

ANNUAL FINANCIAL REPORT
MID-CITY GARDENS APARTMENTS
JUNE 30, 2020

MID-CITY GARDENS APARTMENTS

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JUNE 30, 2020

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Duplantier Hrapmann Hogan & Maher, LLP

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INDEPENDENT AUDITOR'S REPORT

September 14, 2020

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

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

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-City Gardens Apartments, as of and for the year ended June 30, 2020, 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.

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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, 2020, 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.

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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the index to report, be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, 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, Chapman, 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, 2020

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, 2020. 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 \$10,426,369 at June 30, 2020, which represents a 5% decrease from last fiscal year. The largest portion of the net position was \$10,448,778 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 \$36,273, or 7%, and total expenses increased by \$22,306, or 2%.

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, 2020

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets	\$ 13,723	\$ 66,419
Security deposits	14,218	14,547
Utility Deposits	488	-
Capital assets	<u>10,448,778</u>	<u>10,937,537</u>
Total assets	<u><u>10,477,207</u></u>	<u><u>11,018,503</u></u>
Current liabilities	30,549	16,891
Security deposits	<u>14,218</u>	<u>14,397</u>
Total liabilities	<u>44,767</u>	<u>31,288</u>
Deferred inflows of resources	<u>6,071</u>	<u>2,298</u>
Net position		
Net investment in capital assets	10,448,778	10,937,537
Unrestricted (deficit)	<u>(22,409)</u>	<u>47,380</u>
Total net position	<u>10,426,369</u>	<u>10,984,917</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,477,207</u>	<u>\$ 11,018,503</u>

CAPITAL ASSETS

At the end of fiscal year 2020, the Complex had \$10,448,778 net investment in capital assets. This amount represents a decrease of \$488,758 since last year resulting from depreciation expense of \$488,758. There were no disposals of assets during fiscal year 2020.

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 \$558,548.

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses
and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 458,544	494,817
Operating expenses	<u>1,141,847</u>	<u>1,119,541</u>
Operating loss	(683,303)	(624,724)
Non-operating revenue	<u>63</u>	<u>215</u>
Change in net position	(683,240)	(624,509)
Net position - beginning of year	10,984,917	11,443,964
Contributions from owner	<u>124,692</u>	<u>165,462</u>
Net position - end of year	<u>\$ 10,426,369</u>	<u>\$ 10,984,917</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels have decreased over the audited period year ended June 30, 2020, from 92% to 90% by the end of the fiscal year. With rental rates being generally aligned with market rates, the management company has made significant improvements in achieving and maintaining current occupancy levels. While management is working towards improving the results from operations, for the Corporation's operating budget for the fiscal year ending June 30, 2020, no "distributions to owner" amounts were included for the Complex.

REQUEST FOR INFORMATION

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

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

MID-CITY GARDENS APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash on hand and in banks	\$ 8,442
Tenant receivables, net of allowance for doubtful accounts	4,950
Prepaid expenses	331
Total current assets	13,723

Deposits held in trust:

Tenant security deposits	14,218
Utility Deposits	488
Total deposits held in trust	14,706

Capital assets:

Building	14,056,329
Furniture, fixtures, and equipment	248,643
	14,304,972
Less: accumulated depreciation	3,856,194
Net capital assets	10,448,778

TOTAL ASSETS

\$ 10,477,207

LIABILITIES

Current liabilities:

Accounts payable	\$ 20,985
Accrued expenses	9,564
Total current liabilities	30,549

Long term liabilities:

Tenant security deposits	14,218
Total long term liabilities	14,218
Total liabilities	44,767

DEFERRED INFLOWS OF RESOURCES

Advanced rent	6,071
	6,071

NET POSITION

Net investment in capital assets	10,448,778
Unrestricted (deficit)	(22,409)
Total net position	10,426,369

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

\$ 10,477,207

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Rental income	\$ 449,044
Tenant charges	9,500
Total operating revenues	458,544
OPERATING EXPENSES	
Administrative	44,204
Personnel services	123,436
Operating and maintenance	281,901
Utilities	120,211
Depreciation	488,758
Insurance	41,137
Bad debt expense	17,356
Management fees	24,844
Total operating expenses	1,141,847
Operating loss	(683,303)
NON-OPERATING REVENUE	
Miscellaneous income	63
Total non-operating revenues	63
Change in Net Position	(683,240)
NET POSITION - Beginning of year	10,984,917
Contributions from owners	124,692
NET POSITION - End of year	\$ 10,426,369

