

ANNUAL FINANCIAL REPORT
MID-CITY GARDENS APARTMENTS
JUNE 30, 2021

MID-CITY GARDENS APARTMENTS

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INDEPENDENT AUDITOR'S REPORT

September 29, 2021

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

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, 2021, 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.

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 Mid-City Gardens Apartments as of June 30, 2021, 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 29, 2021, 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, Sharpman, Hogan and Gruber, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$10,002,816 at June 30, 2021, which represents a 4.11% decrease from last fiscal year. The largest portion of the net position was \$9,974,449 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 \$48,338, or 10.54%, and total expenses decreased by \$119,301 or 10.45%.

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, 2021

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets	\$ 58,207	\$ 13,723
Security deposits	13,594	14,218
Utility Deposits	488	488
Capital assets	9,974,449	10,448,778
Total assets	<u>\$ 10,046,738</u>	<u>\$ 10,477,207</u>
Deferred outflows of resources	<u>\$ 300</u>	<u>\$ -</u>
Current liabilities	21,925	30,549
Security deposits	13,594	14,218
Total liabilities	<u>35,519</u>	<u>44,767</u>
Deferred inflows of resources	<u>8,703</u>	<u>6,071</u>
Net position		
Net investment in capital assets	9,974,449	10,448,778
Unrestricted (deficit)	28,367	(22,409)
Total net position	<u>10,002,816</u>	<u>10,426,369</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,047,038</u>	<u>\$ 10,477,207</u>

CAPITAL ASSETS

At the end of fiscal year 2021, the Complex had \$9,974,449 net investment in capital assets. This amount represents a decrease of \$474,329 since last year resulting from depreciation expense of \$474,329. There were no disposals of assets during fiscal year 2021.

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 \$423,553.

MID-CITY GARDENS APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses
and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 506,882	458,544
Operating expenses	<u>1,022,546</u>	<u>1,141,847</u>
Operating loss	(515,664)	(683,303)
Non-operating revenue	<u>3,375</u>	<u>63</u>
Change in net position	(512,289)	(683,240)
Net position - beginning of year	10,426,369	10,984,917
Contributions from owner	<u>88,736</u>	<u>124,692</u>
Net position - end of year	<u>\$ 10,002,816</u>	<u>\$ 10,426,369</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels have ranged from 95% at the beginning of the year to 98% at the end of the year, with several months at 100% occupancy. With rental rates being generally aligned with market rates, the management company has made significant improvements in achieving and maintaining current occupancy levels. While management is working towards improving the results from operations, for the Corporation's operating budget for the fiscal year ending June 30, 2022, 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, 2021

ASSETS

Current assets:

Cash on hand and in banks	\$ 28,488
Tenant receivables, net of allowance for doubtful accounts	29,719
Total current assets	58,207

Deposits held in trust:

Tenant security deposits	13,594
Utility Deposits	488
Total deposits held in trust	14,082

Capital assets:

Building	14,056,329
Furniture, fixtures, and equipment	248,643
	14,304,972
Less: accumulated depreciation	4,330,523
Net capital assets	9,974,449

TOTAL ASSETS 10,046,738

DEFERRED OUTFLOWS OF RESOURCES

Prepaid expenses	300
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TOTAL ASSES AN DEFERRED OUTFLOWS OF RESOURCES \$ 10,047,038

LIABILITIES

Current liabilities:

Accounts payable	\$ 11,031
Accrued expenses	10,894
Total current liabilities	21,925

Long term liabilities:

Tenant security deposits	13,594
Total long term liabilities	13,594
Total liabilities	35,519

DEFERRED INFLOWS OF RESOURCES

Advanced rent	8,703
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NET POSITION

Net investment in capital assets	9,974,449
Unrestricted	28,367
Total net position	10,002,816

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION \$ 10,047,038

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Rental income	\$ 492,349
Tenant charges	14,533
Total operating revenues	<u>506,882</u>
OPERATING EXPENSES	
Administrative	52,545
Personnel services	102,506
Operating and maintenance	212,850
Utilities	97,697
Depreciation	474,329
Insurance	40,266
Bad debt expense	16,459
Management fees	25,894
Total operating expenses	<u>1,022,546</u>
Operating loss	(515,664)
NON-OPERATING REVENUE	
Miscellaneous income	3,375
Total non-operating revenues	<u>3,375</u>
Change in Net Position	(512,289)
NET POSITION - Beginning of year	10,426,369
Contributions from owners	<u>88,736</u>
NET POSITION - End of year	<u>\$ 10,002,816</u>

See accompanying notes.

