

ANNUAL FINANCIAL REPORT
MID-CITY GARDENS APARTMENTS
JUNE 30, 2024

MID-CITY GARDENS APARTMENTS

INDEX TO REPORT

JUNE 30, 2024

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 6
FINANCIAL STATEMENTS:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to Financial Statements.....	10 - 14
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15 - 16
SUMMARY SCHEDULE OF FINDINGS	17



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INDEPENDENT AUDITOR'S REPORT

September 20, 2024

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, 2024, 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, 2024, 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 Opinion

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 20, 2024, 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 Parker, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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, 2024. 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 \$8,559,232 at June 30, 2024, which represents a 4.63% decrease from last fiscal year. The largest portion of the net position was \$8,552,483 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 \$1,492 or 0.29%, and operating expenses decreased by \$19,810 or 1.78%.

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, 2024

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Current assets	\$ 47,963	\$ 30,807
Security deposits	12,029	11,521
Utility Deposits	488	488
Capital assets	8,552,483	9,026,812
Total assets	<u>8,612,963</u>	<u>9,069,628</u>
Deferred outflows of resources	<u>6,044</u>	<u>427</u>
Total assets and deferred resources	<u>\$ 8,619,007</u>	<u>\$ 9,070,055</u>
Current liabilities	\$ 44,295	\$ 75,954
Security deposits	12,184	12,426
Total liabilities	<u>56,479</u>	<u>88,380</u>
Deferred inflows of resources	<u>3,296</u>	<u>7,071</u>
Net position		
Net investment in capital assets	8,552,483	9,026,812
Unrestricted	6,749	(52,208)
Total net position	<u>8,559,232</u>	<u>8,974,604</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,619,007</u>	<u>\$ 9,070,055</u>

CAPITAL ASSETS

At the end of fiscal year 2024, the Complex had \$8,552,483 net investment in capital assets. This amount represents a decrease of \$474,329 since last year resulting from depreciation expense of \$474,329 for the fiscal year. There were no additions or disposals of assets during fiscal year 2024.

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 \$415,372 or 5%.

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses
and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 504,287	\$ 505,779
Operating expenses	<u>1,094,686</u>	<u>1,114,496</u>
Operating loss	(590,399)	(608,717)
 Non-operating revenue	 <u>-</u>	 <u>-</u>
 Change in net position	 (590,399)	 (608,717)
 Net position - beginning of year	 8,974,604	 9,522,645
 Contributions from owner	 <u>175,027</u>	 <u>60,676</u>
 Net position - end of year	 <u>\$ 8,559,232</u>	 <u>\$ 8,974,604</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

With rental rates being generally aligned with market rates monthly occupancy levels were steady around 92% during the fiscal year ended June 30, 2024. The management company has made significant improvements in achieving and maintaining current occupancy levels and will continue towards improving the results from operations for the fiscal year ending June 30, 2025.

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
Jatis Harrington, Interim Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808
225-763-8700

MID-CITY GARDENS APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current assets:

Cash on hand and in banks	\$ 22,711
Tenant receivables, net of allowance for doubtful accounts	25,252
Total current assets	<u>47,963</u>

Deposits:

Cash - tenant security deposits	12,029
Utility Deposits	488
Total deposits held in trust	<u>12,517</u>

Capital assets:

Building	14,056,329
Furniture, fixtures, and equipment	248,643
	<u>14,304,972</u>
Less: accumulated depreciation	5,752,489
Net capital assets	<u>8,552,483</u>

TOTAL ASSETS	<u>8,612,963</u>
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DEFERRED OUTFLOWS OF RESOURCES

Prepaid expenses	<u>6,044</u>
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TOTAL ASSETS AN DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 8,619,007</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 33,588
Accrued expenses	10,707
Total current liabilities	<u>44,295</u>

Long term liabilities:

Tenant security deposits	12,184
Total long term liabilities	<u>12,184</u>
Total liabilities	<u>56,479</u>

DEFERRED INFLOWS OF RESOURCES

Advanced rent	3,296
Total deferred inflows of resources	<u>3,296</u>

NET POSITION

Net investment in capital assets	8,552,483
Unrestricted	6,749
Total net position	<u>8,559,232</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 8,619,007