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from:	
Rental receipts	\$ 441,569
Other receipts	9,500
Tenant security deposits	150
	<u>451,219</u>
Cash paid for:	
Administrative expenses	(44,204)
Personnel services	(123,436)
Operating and maintenance	(268,214)
Utilities	(120,699)
Insurance	(41,137)
Management fees	(24,844)
	<u>(622,534)</u>
Net cash used by operating activities	<u>(171,315)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Non-operating revenue	63
Net cash provided by investing activities	<u>63</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Contributions from owner	124,692
Net cash provided by non-capital financing activities	<u>124,692</u>
Net change in cash	(46,560)
Cash - beginning of year	<u>55,002</u>
CASH - END OF YEAR	<u>\$ 8,442</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (683,303)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	488,758
Bad debt	17,356
Changes in operating assets and liabilities:	
Prepaid expenses	29
Accounts receivable	(11,248)
Tenant security deposits	329
Accounts payable	13,476
Accrued expenses	182
Utilities deposits	(488)
Liability for tenant security deposits	(179)
Deferred revenue	3,773
Net cash used by operating activities	<u>\$ (171,315)</u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NATURE OF ORGANIZATION AND OPERATIONS:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

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

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

Basis of Accounting:

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

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

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

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

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents:

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

Tenant Receivables:

An allowance for uncollectible accounts is established based on prior experience and management's assessment for the collectability of those accounts. Accounts are considered past due on a contractual term. Management charges late fees on past due accounts but not interest. As of June 30, 2020, there was no allowance for doubtful accounts. As of June 30, 2020, the allowance for doubtful accounts balance was \$2,224.

Tenant Security Deposits:

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

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

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

Buildings	30 years
Furniture and equipment	7 years

Net Position:

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

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

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

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

Deferred Inflows of Resources:

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 related to advanced rent.

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.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Rental Income: (Continued)

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, and vending income.

Advertising:

The Complex expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2020, was \$8,619.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2020, the Complex had cash and cash equivalents (book balances) which were demand deposits at a local financial institution.

The deposit accounts are subject to custodial credit risk; that is, in the event of a bank failure, the funds may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times be greater than or equal to the amount on deposit with the fiscal agent. At June 30, 2020, the Complex's demand deposit bank balances totaling \$25,472 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, 2020:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Furniture & fixtures	\$ 248,643	\$ -	\$ -	\$ 248,643
Buildings	14,056,329	-	-	14,056,329
	14,304,972	-	-	14,304,972
Accumulated depreciation	(3,367,436)	(488,758)	-	(3,856,194)
Capital assets, net	<u>\$ 10,937,536</u>	<u>\$ (488,758)</u>	<u>\$ -</u>	<u>\$ 10,448,778</u>

Depreciation expense for the year ended June 30, 2020, was \$488,758.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$1,800 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through June 30, 2021. For the year ended June 30, 2020, there was \$24,844 in management fees incurred.

5. 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.

6. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 14, 2020. A novel strain of corona virus was reported in March 2020 and continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is a considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 14, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise Mid-City Gardens Apartments' basic financial statements, and have issued our report thereon dated September 14, 2020.

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) 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 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Chapman, Hogan and Baker, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Mid-City Gardens Apartments for the year ended June 30, 2020 was unmodified.

2. Internal Control

Material weaknesses: none noted
Significant deficiencies: none noted

3. Compliance

Noncompliance material to financial statements: 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, 2020

VILLAGE DE JARDIN APARTMENTS

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JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

September 14, 2020

Louisiana Housing Corporation
Village de Jardin Apartments
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Village de Jardin Apartments as of and for the year ended June 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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, 2020, 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.

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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the index to report, be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, 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 Baker, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$40,233,650 at June 30, 2020, which represents a 3% decrease from last fiscal year. The largest portion of the net position was \$39,538,811 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 increased by \$7,339, or .4%, total expenses decreased by \$17,252, or .6%. The decrease in expenses is mainly due to a decrease in HVAC repairs and maintenance.

