is \$722,855 and is anticipated to be collected in the following year.

5. MANAGEMENT FEES:

The Complex has a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$6,720 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through December 31, 2022. For the year ended June 30, 2022, there was \$88,950 in management fees incurred.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multi-family real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

7. UNRESTRICTED – BOARD DESIGNATED:

Although not required by an agreement or external sources, the board considered best practice to designate funds for insurance and capital replacement. The funds designated each year are \$250 per unit per year, or \$56,000 annually. The balance in the board designated net assets as of June 30, 2022 is \$695,895.

8. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 14, 2021.



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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

September 14, 2022

To the Board of Directors of
Louisiana Housing Corporation
Village de Jardin Apartments
Baton Rouge, Louisiana

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 Village de Jardin Apartments, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Village de Jardin Apartments' basic financial statements, and have issued our report thereon dated September 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village de Jardin Apartments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village de Jardin Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Village de Jardin Apartments' internal control.

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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 Village de Jardin Apartments' 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Chapman, Hogan and Drake, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Village de Jardin Apartments for the year ended June 30, 2022 was unmodified.

2. Internal Control

Material weaknesses: None noted
Significant deficiencies: None noted

3. Compliance

None noted

4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

None noted

SUMMARY OF PRIOR YEAR FINDINGS:

None noted

ANNUAL FINANCIAL REPORT
WILLOWBROOK APARTMENTS
JUNE 30, 2022

WILLOWBROOK APARTMENTS

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INDEPENDENT AUDITOR'S REPORT

September 14, 2022

Louisiana Housing Corporation
Willowbrook Apartments
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Willowbrook Apartments as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willowbrook Apartments as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Willowbrook Apartments, 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 opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Willowbrook Apartments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Willowbrook Apartments' 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 Willowbrook Apartments' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, these financial statements include only the activities of Willowbrook Apartments and are not intended to present fairly the combined financial position, combined results of operations or combined cash flows of the Louisiana Housing Corporation in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022, on our consideration of Willowbrook Apartments' 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 the Willowbrook Apartments' 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 Willowbrook Apartments' internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Parker, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

The Management's Discussion and Analysis of Willowbrook Apartments' (the Complex) financial performance presents a narrative overview and analysis of the Complex's financial activities for the year ended June 30, 2022. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Complex's financial statements.

FINANCIAL HIGHLIGHTS

- The Complex's net position was \$19,979,899 at June 30, 2022, which represents a 6% decrease from last fiscal year. The largest portion of the net position was \$18,039,973 which reflects the Complex's net investment in capital assets (building, furniture, equipment, and sitework). The Complex uses these capital assets to provide services to tenants.
- The Complex's total operating revenues decreased by \$63,290, or 2%, and total operating expenses increased by \$106,086, or 3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Complex's basic financial statements. These financial statements consist of two sections - Management's Discussion and Analysis (this section) and basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Complex as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Complex is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Complex's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Complex's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by *Government Accounting Standards*.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,126,124	\$ 2,098,149
Security deposits	134,599	127,324
Capital assets (net)	<u>18,039,973</u>	<u>19,201,069</u>
Total assets	<u>20,300,696</u>	<u>21,426,542</u>
Deferred outflows of resources	<u>49,337</u>	<u>3,791</u>
Total assets and deferred outflows	<u>\$ 20,350,033</u>	<u>\$ 21,430,333</u>
Current liabilities	\$ 182,764	\$ 100,598
Security deposits	<u>134,403</u>	<u>127,414</u>
Total liabilities	<u>317,167</u>	<u>228,012</u>
Deferred inflows of resources	<u>52,967</u>	<u>30,854</u>
Net position		
Net investment in capital assets	18,039,973	19,201,069
Unrestricted	<u>1,939,926</u>	<u>1,970,398</u>
Total net position	<u>19,979,899</u>	<u>21,171,467</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,350,033</u>	<u>\$ 21,430,333</u>

CAPITAL ASSETS

At the end of fiscal year 2022, the Complex had \$18,039,973 net investment in capital assets. This amount represents a decrease of \$1,161,096 since last year resulting from depreciation expense of \$1,161,096 for the current fiscal year. There were no additions or disposals of assets during fiscal year 2022.