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Rental income	\$ 486,043
Tenant charges	18,244
Total operating revenues	<u>504,287</u>

OPERATING EXPENSES

Administrative	44,699
Personnel services	127,644
Operating and maintenance	210,148
Utilities	104,570
Depreciation	474,329
Insurance	71,383
Bad debt expense	39,506
Management fees	22,407
Total operating expenses	<u>1,094,686</u>

Operating loss	(590,399)
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NET POSITION - Beginning of year	8,974,604
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Contributions from owner	<u>175,027</u>
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NET POSITION - End of year	<u><u>\$ 8,559,232</u></u>
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See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 435,599
Other receipts	18,244
	<u>453,843</u>

Cash paid for:

Administrative expenses	(44,700)
Personnel services	(127,644)
Operating and maintenance	(208,847)
Utilities	(104,570)
Insurance	(8,525)
Management fees	(22,407)
	<u>(516,693)</u>

Net cash used by operating activities	<u>(62,850)</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	<u>73,593</u>
Net cash provided by non-capital financing activities	<u>73,593</u>

Net change in cash	10,743
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Cash - beginning of year	<u>11,968</u>
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CASH - END OF YEAR	<u><u>\$ 22,711</u></u>
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RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (590,399)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	474,328
Bad debt	39,506
Contributions from owner for insurance and security	101,434
Changes in operating assets and liabilities:	
Prepaid expenses	(5,616)
Accounts receivable	(45,919)
Tenant security deposits	(750)
Accounts payable	(38,804)
Accrued expenses	7,145
Advance rent	(3,775)
Net cash used by operating activities	<u><u>\$ (62,850)</u></u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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.

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

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

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. 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, 2024 there was no allowance for doubtful accounts. Bad debt expense recorded during the year ended June 30, 2024 was \$39,506.

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.

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	30 years
Furniture and equipment	7 years

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 periods 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 insurance.

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 periods 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.

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.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2024 was \$9,166.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2024, 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.

Pledged securities are held in the name of Louisiana Housing Corporation for Willowbrook Apartments, Mid City Apartments & Village de Jardin apartments. Collateral is sufficient to cover the cash accounts of all aforementioned apartments. 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. 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, 2024, the Complex's demand deposit bank balances totaling \$36,689 were fully covered by FDIC insurance.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
Furniture & fixtures	\$ 248,643	\$ -	\$ -	\$ 248,643
Buildings	14,056,329	-	-	14,056,329
	14,304,972	-	-	14,304,972
Accumulated depreciation	(5,278,160)	(474,329)	-	(5,752,489)
Capital assets, net	<u>\$ 9,026,812</u>	<u>\$ (474,329)</u>	<u>\$ -</u>	<u>\$ 8,552,483</u>

Depreciation expense for the year ended June 30, 2024 was \$474,329.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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' ability to pay. The cost and carrying value of the lease property is \$14,056,329 and \$8,550,933, respectively. Future minimum lease revenue as of June 30, 2024 is \$240,786 and is anticipated to be collected in the next fiscal year.

5. CONTRIBUTIONS FROM OWNER:

Contributions from owner consist of funding to meet the operating needs of the Complex in addition to the payment of expenses on behalf of the Complex. For the year ended June 30, 2024 the owner provided \$73,593 in funding to meet operating needs in addition to \$68,474 for the payment of property insurance and \$32,960 for the payment of security on behalf of the Complex.

6. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Rampart/Wurth Holding Inc. (formerly known as Latter and Blum Property Management, Inc.), to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay Rampart 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 was extended through June 30, 2024. For the year ended June 30, 2024, there was \$22,407 in management fees incurred.

7. 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 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.

8. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to the issued, September 20, 2024.



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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 20, 2024

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, 2024, 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 20, 2024.

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 have 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, Sharpner, Hogan and Parker, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Mid-City Gardens Apartments for the year ended June 30, 2024 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, 2024

VILLAGE DE JARDIN APARTMENTS

INDEX TO REPORT

JUNE 30, 2024

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 6
FINANCIAL STATEMENTS:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10 - 15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16 - 17
SUMMARY SCHEDULE OF FINDINGS	18



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INDEPENDENT AUDITOR'S REPORT

September 20, 2024

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, 2024, 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, 2024, 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 20, 2024, 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, Chapman, 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, 2024

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, 2024. 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 \$35,475,714 at June 30, 2024, which represents a 2.99% decrease from last fiscal year. The largest portion of the net position was \$34,557,546 which represents 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 increased by \$174,679, or 8.75%, operating expenses decreased by \$12,657, or 0.38%.