MID-CITY GARDENS APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:

Rental receipts	\$ 453,753
Other receipts	14,533
	468,286

Cash paid for:

Administrative expenses	(52,545)
Personnel services	(102,506)
Operating and maintenance	(221,443)
Utilities	(97,697)
Insurance	(40,266)
Management fees	(25,894)
	(540,351)
Net cash used by operating activities	(72,065)

CASH FLOWS FROM INVESTING ACTIVITIES

Non-operating revenue	3,375
Net cash provided by investing activities	3,375

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Contributions from owner	88,736
Net cash provided by non-capital financing activities	88,736

Net change in cash 20,046

Cash - beginning of year 8,442

CASH - END OF YEAR \$ 28,488

RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (515,664)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	474,329
Bad debt	16,459
Changes in operating assets and liabilities:	
Prepaid expenses	31
Accounts receivable	(41,228)
Tenant security deposits	624
Accounts payable	(9,954)
Accrued expenses	1,330
Liability for tenant security deposits	(624)
Advance rent	2,632
Net cash used by operating activities	\$ (72,065)

See accompanying notes.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021 there was no allowance for doubtful accounts.

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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

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

Buildings	30 years
Furniture and equipment	7 years

Net Position:

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

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

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

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

Deferred Outflows and Inflows of Resources:

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Complex has one item that meets the criterion for this category, 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, 2021

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, 2021 was \$9,181.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2021, 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, 2021, the Complex's demand deposit bank balances totaling \$44,897 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, 2021:

	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
Furniture & fixtures	\$ 248,643	\$ -	\$ -	\$ 248,643
Buildings	14,056,329	-	-	14,056,329
	14,304,972	-	-	14,304,972
Accumulated depreciation	(3,856,194)	(474,329)	-	(4,330,523)
Capital assets, net	<u>\$ 10,448,778</u>	<u>\$ (474,329)</u>	<u>\$ -</u>	<u>\$ 9,974,449</u>

Depreciation expense for the year ended June 30, 2021 was \$474,329.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. RENTAL INCOME:

The Complex enters into one-year leases with its tenants. Once the lease expires either a new one-year lease is signed or the lease term becomes month to month with a 30 day cancellation notice policy. Minimum future rental income under the lease agreements for the year ended June 30, 2022 is \$215,280.

5. MANAGEMENT FEES:

During the year ended June 30, 2019, the Complex entered into a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$1,800 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through June 30, 2021. For the year ended June 30, 2021, there was \$25,894 in management fees incurred.

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

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

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

7. UNCERTAINTIES:

On September 4, 2020, the CDC issued an eviction moratorium in response to the COVID-19 pandemic. The moratorium was created to prevent landlords from evicting qualified tenants who could not pay their rent due to loss of income from being out of work or having their pay reduced as a result of lessened hours during the pandemic. As a result of the moratorium, there was a significant increase in accounts receivable resulting from delinquent tenants during the current year. The moratorium was extended by the governor of Louisiana on September 6, 2021 and expired on September 24, 2021. 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.

MID-CITY GARDENS APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

8. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 29, 2021. On August 29, 2021, Hurricane Ida made landfall in southeast Louisiana. The property did not suffer any significant damage as a result of this storm.



Duplantier Hrapmann Hogan & Maher, LLP

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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 29, 2021

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, 2021, 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 29, 2021.