NET POSITION

The Complex's net position includes contributions from owner for capital assets and operational revenues and expenses. The Complex's net position decreased from the prior year by \$1,191,568.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 3,651,963	\$ 3,715,253
Operating expenses	4,309,529	4,203,443
Operating loss	<u>(657,566)</u>	<u>(488,190)</u>
Non-operating revenue	1,849	4,372
Non-operating expenses	<u>(308,509)</u>	<u>-</u>
Non-operating income (loss)	(306,660)	4,372
Change in net position	(964,226)	(483,818)
Net position - beginning of year	21,171,467	22,202,496
Contributions from owner	149,173	137,016
Distributions to owner	<u>(376,515)</u>	<u>(684,227)</u>
Net position - end of year	<u>\$ 19,979,899</u>	<u>\$ 21,171,467</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 97% over the fiscal year ended June 30, 2022. Management remains steadfast to maintaining the occupancy levels for the complex, and thus keeping corresponding rental receipts at a consistent level. Continued development of the surrounding New Orleans area infrastructure and owner involvement should provide for maintaining a high occupancy rate, along with a high level of operating revenues. Average rents in the New Orleans area decreased by only .7% over last year, which means affordable housing is still a necessity in the area. Management expects that the results from operations for the fiscal year ending June 30, 2023, will provide for owner distributions near current levels.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Louisiana Housing Corporation
Carlos Dickerson, Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808

WILLOWBROOK APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS:	
Cash on hand and in banks	\$ 2,052,122
Tenant receivables, net of allowance for doubtful accounts	73,002
Deposits	<u>1,000</u>
Total current assets	<u>2,126,124</u>
DEPOSITS:	
Cash - tenant security deposits	<u>134,599</u>
Total deposits	<u>134,599</u>
CAPITAL ASSETS:	
Building & improvements	34,384,839
Furniture, fixtures, and equipment	<u>174,672</u>
	34,559,511
Less: accumulated depreciation	<u>16,519,538</u>
Net capital assets	<u>18,039,973</u>
TOTAL ASSETS	<u>20,300,696</u>
DEFERRED OUTFLOWS OF RESOURCES	
Prepaid expense	<u>49,337</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,350,033</u>

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	\$ 96,899
Accrued expenses	<u>85,865</u>
Total current liabilities	<u>182,764</u>
LONG-TERM LIABILITIES:	
Tenant security deposits	<u>134,403</u>
Total long term liabilities	<u>134,403</u>
Total liabilities	<u>317,167</u>
DEFERRED INFLOWS OF RESOURCES	
Advanced rent	<u>52,967</u>
Total deferred inflows of resources	<u>52,967</u>
NET POSITION	
Net investment in capital assets	18,039,973
Unrestricted, board designated	1,625,539
Unrestricted	<u>314,387</u>
Total net position	<u>19,979,899</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 20,350,033</u>

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Rental income	\$ 3,519,246
Tenant charges	132,717
Total operating revenues	<u>3,651,963</u>
OPERATING EXPENSES	
Administrative	116,192
Personnel services	426,412
Operating and maintenance	1,153,123
Depreciation	1,161,096
Utilities	850,769
Insurance	160,027
Bad debt expense	285,600
Management fees	156,310
Total operating expenses	<u>4,309,529</u>
Operating loss	<u>(657,566)</u>
NON-OPERATING REVENUES	
Miscellaneous income	1,849
Total non-operating revenues	<u>1,849</u>
NON-OPERATING EXPENSES	
Hurricane repairs	249,066
Fire repairs	59,443
Total non-operating expenses	<u>308,509</u>
Non-operating loss	<u>(306,660)</u>
CHANGE IN NET POSITION	(964,226)
NET POSITION - Beginning of year	21,171,467
Contributions from owner	149,173
Distributions to owner	<u>(376,515)</u>
NET POSITION - End of year	<u>\$ 19,979,899</u>

