

# **COLONIAL OAKS, LLC**

## **Financial Statements**

**For the year ended June 30, 2021**



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

# COLONIAL OAKS, LLC

## Table of Contents

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	<u>Page</u>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Colonial Oaks, LLC  
Ann Arbor, MI

We have audited the accompanying financial statements of the *Colonial Oaks, LLC* which comprise the balance sheet as of June 30, 2021, and the related statement of operations and statement of cash flows for the year then ended.

### **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 controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Colonial Oaks, LLC* as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Smith + Klaehowitz PC*

*Saginaw, Michigan*

November 9, 2021

**Colonial Oaks**  
**Balance Sheet**  
*June 30, 2021*

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**Assets**

Current assets:	
Cash and cash equivalents	\$ 178,772
Cash - tenant security deposits	16,163
Accounts receivable	15,539
Prepaid expenses	13,212
Total current assets	<u>223,686</u>
Noncurrent assets:	
Land	747,751
Buildings, net	2,927,413
Site improvements, net	79,404
Total noncurrent assets	<u>3,754,568</u>
<b>Total assets</b>	<b><u><u>\$ 3,978,254</u></u></b>

**Liabilities and Equity**

Current liabilities:	
Accounts payable	\$ 52,304
Accrued liabilities	15,340
Tenant security deposits	16,163
Unearned revenue	7,144
Total liabilities	<u>90,951</u>
Total equity	<u>3,887,303</u>
<b>Total liabilities and equity</b>	<b><u><u>\$ 3,978,254</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

**Colonial Oaks**  
**Statement of Operations**  
*For the year ended June 30, 2021*

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**Revenues**

Tenant revenue	\$ 169,226
Rent subsidies	444,619
Interest revenue	41
Other revenue	<u>2,583</u>
Total revenue	<u>616,469</u>

**Expenses**

Office expenses	3,252
Property management salaries	134,564
Asset management fees	65,569
Professional services	1,725
Utilities	91,870
Maintenance	159,714
Insurance	28,359
Supplies	37,539
Miscellaneous	11,105
Depreciation	<u>229,403</u>

Total cost of operations 763,100

Net income (loss) (146,631)

Beginning of the year equity 4,033,934

End of year equity \$ 3,887,303

*The accompanying notes are an integral part of these financial statements.*

**Colonial Oaks**  
**Statement of Cash Flows**  
*For the year ended June 30, 2021*

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Cash flows from operating activities	
Change in equity	\$ (146,631)
Adjustments to reconcile change in equity to net cash provided by (used in) operating activities:	
Depreciation	229,403
(Increase) decrease in operating assets	
Accounts receivable	23,641
Prepaid expenses	(988)
Increase (decrease) in operating liabilities	
Accounts payable	(17,852)
Accrued liabilities	1,511
Tenant security deposits	(115)
Unearned revenue	1,301
Net cash provided by (used in) operating activities	<u>90,270</u>
 Cash flows from capital and related financing activities	
Purchase of property and equipment	<u>(18,827)</u>
 Net increase (decrease) in cash	71,443
 Cash - beginning of year	<u>123,492</u>
Cash - end of year	<u><u>\$ 194,935</u></u>
 <b>Reconciliation of cash and cash equivalents per the Balance Sheet to the Statement of Cash Flows</b>	
Cash and cash equivalents	\$ 178,772
Cash - tenant security deposits	<u>16,163</u>
 <b>Cash and cash equivalents - end of year</b>	<u><u>\$ 194,935</u></u>

*The accompanying notes are an integral part of these financial statements.*

**COLONIAL OAKS, LLC**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2021*

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

*Colonial Oaks, LLC* (the “Company”) was organized in 2014 under the laws of the State of Michigan to develop, own, operate and rehabilitate 50-units of affordable housing located within the boundaries of the City of Ann Arbor, Michigan. The Company has one member, the Ann Arbor Housing Development Corporation (the “AAHDC”), a Michigan nonprofit corporation. The Company commenced operations in June 2015.

Operating profits and losses from operations are determined and allocated to the AAHDC at the end of the fiscal year.

**Basis of Presentation**

The financial statements of the Company are prepared on the accrual basis of accounting and include the assets, liabilities and changes in equity relating to the business of the Company. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Assets and Liabilities**

**Cash**

Cash consists of cash on deposit and short-term investments with maturities of three months or less. The Company's cash accounts are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per financial institution.

**Receivables and Payables**

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses.

**Properties and Depreciation**

Buildings and improvements are recorded at cost, improvements are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. The rental property will be depreciated over estimated service lives using the straight-line method as follows when completed:

Buildings	40 years
Site improvements	10 year



**COLONIAL OAKS, LLC**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2021*

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**Rental Income and Security Deposits**

Rental income is recorded as earned and amounts received in advance are classified as deferred rent revenue. Security deposits are segregated from rental income. All leases between the tenants and the Company are operating leases.

**Income Taxes**

The Company is a pass-through entity for income tax purposes and, as such, is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a LLC. The Company is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

The Company has implemented the Financial Accounting Standards Board (FASB) provisions regarding accounting for uncertainty in income taxes, which had no material effect on the financial statements. Management records contingent liabilities in accordance with U.S. GAAP and believes the Company has no material uncertain tax positions.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Ground Lease**

The Company has entered into a ground lease with the Ann Arbor Housing Commission (the "AAHC") for the two separate existing apartment complexes that are considered a single development project. The term of the lease is 50 years with annual installments of \$1 per year.

**NOTE B: RELATED PARTY TRANSACTIONS**

The AAHC manages the project for certain fees. The AAHC commenced management of the project in June 2015. The AAHC received management fees of \$61,331 during the year ended June 30, 2021.

**COLONIAL OAKS, LLC**  
**Notes to Financial Statements**  
*For the Year Ended June 30, 2021*

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 480,000	\$ -	\$ -	\$ 480,000
Capital assets being depreciated				
Buildings	3,834,039	18,827	-	3,852,866
Site improvements	79,404	-	-	79,404
Total capital assets being depreciated	<u>3,913,443</u>	<u>18,827</u>	<u>-</u>	<u>3,932,270</u>
Less accumulated depreciation				
Buildings	(420,359)	(221,463)	-	(641,822)
Site improvements	(7,940)	(7,940)	-	(15,880)
Total accumulated depreciation	<u>(428,299)</u>	<u>(229,403)</u>	<u>-</u>	<u>(657,702)</u>
Net capital assets being depreciated	<u>3,485,144</u>	<u>(210,576)</u>	<u>-</u>	<u>3,274,568</u>
Total net capital assets	<u>\$ 3,965,144</u>	<u>\$ (210,576)</u>	<u>\$ -</u>	<u>\$ 3,754,568</u>

**NOTE D: CONCENTRATIONS OF CREDIT RISK**

The Company maintains its cash accounts in a national bank and does not consider there to be a significant credit risk arising from deposits in excess of federally insured limits.

**NOTE E: SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2021 have been evaluated for possible adjustment to the financial statements or disclosure is November 9, 2021 which is the date on which the financial statements were available to be issued.