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, Sharpner, Hogan and Parker, LLP

New Orleans, Louisiana

MID-CITY GARDENS APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Mid-City Gardens Apartments for the year ended June 30, 2021 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, 2021

VILLAGE DE JARDIN APARTMENTS

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JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

September 29, 2021

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, 2021, 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, 2021, 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 29, 2021, on our consideration of Village de Jardin Apartments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village de Jardin Apartments' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village de Jardin Apartments' internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Baker, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$39,000,522 at June 30, 2021, which represents a 3% decrease from last fiscal year. The largest portion of the net position was \$38,293,495 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 \$28,452, or 1.4%, total expenses increased by \$100,523, or 3.6%. The increase is mainly in Utilities and Operating 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, 2021

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets	\$ 800,333	\$ 748,978
Security deposits	58,100	58,700
Capital assets (net)	<u>38,293,495</u>	<u>39,538,811</u>
Total assets	<u>39,151,928</u>	<u>40,346,489</u>
Deferred outflows of resources	<u>3,296</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$39,155,224</u>	<u>\$40,346,489</u>
Current liabilities	\$ 91,319	\$ 37,563
Security deposits	58,100	59,400
Total liabilities	<u>149,419</u>	<u>96,963</u>
Deferred inflows of resources	<u>5,283</u>	<u>15,876</u>
Net position		
Net investment in capital assets	38,293,495	39,538,811
Unrestricted	<u>707,027</u>	<u>694,839</u>
Total net position	<u>39,000,522</u>	<u>40,233,650</u>
Total liabilities, deferred inflows of resources and net position	<u>\$39,155,224</u>	<u>\$40,346,489</u>

CAPITAL ASSETS

At the end of fiscal year 2021, the Complex had \$38,293,495 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 2021.

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 \$1,233,128.

VILLAGE DE JARDIN APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 2,003,104	\$ 1,974,652
Operating expenses	<u>2,864,126</u>	<u>2,763,603</u>
Operating (loss)	<u>(861,022)</u>	<u>(788,951)</u>
Change in net position	(861,022)	(788,951)
Net position - beginning of year	40,233,650	41,388,614
Contributions from owner	142,358	143,536
Distributions to owner	<u>(514,464)</u>	<u>(509,549)</u>
Net position - end of year	<u>\$39,000,522</u>	<u>\$40,233,650</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 99% over the fiscal year ended June 30, 2021. 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 1.86% 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, 2022, 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, 2021

ASSETS:

Current assets:

Cash on hand and in banks	\$	767,480
Tenant receivables, net of allowance for doubtful accounts		13,835
Accounts receivable		19,018
Total current assets		800,333

Deposits held in trust:

Tenant security deposits		58,100
Total deposits held in trust		58,100

Capital assets:

Building		49,812,674
Furniture, fixtures, and equipment		191,911
		50,004,585
Less accumulated depreciation		11,711,090
Net capital assets		38,293,495

TOTAL ASSETS 39,151,928

DEFERRED OUTFLOWS OF RESOURCES:

Prepaid expenses		3,296
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 39,155,224

LIABILITIES:

Current liabilities:

Accounts payable	\$	19,710
Accrued expenses		71,609
Total current liabilities		91,319

Long term liabilities:

Tenant security deposits		58,100
Total long term liabilities		58,100

TOTAL LIABILITIES 149,419

DEFERRED INFLOWS OF RESOURCES:

Advanced rent		5,283
---------------	--	-------

NET POSITION:

Net investment in capital assets		38,293,495
Unrestricted - board designated		639,891
Unrestricted		67,136
Total net position		39,000,522

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION \$ 39,155,224

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES:	
Rental income	\$ 1,962,622
Tenant charges	40,482
Total operating revenues	<u>2,003,104</u>
OPERATING EXPENSES:	
Administrative	58,251
Personnel services	265,219
Operating and maintenance	537,218
Utilities	517,807
Depreciation	1,245,316
Insurance	142,358
Bad debt expense	4,976
Management fees	92,981
Total operating expenses	<u>2,864,126</u>
Change in net position	(861,022)
NET POSITION - Beginning of year	40,233,650
Contributions from owner	142,358
Distributions to owner	<u>(514,464)</u>
NET POSITION - End of year	<u><u>\$ 39,000,522</u></u>

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from:	
Rental receipts	\$ 1,932,306
Other receipts	40,482
	<u>1,972,788</u>
Cash paid for:	
Administrative expenses	(58,251)
Personnel services	(265,219)
Operating and maintenance	(483,462)
Tenant security deposits	(700)
Utilities	(521,103)
Insurance	(142,358)
Management fees	(105,454)
	<u>(1,576,547)</u>
Net cash provided by operating activities	<u>396,241</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Contributions from owner	142,358
Distributions to owner	(514,464)
Net cash used in non-capital financing activities	<u>(372,106)</u>