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, 2024

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Current assets	\$ 1,025,062	\$ 871,968
Security deposits	56,950	57,550
Capital assets (net)	34,557,546	35,802,862
Total assets	<u>35,639,558</u>	<u>36,732,380</u>
Deferred outflows of resources	<u>28,921</u>	<u>24,538</u>
Total assets and deferred outflows of resources	<u>\$ 35,668,479</u>	<u>\$ 36,756,918</u>
Current liabilities	\$ 109,506	\$ 121,898
Security deposits	60,085	60,610
Total liabilities	<u>169,591</u>	<u>182,508</u>
Deferred inflows of resources	<u>23,174</u>	<u>3,436</u>
Net position		
Net investment in capital assets	34,557,546	35,802,862
Unrestricted	918,168	768,112
Total net position	<u>35,475,714</u>	<u>36,570,974</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 35,668,479</u>	<u>\$ 36,756,918</u>

CAPITAL ASSETS

At the end of fiscal year 2024, the Complex had \$34,557,546 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 2024.

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 \$1,095,260.

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 2,170,299	\$ 1,995,620
Operating expenses	3,317,779	3,330,436
Operating loss	<u>(1,147,480)</u>	<u>(1,334,816)</u>
Non-operating revenue	-	-
Non-operating expenses	-	18,630
Non operating loss	<u>-</u>	<u>(18,630)</u>
Change in net position	(1,147,480)	(1,353,446)
Net position - beginning of year	36,570,974	37,922,296
Contributions from owner	242,075	214,507
Distributions to owner	<u>(189,855)</u>	<u>(212,383)</u>
Net position - end of year	<u>\$ 35,475,714</u>	<u>\$ 36,570,974</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 99% over the fiscal year ended June 30, 2024. 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 increased by 14% 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, 2025, 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
Jatis Harrington, Interim Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808
225-763-8700

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS:

Current assets:

Cash on hand and in banks	\$ 1,015,909
Tenant receivables, net of allowance for doubtful accounts	1,314
Total current assets	<u>1,025,062</u>

Deposits:

Cash - tenant security deposits	56,950
Total deposits held in trust	<u>56,950</u>

Capital assets:

Building	49,812,674
Furniture, fixtures, and equipment	191,911
	<u>50,004,585</u>
Less accumulated depreciation	15,447,039
Net capital assets	<u>34,557,546</u>

TOTAL ASSETS	<u>35,639,558</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Prepaid expenses	<u>28,921</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 35,668,479</u></u>
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LIABILITIES:

Current liabilities:

Accounts payable	\$ 26,933
Accrued expenses	82,573
Total current liabilities	<u>109,506</u>

Long term liabilities:

Tenant security deposits	60,085
Total long term liabilities	<u>60,085</u>

TOTAL LIABILITIES	<u>169,591</u>
-------------------	----------------

DEFERRED INFLOWS OF RESOURCES:

Advanced rent	23,174
Total deferred inflows of resources	<u>23,174</u>

NET POSITION:

Net investment in capital assets	34,557,546
Unrestricted - board designated	890,909
Unrestricted	27,259
Total net position	<u>35,475,714</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 35,668,479</u></u>
--	-----------------------------

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES:

Rental income	\$ 2,139,389
Tenant charges	30,910
Total operating revenues	<u>2,170,299</u>

OPERATING EXPENSES:

Administrative	72,154
Personnel services	284,029
Operating and maintenance	717,135
Utilities	608,265
Depreciation	1,245,316
Insurance	290,447
Bad debt expense	2,242
Management fees	98,191
Total operating expenses	<u>3,317,779</u>

Operating Loss	<u>(1,147,480)</u>
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Change in net position	<u>(1,147,480)</u>
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NET POSITION - Beginning of year	36,570,974
----------------------------------	------------

Contributions from owner	242,075
--------------------------	---------

Distributions to owner	<u>(189,855)</u>
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NET POSITION - End of year	<u><u>\$ 35,475,714</u></u>
----------------------------	-----------------------------

