

Loussac Place Limited Partnership

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2023 and 2022

Loussac Place Limited Partnership

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Independent Auditor's Report

To the General Partner
Loussac Place Limited Partnership

Opinion

We have audited the financial statements of Loussac Place Limited Partnership, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Loussac Place Limited Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Loussac Place Limited Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Loussac Place Limited Partnership's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Loussac Place Limited Partnership'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 Loussac Place Limited Partnership'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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of certain income and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sacramento, California
April 11, 2024

Loussac Place Limited Partnership

Balance Sheets December 31, 2023 and 2022

<u>Assets</u>		
	2023	2022
Investment in rental property, net	\$ 23,729,369	\$ 24,927,004
Cash	231,924	160,057
Restricted deposits and funded reserves		
Escrows	74,515	84,756
Tenants' security deposits	120,148	130,362
Replacement reserve	155,694	107,527
Operating reserve	690,116	689,240
Transition reserve	503,756	503,116
	1,544,229	1,515,001
Tenants' accounts receivable, net	28,812	127,970
Tax credit monitoring fees, net	2,445	3,111
Other assets	158,563	-
	\$ 25,695,342	\$ 26,733,143
 <u>Liabilities and Partners' Equity</u>		
Liabilities		
Accounts payable - operations	\$ 15,694	\$ 14,064
Other accrued liabilities	86,480	55,949
Accrued interest - first mortgage	25,886	26,293
Accrued interest - other mortgages	1,035,960	931,112
Tenants' security deposits liability	120,148	131,262
Due to affiliate	832,833	300,272
Annual fee payable to limited partner	13,842	17,493
Ground lease payable	262,118	233,386
Mortgages and notes payable, net	13,201,138	13,287,394
Lease liability	1,289,092	1,400,238
	16,883,191	16,397,463
Total liabilities		
Contingency	-	-
Partners' Equity	8,812,151	10,335,680
	\$ 25,695,342	\$ 26,733,143

See Notes to Financial Statements.

Loussac Place Limited Partnership
Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenue		
Rental income	\$ 1,599,676	\$ 1,675,923
Other operating income	24,026	54,583
Total revenue	1,623,702	1,730,506
Operating expenses		
Salaries and employee benefits	313,754	211,801
Repairs and maintenance	309,094	252,305
Utilities	293,767	300,352
Property management fee	97,021	103,840
Real estate taxes	96,420	83,030
Property insurance	76,861	65,012
Miscellaneous operating expenses	116,133	66,525
Total operating expenses	1,303,050	1,082,865
Net operating income before other income (expenses)	320,652	647,641
Other income (expense)		
Interest income	1,683	819
Interest expense - first mortgage	(315,332)	(320,042)
Interest expense - mortgages and other	(153,716)	(155,408)
Miscellaneous other income (expense)	(150,831)	(36,942)
Annual fee to limited partner	(13,842)	(13,439)
General partner management fee	(13,842)	(13,439)
Depreciation	(1,197,635)	(1,197,637)
Amortization	(666)	(666)
Total other income (expense)	(1,844,181)	(1,736,754)
Net loss	\$ (1,523,529)	\$ (1,089,113)

See Notes to Financial Statements.

Loussac Place Limited Partnership

**Statements of Partners' Equity
Years Ended December 31, 2023 and 2022**

	Cook Inlet Housing Authority <u>(general partner)</u>	WF Affordable Housing LLC (investor limited partner)	<u>Total partners' equity</u>
Balance, January 1, 2022	\$ 1,574,670	\$ 9,850,123	\$ 11,424,793
Net loss	<u>(109)</u>	<u>(1,089,004)</u>	<u>(1,089,113)</u>
Balance, December 31, 2022	1,574,561	8,761,119	10,335,680
Net loss	<u>(152)</u>	<u>(1,523,377)</u>	<u>(1,523,529)</u>
Balance, December 31, 2023	<u>\$ 1,574,409</u>	<u>\$ 7,237,742</u>	<u>\$ 8,812,151</u>
Partners' percentage of interest	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Loussac Place Limited Partnership

Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	\$ 1,746,318	\$ 1,571,853
Interest income received	1,683	819
Other operating receipts	24,026	54,583
Total receipts	1,772,027	1,627,255
Administrative expenses paid	(5,429)	(2,447)
Management fees paid	(31,302)	(52,895)
Utilities paid	(296,423)	(286,288)
Salaries and wages paid	(63,134)	(100,630)
Operating and maintenance paid	(218,801)	(310,065)
Interest paid	(313,298)	(318,031)
Property insurance paid	(76,861)	(65,012)
Real estate taxes paid	(96,420)	(83,030)
Tenant security deposits liability paid	(11,114)	(1,462)
Annual fee to limited partner paid	(17,493)	(21,662)
General partner management fee paid	(12,749)	-
Miscellaneous expenses paid	(307,929)	(36,942)
Ground lease paid	(131,282)	(86,643)
Replacement reserve projects paid	-	(101,872)
Total disbursements	(1,582,235)	(1,466,979)
Net cash provided by operating activities	189,792	160,276
Cash flows from investing activities		
Deposits to reserve for replacements	(48,167)	(48,058)
Deposits to transition reserve	(640)	(321)
Withdrawals from reserve for replacements	-	54,467
Change in escrows	10,241	(1,342)
Net cash (used in) provided by investing activities	(38,566)	4,746
Cash flows from financing activities		
Principal payments on mortgage notes	(88,697)	(83,962)
Net cash used in financing activities	(88,697)	(83,962)
Net increase in cash and restricted cash	62,529	81,060
Cash and restricted cash, beginning	979,659	898,599
Cash and restricted cash, end	\$ 1,042,188	\$ 979,659

Loussac Place Limited Partnership

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net loss	\$ (1,523,529)	\$ (1,089,113)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,197,635	1,197,637
Amortization	666	666
Amortization of debt issuance costs	2,441	2,394
Changes in		
Tenants' accounts receivable	99,158	(6,146)
Other assets	(158,563)	22,795
Accounts payable - operations	1,630	14,064
Other accrued liabilities	30,531	(224,787)
Accrued interest - first mortgage	(407)	(383)
Accrued interest - other loans	104,848	102,792
Tenants' security deposits liability	(11,114)	(1,462)
Due to affiliate	532,561	184,069
Annual fee payable to affiliate of limited partner	(3,651)	(8,223)
Ground lease payable	(82,414)	(34,027)
	\$ 189,792	\$ 160,276
Supplemental schedule of non-cash investing and financing activities		
Right-of-use asset included in investment in rental property	\$ -	\$ 1,507,637
Lease liability	-	(1,507,637)
	\$ -	\$ -

See Notes to Financial Statements.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Note 1 - Organization and nature of operations

Loussac Place Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the State of Alaska on December 1, 2010. The Partnership's purpose is the acquisition of real estate and the development, construction, operation, and sale and/or leasing of a rental residential housing project (the "Project"). The Project consists of a 120-unit apartment project located in Anchorage, Alaska. The Project is known as Loussac Place Apartments and began operations on August 15, 2012.

On August 18, 2011, the partnership agreement was amended and restated to admit WF Affordable Housing LLC as the investor limited partner.

The terms of the partnership agreement provide, among other things, that profits, losses and cash flows be shared 0.01% by the general partner, Cook Inlet Housing Authority, and 99.99% by the limited partner, WF Affordable Housing LLC.

The general partner is Cook Inlet Housing Authority (the "Authority"), a governmental entity that fully controls the Partnership. As such, the Partnership is a component unit of the Authority and its financial statements are fully incorporated in the financial statements of the Authority.

The Project qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the tax credits. In addition, Loussac Place Limited Partnership executed a Declaration of Land Use Restrictive Covenants with the Alaska Housing Finance Corporation ("AHFC"), which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even after disposition of the Project by the Partnership.

The partnership agreement provides that the Partnership shall continue in existence in full force and effect unless dissolved and terminated by provisions of the amended agreement or by operation of law.

Note 2 - Significant accounting policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting. As such, revenue is recognized when earned and expenses when incurred, regardless of the timing of payments.

Tenants' accounts receivable, net

Tenants' accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2023 and 2022, the allowance for doubtful accounts was \$40,559 and \$69,600, respectively.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Investment in rental property

Rental property is stated at cost and includes all costs of development and construction of the Project. Expenditures for repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statements of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Land improvements	15 years
Furniture, appliances and equipment	5 years

Impairment of long-lived assets

The Partnership reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2023 and 2022.

Deferred fees and amortization

Tax credit monitoring fees of \$10,000 are being amortized over the term of the tax credit compliance period using the straight-line method. As of December 31, 2023 and 2022, accumulated amortization was \$7,555 and \$6,889, respectively.

Estimated amortization expense for each of the next four years following December 31, 2023 is \$666 per year for 2024 through 2026, and \$447 for 2027.

Leases

The Partnership recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate. The Partnership determines the incremental borrowing rate using borrowing rates for collateralized financings of similar types of assets.

Total lease costs of operating leases on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Amortization of finance lease right-of-use assets is included in depreciation in the Partnership's statement of operations.