Net change in cash	24,135
Cash - Beginning of year	<u>743,345</u>
CASH - END OF YEAR	<u>\$ 767,480</u>

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

Operating loss	\$ (861,022)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,245,316
Bad debt	4,976
Changes in operating assets and liabilities:	
Accounts receivable	(32,196)
Tenant security deposits	(700)
Prepaid expenses	(3,296)
Accounts payable	8,774
Accrued expenses	44,982
Advanced rent	(10,593)
Net cash provided by operating activities	<u>\$ 396,241</u>

See accompanying notes.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021 was \$-0-. Bad debt expense recorded during the year ended June 30, 2021 was \$4,976.

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, 2021, 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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

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

Buildings	40 years
Furniture and equipment	5 years

Net Position:

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

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

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

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

Deferred Outflows and Inflows of Resources:

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

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

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, was \$10,006.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2021, 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, 2021, the Complex's demand deposits (bank balances) totaling \$881,017 were fully covered by FDIC insurance and pledged securities collateral.

VILLAGE DE JARDIN APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
Furniture & fixtures	\$ 182,019	\$ -	\$ -	\$ 182,019
Buildings	49,812,674	-	-	49,812,674
Equipment	9,892	-	-	9,892
	<u>50,004,585</u>	<u>-</u>	<u>-</u>	<u>50,004,585</u>
Accumulated depreciation	(10,465,774)	(1,245,316)	-	(11,711,090)
Capital assets, net	<u>\$ 39,538,811</u>	<u>\$ (1,245,316)</u>	<u>\$ -</u>	<u>\$ 38,293,495</u>

Depreciation expense for the year ended June 30, 2021 was \$1,245,316.

4. RENTAL INCOME:

The Complex enters into one-year leases with its tenants. Once the lease expires either a new one-year lease is signed or the lease term becomes month to month with a 30-day cancellation notice policy. Minimum future rental income under the lease agreements for the year ending June 30, 2022 is \$354,710.

5. MANAGEMENT FEES:

The Complex has a management agreement with Latter and Blum Property Management, Inc. (LBPMI) to conduct services in connection with the leasing, management, and operation of the apartment complex. In exchange, the Complex shall pay LBPMI a monthly management fee equal to the greater of 4.5% of gross receipts collected or \$6,720 per month (\$30 per month per unit). The term of the agreement is for the period July 1, 2019 through June 30, 2021. For the year ended June 30, 2021, there was \$92,981 in management fees incurred.

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

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

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice of inadequate funding to pay for the related cost, including 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, 2021

7. 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, 2021, is \$639,891 and is reflected in net position as unrestricted – board designated.

8. UNCERTAINTIES:

On September 4, 2020, the CDC issued an eviction moratorium in response to the COVID-19 pandemic. The moratorium was created to prevent landlords from evicting qualified tenants who could not pay their rent due to loss of income from being out of work or having their pay cut as a result of lessened hours during the pandemic. As a result of the moratorium, there was a significant increase in accounts receivable resulting from delinquent tenants during the current year. The moratorium was extended by the governor of Louisiana on September 6, 2021 and expired on September 24, 2021. 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.

9. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statements were available to be issued, September 29, 2021. On August 29, 2021, Hurricane Ida made landfall in southeast Louisiana. The property suffered repairable damages covered by the Company's property insurance. 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 29, 2021

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, 2021, 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 29, 2021.

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, Sharpness, Hogan and Gruber, LLP

New Orleans, Louisiana

VILLAGE DE JARDIN APARTMENTS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Village de Jardin Apartments for the year ended June 30, 2021 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, 2021

WILLOWBROOK APARTMENTS

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JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

September 29, 2021

Louisiana Housing Corporation
Willowbrook Apartments
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Willowbrook Apartments as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Willowbrook 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 Willowbrook Apartments as of June 30, 2021, 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 29, 2021, on our consideration of Willowbrook Apartments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Willowbrook Apartments' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willowbrook Apartments' internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Drake, LLP

New Orleans, Louisiana

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$21,171,467 at June 30, 2021, which represents a 5% decrease from last fiscal year. The largest portion of the net position was \$19,201,069 which reflects the Complex's net investment in capital assets (building, furniture, equipment, and sitework). The Complex uses these capital assets to provide services to tenants.
- The Complex's total operating revenues increased by \$145,563, or 4%, and total expenses increased by \$427,166, or 11%. The increase in expenses is due to personal services, operations and maintenance, and utilities.