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from:

Rental receipts	\$ 2,153,425
Other receipts	30,910
	<u>2,184,335</u>

Cash paid for:

Administrative expenses	(72,154)
Personnel services	(284,029)
Operating and maintenance	(729,527)
Utilities	(612,648)
Insurance	(48,372)
Management fees	(98,191)
	<u>(1,844,921)</u>
Net cash provided by operating activities	<u>339,414</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Contributions from owner	<u>(189,855)</u>
Net cash provided by non-capital financing activities	<u>(189,855)</u>

Net change in cash	149,559
Cash - Beginning of year	<u>866,350</u>
CASH - END OF YEAR	<u><u>\$ 1,015,909</u></u>

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

Operating loss	\$ (1,147,480)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,245,316
Bad debt	2,242
Contributions from owner for insurance premiums	242,075
Changes in operating assets and liabilities:	
Accounts receivable	(5,777)
Tenant security deposits	75
Prepaid expenses	(4,383)
Accounts payable	(20,844)
Accrued expenses	8,452
Advanced rent	19,738
Net cash provided by operating activities	<u><u>\$ 339,414</u></u>

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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, 2024 was \$-0-. Bad debt expense recorded during the year ended June 30, 2024 was \$2,242.

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, 2024

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 periods 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 insurance.

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, 2024

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, 2024, was \$4,703.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2024, 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.

Pledged securities are held in the name of Louisiana Housing Corporation for Willowbrook, Mid City Apartments & Village de Jardin. 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. Collateral is sufficient to cover the cash balances of all aforementioned apartments.

At June 30, 2024, the Complex's demand deposits (bank balances) totaling \$1,136,414 were fully covered by FDIC insurance and pledged securities collateral.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
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	(14,201,723)	(1,245,316)	-	(15,447,039)
Capital assets, net	<u>\$ 35,802,862</u>	<u>\$ (1,245,316)</u>	<u>\$ -</u>	<u>\$ 34,557,546</u>

Depreciation expense for the year ended June 30, 2024 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 convert 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' situations. The cost and carrying amount of the leased property is \$49,812,674 and \$34,557,546 respectively. Future minimum lease revenue as of June 30, 2024 is \$1,055,658 and is anticipated to be collected in the following year.

5. CONTRIBUTIONS FROM OWNER:

Contribution from owner consist of funding to meet the operating needs of the Complex in addition to the payment of expenses on behalf of the Complex. For the year ended June 30, 2024 the owner provided \$242,075 in funding to for the payment of property insurance on behalf of the Complex.

6. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Rampart/Wurth Holding Inc. to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay Rampart 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 was extended through June 30, 2025. For the year ended June 30, 2024, there was \$98,191 in management fees incurred.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

7. 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.

8. 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, 2024 is \$890,909.

9. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 20, 2024.



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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 20, 2024

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, 2024, 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 20, 2024.

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, Sharpness, Hogan and Parker, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Village de Jardin Apartments for the year ended June 30, 2024 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, 2024

WILLOWBROOK APARTMENTS

TABLE OF CONTENTS

JUNE 30, 2024

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 7
FINANCIAL STATEMENTS:	
Statement of Net Position.....	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows.....	10
Notes to Financial Statements	11 - 16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17 - 18
SUMMARY SCHEDULE OF FINDINGS	19



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INDEPENDENT AUDITOR'S REPORT

September 20, 2024

Louisiana Housing Corporation
Willowbrook Apartments
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Willowbrook Apartments as of and for the year ended June 30, 2024, 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, 2024, 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 Opinion

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 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 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 20, 2024, 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, Chapman, Hogan and Parker, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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, 2024. 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 \$17,568,484 at June 30, 2024, which represents a 6% decrease from last fiscal year. The largest portion of the net position was \$15,718,538 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 increased by \$160,109, or 4.44% primarily due to an increase in market rent. Total operating expenses increased by \$391,761, or 8.86% primarily due to a significant increase in interior and exterior repairs to the complex.
- The Complex's total non-operating revenues increased by \$178,656, due to insurance claim proceeds from hurricanes and fire at the complex. Total non-operating expenses increased by \$113,567 due to fire related repairs to the complex.