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, 2020

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets	\$ 748,978	\$ 698,739
Security deposits	58,700	58,350
Capital assets	39,538,811	40,784,127
Total assets	<u>40,346,489</u>	<u>41,541,216</u>
Deferred outflows of resources	<u>-</u>	<u>3,534</u>
Total assets and deferred outflows of resources	<u>\$40,346,489</u>	<u>\$41,544,750</u>
Current liabilities	\$ 37,563	\$ 80,846
Security deposits	59,400	58,650
Total liabilities	<u>96,963</u>	<u>139,496</u>
Deferred inflows of resources	<u>15,876</u>	<u>16,640</u>
Net position		
Net investment in capital assets	39,538,811	40,784,127
Unrestricted	694,839	604,487
Total net position	<u>40,233,650</u>	<u>41,388,614</u>
Total liabilities, deferred inflows of resources and net position	<u>\$40,346,489</u>	<u>\$41,544,750</u>

CAPITAL ASSETS

At the end of fiscal year 2020, the Complex had \$39,538,811 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 2020.

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 \$1,154,964.

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,974,652	\$ 1,967,313
Operating expenses	<u>2,763,603</u>	<u>2,780,855</u>
Operating (loss)	(788,951)	(813,542)
 Non-operating revenue	 <u>-</u>	 <u>160</u>
Change in net position	(788,951)	(813,382)
Net position - beginning of year	41,388,614	42,652,410
Contributions from owner	143,536	125,701
Distributions to owner	<u>(509,549)</u>	<u>(576,115)</u>
Net position - end of year	<u>\$40,233,650</u>	<u>\$41,388,614</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 99% over the fiscal year ended June 30, 2020. 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 3.54% over last year, which means affordable housing is a must in the area. Management expects that the results from operations for the fiscal year ending June 30, 2020, will provide for owner distributions near current levels.

REQUEST FOR INFORMATION

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

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

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS:

Current assets:

Cash on hand and in banks	\$ 743,345
Tenant receivables, net of allowance for doubtful accounts	5,633
Total current assets	748,978

Deposits held in trust:

Tenant security deposits	58,700
Total deposits held in trust	58,700

Capital assets:

Building	49,812,674
Furniture, fixtures, and equipment	191,911
	50,004,585
Less accumulated depreciation	10,465,774
Net capital assets	39,538,811

TOTAL ASSETS	\$ 40,346,489
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LIABILITIES:

Current liabilities:

Accounts payable	\$ 10,936
Accrued expenses	26,627
Total current liabilities	37,563

Long term liabilities:

Tenant security deposits	59,400
Total long term liabilities	59,400

TOTAL LIABILITIES	96,963
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DEFERRED INFLOWS OF RESOURCES:

Advanced rent	15,876
	15,876

NET POSITION:

Net investment in capital assets	39,538,811
Unrestricted - board designated	617,845
Unrestricted	76,994
Total net position	40,233,650

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 40,346,489
--	---------------

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES:	
Rental income	\$ 1,947,260
Tenant charges	27,392
Total operating revenues	<u>1,974,652</u>
OPERATING EXPENSES:	
Administrative	58,055
Personnel services	263,772
Operating and maintenance	483,539
Utilities	454,981
Depreciation	1,245,316
Insurance	143,671
Bad debt expense	6,802
Management fees	107,467
Total operating expenses	<u>2,763,603</u>
Change in net position	(788,951)
NET POSITION - Beginning of year	41,388,614
Contributions from owner	143,536
Distributions to owner	<u>(509,549)</u>
NET POSITION - End of year	<u>\$ 40,233,650</u>

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from:

Rental receipts	\$ 1,945,459
Other receipts	27,392
Tenant security deposits	400
	1,973,251

Cash paid for:

Administrative expenses	(58,057)
Personnel services	(263,772)
Operating and maintenance	(526,821)
Utilities	(451,447)
Insurance	(143,671)
Management fees	(107,466)
	(1,551,234)

Net cash provided by operating activities	422,017
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Contributions from owner	143,536
Distributions to owner	(509,549)
Net cash used in non-capital financing activities	(366,013)

Net change in cash	56,004
Cash - Beginning of year	687,341
CASH - END OF YEAR	\$ 743,345

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

Operating loss	\$ (788,951)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,245,316
Changes in operating assets and liabilities:	
Accounts receivable	5,765
Tenant security deposits	400
Prepaid expenses	3,534
Accounts payable	(41,300)
Accrued expenses	(1,982)
Deferred revenue	(765)
Net cash provided by operating activities	\$ 422,017

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020, was \$915.

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. As of June 30, 2020, the restricted cash for tenant security deposits was sufficient to cover the tenant security deposit liability.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

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

Buildings	40 years
Furniture and equipment	5 years

Net Position:

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

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

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

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

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The Complex does not have any deferred outflows as of June 30, 2020.