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, 2021

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets	\$ 2,098,149	\$ 2,022,934
Security deposits	127,324	127,124
Capital assets (net)	19,201,069	20,361,788
Total assets	<u>21,426,542</u>	<u>22,511,846</u>
Deferred outflows of resources	<u>3,791</u>	<u>1,600</u>
Total assets and deferred outflows	<u>\$ 21,430,333</u>	<u>\$ 22,513,446</u>
Current liabilities	\$ 100,598	\$ 160,736
Security deposits	<u>127,414</u>	<u>127,374</u>
Total liabilities	<u>228,012</u>	<u>288,110</u>
Deferred inflows of resources	<u>30,854</u>	<u>22,840</u>
Net position		
Net investment in capital assets	19,201,069	20,361,788
Unrestricted	<u>1,970,398</u>	<u>1,840,708</u>
Total net position	<u>21,171,467</u>	<u>22,202,496</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,430,333</u>	<u>\$ 22,513,446</u>

CAPITAL ASSETS

At the end of fiscal year 2021, the Complex had \$19,201,069 net investment in capital assets. This amount represents a decrease of \$1,160,719 since last year resulting from depreciation expense of \$1,160,719 for the current fiscal year. There were no additions or disposals of assets during fiscal year 2021.

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 \$1,031,029.

WILLOWBROOK APARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 3,715,253	\$ 3,569,690
Operating expenses	<u>4,203,443</u>	<u>3,776,277</u>
Operating loss	(488,190)	(206,587)
Non-operating revenue	<u>4,372</u>	<u>14</u>
Change in net position	(483,818)	(206,573)
Net position - beginning of year	22,202,496	23,251,483
Contributions from owner	137,016	115,008
Distributions to owner	<u>(684,227)</u>	<u>(957,422)</u>
Net position - end of year	<u>\$ 21,171,467</u>	<u>\$ 22,202,496</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Monthly occupancy levels were steady around 96% over the fiscal year ended June 30, 2021. 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 1.9% 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, 2022, 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, 2021

ASSETS

Current assets:	
Cash on hand and in banks	\$ 1,909,733
Tenant receivables, net of allowance for doubtful accounts	150,424
Accounts receivable	36,992
Deposits	1,000
Total current assets	2,098,149
Deposits held in trust:	
Tenant security deposits	127,324
Total deposits held in trust	127,324
Capital assets:	
Building & improvements	34,384,839
Furniture, fixtures, and equipment	174,672
	34,559,511
Less: accumulated depreciation	15,358,442
Net capital assets	19,201,069
TOTAL ASSETS	21,426,542
DEFERRED OUTFLOWS OF RESOURCES	
Prepaid expense	3,791
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,430,333

LIABILITIES

Current liabilities:	
Accounts payable	54,100
Accrued expenses	46,498
Total current liabilities	100,598
Long term liabilities:	
Tenant security deposits	127,414
Total long term liabilities	127,414
Total liabilities	228,012
DEFERRED INFLOWS OF RESOURCES	
Advanced rent	30,854
NET POSITION	
Net investment in capital assets	19,201,069
Unrestricted, board designated	1,778,346
Unrestricted	192,052
Total net position	21,171,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 21,430,333

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Rental income	\$ 3,601,885
Tenant charges	113,368
Total operating revenues	<u>3,715,253</u>
OPERATING EXPENSES	
Administrative	101,085
Personnel services	415,859
Operating and maintenance	1,083,229
Depreciation	1,160,719
Utilities	1,092,832
Insurance	137,016
Bad debt expense	51,287
Management fees	161,416
Total operating expenses	<u>4,203,443</u>
Operating loss	<u>(488,190)</u>
NON-OPERATING REVENUES	
Miscellaneous income	4,372
Total non-operating revenues	<u>4,372</u>
CHANGE IN NET POSITION	(483,818)
NET POSITION - Beginning of year	22,202,496
Contributions from owner	137,016
Distributions to owner	<u>(684,227)</u>
NET POSITION - End of year	<u>\$ 21,171,467</u>

See accompanying notes.