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Rental receipts	\$ 3,333,181
Other receipts	132,717
	<u>3,465,898</u>
Cash paid for:	
Administrative expenses	(116,192)
Tenant security deposits	(286)
Personnel services	(452,951)
Operating and maintenance	(1,070,957)
Utilities	(850,769)
Insurance	(205,573)
Management fees	(92,779)
	<u>(2,789,507)</u>
Net cash provided by operating activities	<u>676,391</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	149,173
Distributions to owner	(376,515)
Net cash used by non-capital financing activities	<u>(227,342)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Other non-operating expenses	(306,660)
Net cash used by capital financing activities	<u>(306,660)</u>

Net change in cash	142,389
Cash - beginning of year	1,909,733
CASH - END OF YEAR	<u>\$ 2,052,122</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (657,566)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,161,096
Bad debt	285,600
Changes in operating assets and liabilities:	
Prepaid expenses	(45,546)
Accounts receivable	(171,186)
Tenant security deposits	(7,275)
Liability for tenant security deposits	6,989
Accounts payable	42,799
Accrued expenses	39,367
Advanced rent	22,113
	<u>22,113</u>
Net cash provided by operating activities	<u>\$ 676,391</u>

See accompanying notes.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NATURE OF ORGANIZATION AND OPERATIONS:

Willowbrook Apartments (the Complex) is a 408-unit apartment complex in New Orleans, Louisiana. The Complex was purchased on October 1, 1995, by the Louisiana Housing Corporation (LHC or the owner), the successor to the Louisiana Housing Finance Agency, at a cost of \$1 under the U.S. Department of Housing and Urban Development's Property Disposition Program. Under the terms of the purchase agreement, the owner is bound by certain use restrictions of the apartment complex, which primarily relate to low income housing. The Complex suffered significant damage in 2005 as a result of Hurricane Katrina and underwent renovations. The Complex resumed operations in May 2008. The Complex accepts rent certificates administered by the local housing authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Since the Complex is owned by the Louisiana Housing Corporation, an instrumentality of the State of Louisiana, the financial statements of the Complex have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present only the transactions of the Complex and do not present any of the assets, liabilities, and operations of the Louisiana Housing Corporation.

Basis of Accounting:

The Complex is considered a proprietary fund and is presented as a business-type activity. Proprietary fund types are used to account for activities that are similar to those found in the private sector where the determination of operating income and changes in net position is necessary or useful for sound financial administration. The GAAP used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting).

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses are those expenses that are essential to the primary operations of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Complex's policy to use restricted resources first, then unrestricted resources as they are needed.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

The Complex's cash and cash equivalents include all highly liquid deposits and debt instruments acquired with original maturities of three months or less. The tenant security deposits have use restrictions and are not considered cash equivalents.

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. Allowance for doubtful accounts for the year ended June 30, 2022, was \$-0-. Bad debt expense recorded during the year ended June 30, 2022 was \$285,600.

Tenant Security Deposits:

Regulations of the LHC require that security deposits be segregated from the general funds of the Complex. Accordingly, the Complex holds all security deposit funds in a separate, interest-bearing account.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

Capital assets are carried at cost less accumulated depreciation. The Complex capitalizes all property and equipment with initial, individual costs greater than \$5,000. The cost of maintenance and repairs is charged to expense as incurred; significant repairs and betterments are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	15-30 years
Furniture and equipment	5-15 years

Net Position:

In the Statement of Net Position, the difference between the Complex's assets and deferred outflows of resources and liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Net investment in capital assets - The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of capital assets.

Restricted net position - Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Unrestricted net position - Net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The Complex has one item that meets the criterion for this category, related to prepaid utilities.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Complex has one item that meets the criterion for this category. Deferred inflows related to advanced rent are included in the financial statements.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Rental Income:

The Complex receives rental income from units which are reserved for people with low and moderate incomes. Rental income is recognized as the rents are earned. Rental payments received in advance are reported as deferred inflows of resources. All leases between the Complex and its tenants are operating leases. Contract rent increases are prohibited without the approval of the LHC Board of Directors. The Complex derives substantially all of its revenues from its rental activities in New Orleans, Louisiana.

