

COLONIAL OAKS, LLC

Financial Statements

For the year ended June 30, 2023



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

COLONIAL OAKS, LLC

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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

Opinion

We have audited the accompanying financial statements of *Colonial Oaks, LLC*, which comprise the balance sheet as of June 30, 2023, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Colonial Oaks, LLC* as of June 30, 2023, and the changes in its equity and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of *Colonial Oaks, LLC* and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about *Colonial Oaks, LLC's* ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of *Colonial Oaks, LLC's* internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about *Colonial Oaks, LLC's* ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Smith + Klaesheinwig PC

Saginaw, Michigan

November 8, 2023

Colonial Oaks
Balance Sheet
June 30, 2023

Assets

Current assets:	
Cash and cash equivalents	\$ 117,469
Cash - tenant security deposits	17,400
Accounts receivable	22,142
Prepaid expenses	15,602
Total current assets	<u>172,613</u>
Noncurrent assets:	
Land	480,000
Buildings, net	2,735,789
Equipment, net	4,865
Site improvements, net	110,894
Total noncurrent assets	<u>3,331,548</u>
Total assets	<u><u>\$ 3,504,161</u></u>

Liabilities and Equity

Current liabilities:	
Accounts payable	\$ 115,110
Accrued liabilities	9,837
Tenant security deposits	17,014
Unearned revenue	7,806
Total liabilities	<u>149,767</u>
Total equity	<u>3,354,394</u>
Total liabilities and equity	<u><u>\$ 3,504,161</u></u>

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

Colonial Oaks
Statement of Operations
For the year ended June 30, 2023

Revenues

Tenant revenue	\$ 206,905
Rent subsidies	458,617
Interest revenue	481
Other revenue	14,179
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Total revenue	680,182
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Expenses

Office expenses	2,252
Property management salaries	172,452
Asset management fees	72,086
Professional services	7,029
Utilities	115,686
Maintenance	205,924
Insurance	30,611
Supplies	65,899
Miscellaneous	2,881
Depreciation	256,986
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Total cost of operations

931,806

Net income (loss) (251,624)

Beginning of the year equity

3,606,018

End of year equity

\$ 3,354,394

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

Colonial Oaks
Statement of Cash Flows
For the year ended June 30, 2023

Cash flows from operating activities	
Change in equity	\$ (251,624)
Adjustments to reconcile change in equity to net cash provided by (used in) operating activities:	
Depreciation	256,986
(Increase) decrease in operating assets	
Accounts receivable	(3,103)
Prepaid expenses	(1,548)
Increase (decrease) in operating liabilities	
Accounts payable	(34,754)
Accrued liabilities	(10,865)
Tenant security deposits	256
Unearned revenue	(453)
Net cash provided by (used in) operating activities	<u>(45,105)</u>
Cash flows from capital and related financing activities	
Purchase of property and equipment	<u>(63,434)</u>
Net increase (decrease) in cash	(108,539)
Cash - beginning of year	<u>243,408</u>
Cash - end of year	<u><u>\$ 134,869</u></u>
 Reconciliation of cash and cash equivalents per the Balance Sheet to the Statement of Cash Flows	
Cash and cash equivalents	\$ 117,469
Cash - tenant security deposits	<u>17,400</u>
Cash and cash equivalents - end of year	<u><u>\$ 134,869</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, 2023

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
Equipment	10 years
Site improvements	10 year

COLONIAL OAKS, LLC
Notes to Financial Statements
For the Year Ended June 30, 2023

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 \$67,818 during the year ended June 30, 2023.

COLONIAL OAKS, LLC
Notes to Financial Statements
For the Year Ended June 30, 2023

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	3,877,191	6,190	-	3,883,381
Equipment	-	5,406	-	5,406
Site improvements	<u>95,594</u>	<u>51,838</u>	<u>-</u>	<u>147,432</u>
Total capital assets being depreciated	<u>3,972,785</u>	<u>63,434</u>	<u>-</u>	<u>4,036,219</u>
Less accumulated depreciation				
Buildings	(903,730)	(243,862)	-	(1,147,592)
Equipment	-	(541)	-	(541)
Site improvements	<u>(23,955)</u>	<u>(12,583)</u>	<u>-</u>	<u>(36,538)</u>
Total accumulated depreciation	<u>(927,685)</u>	<u>(256,986)</u>	<u>-</u>	<u>(1,184,671)</u>
Net capital assets being depreciated	<u>3,045,100</u>	<u>(193,552)</u>	<u>-</u>	<u>2,851,548</u>
Total net capital assets	<u>\$ 3,525,100</u>	<u>\$ (193,552)</u>	<u>\$ -</u>	<u>\$ 3,331,548</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, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is November 8, 2023 which is the date on which the financial statements were available to be issued.