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, related to advanced rent.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, was \$10,139.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2020, 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. At June 30, 2020, the Complex's demand deposits (bank balances) totaling \$858,374 were fully covered by FDIC insurance and pledged securities collateral.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
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	(9,220,458)	(1,245,316)	-	(10,465,774)
Capital assets, net	<u>\$ 40,784,127</u>	<u>\$ (1,245,316)</u>	<u>\$ -</u>	<u>\$ 39,538,811</u>

Depreciation expense for the year ended June 30, 2020 was \$1,245,316.

4. MANAGEMENT FEES:

The Complex has a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$6,720 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through June 30, 2021. For the year ended June 30, 2020, there was \$107,467 in management fees incurred.

5. 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.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. UNRESTRICTED – BOARD DESIGNATED:

The Complex, although not required by an agreement or external sources but considered best practice, maintains a separate cash account designated for insurance and capital replacement. The Complex deposits \$250 per unit per year, or \$56,000 annually. The balance as of June 30, 2020, is \$617,845 and is reflected in net position as unrestricted – board designated.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 14, 2020. A novel strain of coronavirus was reported in March 2020, and continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 14, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise Village de Jardin Apartments' basic financial statements, and have issued our report thereon dated September 14, 2020.

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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Chapman, Hogan and Baker, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Village de Jardin Apartments for the year ended June 30, 2020 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, 2020

WILLOWBROOK APARTMENTS

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JUNE 30, 2020

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Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

INDEPENDENT AUDITOR'S REPORT

September 14, 2020

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Louisiana Housing Corporation
Willowbrook Apartments
Baton Rouge, Louisiana

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of Willowbrook Apartments as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements as listed in the index to report.

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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, 2020, 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.

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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the index to report, be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, 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 Baker, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$22,202,496 at June 30, 2020, which represents a 5% decrease from last fiscal year. The largest portion of the net position was \$20,361,789 and 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 \$62,237, or less than 2%, and total expenses increased by \$527,090, or 16%. The increase in expenses is due to the New Orleans Water and Sewerage Board improving their meter reading processes which increased utility expense \$444,564 or 160%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets	\$ 2,024,533	\$ 1,945,611
Security deposits	127,124	128,925
Capital assets (net)	<u>20,361,789</u>	<u>21,481,883</u>
Total assets	<u>\$ 22,513,446</u>	<u>\$ 23,556,419</u>
Current liabilities	\$ 160,736	\$ 152,947
Security deposits	<u>127,374</u>	<u>130,575</u>
Total liabilities	<u>288,110</u>	<u>283,522</u>
Deferred inflows of resources	<u>22,840</u>	<u>21,414</u>
Net position		
Net investment in capital assets	20,361,789	21,481,883
Unrestricted	<u>1,840,707</u>	<u>1,769,600</u>
Total net position	<u>22,202,496</u>	<u>23,251,483</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,513,446</u>	<u>\$ 23,556,419</u>

CAPITAL ASSETS

At the end of fiscal year 2020, the Complex had \$20,361,789 net investment in capital assets. This amount represents a decrease of \$1,120,094 since last year resulting from depreciation expense of \$1,158,594 offset by additions of \$38,500 for the current fiscal year. There were no disposals of assets during fiscal year 2020.

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 \$1,048,987.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 3,569,690	\$ 3,507,454
Operating expenses	<u>3,776,277</u>	<u>3,249,187</u>
Operating income	(206,587)	258,267
Non-operating revenue	<u>14</u>	<u>115,768</u>
Change in net position	(206,573)	374,035
Net position - beginning of year	23,251,483	24,340,072
Contributions from owner	115,008	100,717
Distributions to owner	<u>(957,422)</u>	<u>(1,563,341)</u>
Net position - end of year	<u>\$ 22,202,496</u>	<u>\$ 23,251,483</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 96% over the fiscal year ended June 30, 2020. 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 3.4% over last year, which means affordable housing is a must in the area. Management expects that the results from operations for the fiscal year ending June 30, 2020, will provide for owner distributions near current levels.