Tenant Charges:

Tenant charges are recognized as earned and consist of charges to tenants for gate access cards, late fees, NSF fees, application fees, cleaning fees, pet fees, laundry income, cable television income, and vending income.

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2022, was \$25,899.

New Accounting Standard:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This Statement outlines a single model for certain leases based on the foundational principle that leases are financings of the right to use an underlying asset. Other than short term leases, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Complex has analyzed the provisions of GASB Statement No. 87, *Leases*, and has concluded that there are no leasing arrangements which qualify for adjustment or disclosure under the new statement. Therefore, no restatement of prior periods or cumulative effect adjustment recorded in the year of adoption, was considered necessary.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2022, the Complex had cash and cash equivalents which were demand deposits at a local financial institution.

The deposit accounts are subject to custodial credit risk; that is, in the event of a bank failure, the funds may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. CASH AND CASH EQUIVALENTS: (Continued)

The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2022, the Complex's demand deposits bank balances) totaling \$2,294,222 were fully covered by FDIC insurance and pledged securities.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Furniture & fixtures	\$ 174,672	\$ -	\$ -	\$ 174,672
Buildings	33,403,098	-	-	33,403,098
Building improvements	981,741	-	-	981,741
	34,559,511	-	-	34,559,511
Accumulated depreciation	<u>(15,358,442)</u>	<u>(1,161,096)</u>	<u>-</u>	<u>(16,519,538)</u>
Capital assets, net	<u>\$ 19,201,069</u>	<u>\$ (1,161,096)</u>	<u>\$ -</u>	<u>\$ 18,039,973</u>

Depreciation expense for the year ended June 30, 2022, was \$1,161,096.

4. LEASES:

The Complex's lease agreements are with tenants and have varying start dates with all leases having one-year terms that converts to a month-to-month basis upon completion of lease term and prior to the signing of a new lease. The payment amounts are based on a market rent adjusted based on individual tenants' needs. The cost and carrying amount of the leased property is \$34,384,839 and \$27,220,176 respectively. Future minimum lease revenue as of June 30, 2022 is \$1,516,257 and is anticipated to be collected in the next fiscal year.

5. MANAGEMENT FEES:

The Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$12,240 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2021 through June 30, 2022. For the year ended June 30, 2022, there was \$156,310 in management fees incurred.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Complex's operations are concentrated in the multi-family real estate market. In addition, the Complex operates in a heavily regulated environment. The operations of the Complex are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

7. UNRESTRICTED – BOARD DESIGNATED:

Although not required by an agreement or external sources the board considered best practice to designate funds for insurance and capital replacement. The funds designated each year are \$350 per unit per year, or \$142,800 annually. During the year ended June 30, 2022, the Complex suffered damage as a result of Hurricane Ida as well as a fire in one of the buildings. As a result, the \$295,607 was used from the designed funds for the repairs. An insurance claim is still pending for the two events and the Complex expects to recover most of the funds used. The balance in the board designated net assets as of June 30, 2022, is \$1,625,539

8. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statement were available to the issued, September 14, 2022.



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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

September 14, 2022

To the Board of Directors of
Louisiana Housing Corporation
Willowbrook Apartments
Baton Rouge, Louisiana

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 Willowbrook Apartments, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements, and have issued our report thereon dated September 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Willowbrook Apartments' 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 Willowbrook Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Willowbrook Apartments' internal control.

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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 considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Willowbrook Apartments' financial statements are free from material misstatements, 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 requires to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Sharpner, Hogan and Baker, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Willowbrook Apartments for the year ended June 30, 2022 was unmodified.
2. Internal Control

Material weaknesses: None noted
Significant deficiencies: None noted
3. Compliance

None noted
4. No management letter was issued.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

None Noted.

SUMMARY OF PRIOR YEAR FINDINGS:

None Noted.