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.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Basic Financial Statements (continued)

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*.

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Current assets	\$ 2,074,825	\$ 1,892,751
Security deposits	141,934	148,984
Capital assets (net)	<u>15,718,538</u>	<u>16,879,255</u>
Total assets	<u>17,935,297</u>	<u>18,920,990</u>
Deferred outflows of resources	<u>42,135</u>	<u>67,237</u>
Total assets and deferred outflows	<u>\$ 17,977,432</u>	<u>\$ 18,988,227</u>
Current liabilities	\$ 248,155	\$ 126,332
Security deposits	<u>141,338</u>	<u>150,362</u>
Total liabilities	<u>389,493</u>	<u>276,694</u>
Deferred inflows of resources	<u>19,455</u>	<u>21,425</u>
Net position		
Net investment in capital assets	15,718,538	16,879,255
Unrestricted	<u>1,849,946</u>	<u>1,810,853</u>
Total net position	<u>17,568,484</u>	<u>18,690,108</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,977,432</u>	<u>\$ 18,988,227</u>

CAPITAL ASSETS

At the end of fiscal year 2024, the Complex had \$15,718,538 net investment in capital assets. This amount represents a decrease of \$1,160,717 since last year representing depreciation expense for the current fiscal year. There were no additions or disposals of assets during fiscal year 2024.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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 \$1,121,624.

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 3,764,018	\$ 3,603,909
Operating expenses	<u>4,814,209</u>	<u>4,422,448</u>
Operating loss	(1,050,191)	(818,539)
Non-operating revenue	195,349	16,693
Non-operating expenses	<u>(117,367)</u>	<u>(3,800)</u>
Non-operating income	77,982	12,893
Change in net position	(972,209)	(805,646)
Net position - beginning of year	18,690,108	19,979,899
Contributions from owner	233,006	206,469
Distributions to owner	<u>(382,421)</u>	<u>(690,614)</u>
Net position - end of year	<u>\$ 17,568,484</u>	<u>\$ 18,690,108</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 94% over the fiscal year ended June 30, 2024. 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 increased by 14.2% 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, 2025, will provide for owner distributions near current levels.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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
Jatis Harrington, Interim Chief Fiscal Officer
2415 Quail Drive
Baton Rouge, Louisiana 70808
225-763-8700

WILLOWBROOK APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash on hand and in banks	\$ 1,938,499
Tenant receivables, net of allowance for doubtful accounts	26,839
Other receivable	108,487
Deposits	1,000
Total current assets	<u>2,074,825</u>

DEPOSITS:

Cash - tenant security deposits	<u>141,934</u>
Total deposits	<u>141,934</u>

CAPITAL ASSETS:

Building & improvements	34,384,839
Furniture, fixtures, and equipment	<u>174,672</u>
	34,559,511
Less: accumulated depreciation	<u>18,840,973</u>
Net capital assets	<u>15,718,538</u>
TOTAL ASSETS	<u>17,935,297</u>

DEFERRED OUTFLOWS OF RESOURCES

Prepaid expense	<u>42,135</u>
-----------------	---------------

TOTAL ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES

\$ 17,977,432

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 171,760
Accrued expenses	<u>76,395</u>
Total current liabilities	<u>248,155</u>

LONG-TERM LIABILITIES:

Tenant security deposits	<u>141,338</u>
Total long term liabilities	<u>141,338</u>
Total liabilities	<u>389,493</u>

DEFERRED INFLOWS OF RESOURCES

Advanced rent	<u>19,455</u>
Total deferred inflows of resources	<u>19,455</u>

NET POSITION

Net investment in capital assets	15,718,538
Unrestricted, board designated	1,789,693
Unrestricted deficit	<u>60,253</u>
Total net position	<u>17,568,484</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 17,977,432

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Rental income	\$ 3,647,542
Tenant charges	<u>116,476</u>
Total operating revenues	<u>3,764,018</u>

OPERATING EXPENSES

Administrative	154,123
Personnel services	389,036
Operating and maintenance	2,233,412
Depreciation	1,160,717
Utilities	328,798
Insurance	293,570
Bad debt expense	86,536
Management fees	<u>168,017</u>
Total operating expenses	<u>4,814,209</u>
Operating loss	<u>(1,050,191)</u>