REQUEST FOR INFORMATION

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

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

WILLOWBROOK APARTMENTS
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current assets:	
Cash on hand and in banks	2,003,731
Tenant receivables, net of allowance for doubtful accounts	18,202
Prepaid Expense	1,600
Deposits	1,000
Total current assets	2,024,533
Deposits held in trust:	
Tenant security deposits	127,124
Total deposits held in trust	127,124
Capital assets:	
Building	34,235,688
Sitework	149,151
Furniture, fixtures, and equipment	174,672
	34,559,511
Less: accumulated depreciation	14,197,722
Net capital assets	20,361,789
TOTAL ASSETS	\$ 22,513,446

LIABILITIES

Current liabilities:	
Accounts payable	93,059
Accrued expenses	67,677
Total current liabilities	160,736
Long term liabilities:	
Tenant security deposits	127,374
Total long term liabilities	127,374
Total liabilities	288,110
DEFERRED INFLOWS OF RESOURCES	
Advanced rent	22,840
NET POSITION	
Net investment in capital assets	20,361,789
Unrestricted, board designated	1,878,431
Unrestricted (deficit)	(37,724)
Total net position	22,202,496
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 22,513,446

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Rental income	\$ 3,502,432
Tenant charges	67,258
Total operating revenues	<u>3,569,690</u>
OPERATING EXPENSES	
Administrative	109,131
Personnel services	373,981
Operating and maintenance	1,077,511
Depreciation	1,158,594
Utilities	722,278
Insurance	115,143
Bad debt expense	24,032
Management fees	195,607
Total operating expenses	<u>3,776,277</u>
Operating loss	<u>(206,587)</u>
NON-OPERATING REVENUES	
Miscellaneous income	14
Total non-operating revenues	<u>14</u>
CHANGE IN NET POSITION	(206,573)
NET POSITION - Beginning of year	23,251,483
Contributions from owner	115,008
Distributions to owner	<u>(957,422)</u>
NET POSITION - End of year	<u><u>\$ 22,202,496</u></u>

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 3,468,961
Other receipts	67,408
	3,536,369

Cash paid for:

Administrative expenses	(109,128)
Tenant security deposits	(1,400)
Personnel services	(373,981)
Operating and maintenance	(1,071,322)
Utilities	(722,278)
Insurance	(115,143)
Management fees	(195,607)
	(2,588,859)

Net cash provided by operating activities	947,510
---	---------

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Other non-operating revenues	14
Contributions from owner	115,008
Distributions to owner	(957,422)
Net cash used by non-capital financing activities	(842,400)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(38,500)
Net cash used by capital financing activities	(38,500)

Net change in cash	66,610
Cash - beginning of year	1,937,121
CASH - END OF YEAR	\$ 2,003,731

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (206,587)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,158,594
Bad debt	24,032
Changes in operating assets and liabilities:	
Prepaid expenses	(1,600)
Accounts receivable	(34,744)
Tenant security deposits	1,801
Liability for tenant security deposits	(3,201)
Accounts payable	29,970
Accrued expenses	(22,181)
Deferred revenue	1,426
	1,426
Net cash provided by operating activities	\$ 947,510

See accompanying notes.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020, was \$1,172.

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. As of June 30, 2020, the tenant security deposit liability was greater than the restricted cash for tenant security deposits by \$250.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Inflows of Resources:

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 related to advanced rent.

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.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 2020, was \$29,026.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2020, 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. At June 30, 2020, the Complex's demand deposits (bank balances) totaling \$2,306,679 were fully covered by FDIC insurance and pledged securities.

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Furniture & fixtures	\$ 136,172	\$ 38,500	\$ -	\$ 174,672
Buildings	33,403,098	-	-	33,403,098
Building improvements	981,741	-	-	981,741
	34,521,011	38,500	-	34,559,511
Accumulated depreciation	(13,039,128)	(1,158,594)	-	(14,197,722)
Capital assets, net	<u>\$21,481,883</u>	<u>\$ (1,120,094)</u>	<u>\$ -</u>	<u>\$20,361,789</u>

Depreciation expense for the year ended June 30, 2020, was \$1,158,594.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. MANAGEMENT FEES:

During the year ended June 30, 2016, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$12,240 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through June 30, 2021. For the year ended June 30, 2020, there was \$195,607 in management fees incurred.

5. 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.

6. UNRESTRICTED – BOARD DESIGNATED:

The Complex, although not required by an agreement or external sources but considered best practice, maintains a separate cash account designated for insurance and capital replacement. The Complex deposits \$350 per unit per year, or \$142,800 annually. The balance as of June 30, 2020, is \$1,878,431 and is reflected in net position as unrestricted – board designated.

7. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statement were available to the issued, September 14, 2020. A novel strain of corona virus was reported in March 2020 and continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is a considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 14, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements, and have issued our report thereon dated September 14, 2020.

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) 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 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 Willowbrook 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.

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 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 requires to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Sharpner, Hogan and Gruber, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Willowbrook Apartments for the year ended June 30, 2020 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.