WILLOWBROOK APARTMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Rental receipts	\$ 3,426,540
Other receipts	113,114
	3,539,654
Cash paid for:	
Administrative expenses	(101,084)
Tenant security deposits	(160)
Personnel services	(415,859)
Operating and maintenance	(1,145,558)
Utilities	(1,092,832)
Insurance	(137,016)
Management fees	(198,304)
	(3,090,813)
Net cash provided by operating activities	448,841

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Other non-operating revenues	4,372
Contributions from owner	137,016
Distributions to owner	(684,227)
Net cash used by non-capital financing activities	(542,839)
Net change in cash	(93,998)
Cash - beginning of year	2,003,731
CASH - END OF YEAR	\$ 1,909,733

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (488,190)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,160,719
Bad debt	51,287
Changes in operating assets and liabilities:	
Prepaid expenses	(2,191)
Accounts receivable	(220,500)
Tenant security deposits	(200)
Liability for tenant security deposits	40
Accounts payable	(38,959)
Accrued expenses	(21,179)
Advanced rent	8,014
	8,014
Net cash provided by operating activities	\$ 448,841

See accompanying notes.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021, was \$-0-. Bad debt expense recorded during the year ended June 30, 2021 was \$51,287.

Tenant Security Deposits:

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

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

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

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

Net Position:

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

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

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

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

Deferred Outflows and Inflows of Resources:

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

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

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, was \$23,607.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2021, 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, 2021, the Complex's demand deposits (bank balances) totaling \$2,094,355 were fully covered by FDIC insurance and pledged securities.

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. CAPITAL ASSETS:

Following is a summary of the changes in capital assets for the year ended June 30, 2021:

	Balance <u>June 30, 2020</u>	Additions	Disposals	Balance <u>June 30, 2021</u>
Furniture & fixtures	\$ 174,672	\$ -	\$ -	\$ 174,672
Buildings	33,403,098	-	-	33,403,098
Building improvements	981,741	-	-	981,741
	34,559,511	-	-	34,559,511
Accumulated depreciation	<u>(14,197,723)</u>	<u>(1,160,719)</u>	<u>-</u>	<u>(15,358,442)</u>
Capital assets, net	<u>\$ 20,361,788</u>	<u>\$ (1,160,719)</u>	<u>\$ -</u>	<u>\$ 19,201,069</u>

Depreciation expense for the year ended June 30, 2021, was \$1,160,719.

4. RENTAL INCOME:

The Complex enters into one-year leases with its tenants. Once the lease expires either a new one-year lease is signed or the lease term becomes month to month with a 30-day cancellation notice policy. Minimum future rental income under the lease agreements for the year ending June 30, 2022 is \$1,383,922.

5. 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, 2021, there was \$161,416 in management fees incurred.

6. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

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

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by or passed through HUD. Such changes may

WILLOWBROOK APARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

occur with little notice of inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Future operations could be affected by changes in economic or other conditions in the geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

7. UNRESTRICTED – BOARD DESIGNATED:

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, 2021, is \$1,778,346 and is reflected in net position as unrestricted – board designated.

8. UNCERTAINTIES:

On September 4, 2020, the CDC issued an eviction moratorium in response to the COVID-19 pandemic. The moratorium was created to prevent landlords from evicting qualified tenants who could not pay their rent due to loss of income from being out of work or having their pay cut as a result of lessened hours during the pandemic. As a result of the moratorium, there was a significant increase in accounts receivable resulting from delinquent tenants during the current year. The moratorium was extended by the governor of Louisiana on September 6, 2021 and expired on September 24, 2021. 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.

9. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date these financial statement were available to the issued, September 29, 2021. On August 29, 2021, Hurricane Ida made landfall in southeast Louisiana. The property suffered repairable damages covered by the Company's property insurance. 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 29, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise Willowbrook Apartments' basic financial statements, and have issued our report thereon dated September 29, 2021.

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, 2021

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Willowbrook Apartments for the year ended June 30, 2021 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.