NON-OPERATING REVENUES

Insurance claim proceeds	<u>195,349</u>
Total non-operating revenues	<u>195,349</u>

NON-OPERATING EXPENSES

Fire damage repairs	<u>117,367</u>
Total non-operating expenses	<u>117,367</u>
Non-operating revenue	<u>77,982</u>

CHANGE IN NET POSITION	(972,209)
------------------------	-----------

NET POSITION - Beginning of year	18,690,108
----------------------------------	------------

Contributions from owner	233,006
--------------------------	---------

Distributions to owner	<u>(382,421)</u>
------------------------	------------------

NET POSITION - End of year	<u>\$ 17,568,484</u>
----------------------------	----------------------

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 3,537,846
Other receipts	116,476
	<u>3,654,322</u>

Cash paid for:

Administrative expenses	(164,298)
Personnel services	(389,036)
Operating and maintenance	(2,101,415)
Utilities	(328,798)
Insurance	(35,462)
Management fees	(168,010)
	<u>(3,187,019)</u>
Net cash provided by operating activities	<u>467,303</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Distributions to owner	(382,421)
Insurance claim proceeds	86,855
Insurance claim expense	(117,366)
Net cash used by non-capital financing activities	<u>(412,932)</u>

Net change in cash	54,371
Cash - beginning of year	1,884,128
CASH - END OF YEAR	<u>\$ 1,938,499</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (1,050,191)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,160,717
Bad debt	86,536
Contribution from owner for insurance	233,006
Changes in operating assets and liabilities:	
Prepaid expenses	25,109
Insurance proceeds receivable	(108,487)
Tenant receivable	2,735
Tenant security deposits	(1,974)
Accounts payable	91,180
Accrued expenses	30,642
Advanced rent	(1,970)
Net cash provided by operating activities	<u>\$ 467,303</u>

See accompanying notes.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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, 2024, was \$-0-. Bad debt expense recorded during the year ended June 30, 2024 was \$86,536.

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, 2024

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 insurance.

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, 2024

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, 2024, was \$23,980.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2024, 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.

Pledged securities are held in the name of Louisiana Housing Corporation for Willowbrook, Mid City & Village de Jardin apartments. 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. Collateral is sufficient to cover the cash balances of all aforementioned apartments.

At June 30, 2024, the Complex's demand deposits bank balances totaling \$2,183,377 were fully covered by FDIC insurance and pledged securities.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
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>(17,680,256)</u>	<u>(1,160,717)</u>	<u>-</u>	<u>(18,840,973)</u>
Capital assets, net	<u>\$ 16,879,255</u>	<u>\$ (1,160,717)</u>	<u>\$ -</u>	<u>\$ 15,718,538</u>

Depreciation expense for the year ended June 30, 2024, was \$1,160,717.

4. OTHER RECEIVABLE:

Other receivable consist of insurance proceeds from a fire that occurred in 2022. These insurance proceeds were received in August 2024.

5. 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 \$15,714,600 respectively. Future minimum lease revenue as of June 30, 2024 is \$1,594,306 and is anticipated to be collected in the next fiscal year.

6. CONTRIBUTION FROM OWNER:

Contributions from owner consist of funding to meet the operating needs of the Complex in addition to the payment of expenses on behalf of the Complex. For the year ended June 30, 2024 the owner provided \$233,006 in funding for the payment of property insurance on behalf of the Complex.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

7. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Rampart/Wurth Holding Inc. (formerly known as Latter and Blum Property Management, Inc.), to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay Rampart 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 was extended through June 30, 2024. For the year ended June 30, 2024, there was \$168,017 in management fees incurred.

8. 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.

9. 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. The balance in the board designated net assets as of June 30, 2024, is \$1,789,693.

10. FIRE:

The Complex suffered a fire on May 26, 2024 which damaged four rental units. Two tenants were relocated & two cancelled their leases. As of September 20, 2024 the estimated cost of repairs and related insurance proceeds has not yet been determined. The Complex is currently in the process of receiving estimated cost to repair the complex.

11. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statement were available to the issued, September 20, 2024.



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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 20, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements, and have issued our report thereon dated September 20, 2024.

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, Sharpness, Hogan and Parker, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Willowbrook Apartments for the year ended June 30, 2024 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.