The Partnership includes its right-of-use asset for operating leases in other assets and its right-of-use-assets for finance leases within building and improvements in its balance sheet.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Residential rental income

Residential rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the residential tenants of the Project are operating leases.

Advertising cost

Advertising and marketing costs are expensed as incurred.

Replacement reserve projects

From time to time, the Partnership incurs non-routine repairs and maintenance expenses that are expected to be funded by withdrawals from the replacement reserve. Such non-routine repairs and maintenance expenses when incurred are included in replacement reserve projects in the statements of operations. No such expenses were incurred during the years ended December 31, 2023 and 2022.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Income taxes

The Partnership is a pass-through entity for income tax purposes and, is not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax position to qualify as a pass-through entity. The Partnership is required to file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2020 remain open.

Use of estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles 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.

Loussac Place Limited Partnership

**Notes to Financial Statements
December 31, 2023 and 2022**

Note 3 - Investment in rental property, net

Rental property is comprised of the following at December 31:

	2023	2022
Land	\$ 387,876	\$ 387,876
Land improvements	6,141,459	6,141,459
Buildings and improvements	28,574,491	28,574,491
Furniture, fixtures, and equipment	108,785	108,785
Right-of-use asset - finance type lease	1,433,794	1,433,794
Subtotal	36,646,405	36,646,405
Accumulated depreciation	(12,917,036)	(11,719,401)
Net	\$ 23,729,369	\$ 24,927,004

Note 4 - Restricted deposits and funded reserves

Escrows

Under the terms of the permanent loans with AHFC, the Partnership is required to make deposits to a tax and insurance escrow account. Deposits are required based upon an initial amount determined at closing on the permanent loan, with monthly deposits of \$13,615 in 2023 and \$12,829 in 2022 to the tax and insurance escrow account. As of December 31, 2023 and 2022, the tax and insurance escrow account has a balance of \$74,515 and \$84,756, respectively.

Replacement reserve

The Partnership is required to make monthly deposits to a replacement reserve account for use in funding future maintenance and replacement costs. Deposits to the replacement reserve are required based upon monthly installments in the amount of \$4,000 for total deposits during the twelve (12) months of \$48,000 until a five-year threshold amount of \$240,000 is reached. The replacement reserve is held by the mortgage lender. A detailed schedule of the replacement reserve activity is set forth below:

	2023	2022
Balance, January 1	\$ 107,527	\$ 113,936
Deposits	48,000	48,000
Interest earnings	167	58
Withdrawals	-	(54,467)
Balance, December 31	\$ 155,694	\$ 107,527

Operating reserve

The Partnership is required to establish an operating reserve account for use in funding of operational expenses, debt service obligations and other expenses of the Partnership approved by both the general partner and the investor limited partner. The operating reserve is held and maintained by the Partnership. As of December 31, 2023 and 2022, the operating reserve balance is \$690,116 and \$689,240, respectively.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Transition reserve

The Partnership is required to establish a transition reserve account for use in the funding of operational expenses, debt service obligations and other expenses of the Partnership approved by both the general partner and the investor limited partner as a result of a reduction or termination of the rental assistance. The transition reserve is held and maintained by AHFC. As of December 31, 2023 and 2022, the transition reserve balance is \$503,756 and \$503,116, respectively.

Note 5 - Related party transactions

Capital contributions

The partnership agreement requires the general partner and the investor limited partner to make capital contributions of \$1,574,755 and \$20,691,550, respectively, of which \$1,000 of the general partner contributions went to the children's library. The capital contributions of the investor limited partner are subject to adjustments as defined in the amended partnership agreement. As of December 31, 2023, the general partner and the investor limited partner have fully funded all of their required capital contributions.

Due to affiliate

Due to affiliate on the balance sheets represents operating expenses of the Project which were paid by the Authority under an expense reimbursement arrangement. These advances are non-interest bearing and normally paid one month in arrears. As of December 31, 2023 and 2022, \$784,572 and \$253,104, respectively, are due and included in due to affiliate on the balance sheets.

General partner management fee

The partnership agreement provides for the payment to the general partner of a general partner management fee in the initial amount of \$10,000 per annum (increasing annually by 3%) for its services in managing the affairs of the Partnership commencing on Construction Completion. The fee is payable out of available cash flow, as defined. If there are not sufficient cash funds available, then such fee shall accrue and be payable out of available cash flow in subsequent years, or from sale or refinancing proceeds. For the years ended December 31, 2023 and 2022, \$13,842 and \$13,439, respectively, was incurred and charged to operations. As of December 31, 2023 and 2022, \$48,261 and \$47,168, respectively, remain due and are included in due to affiliate on the balance sheets.

Asset management fee

The partnership agreement provides for the payment to the limited partner of an asset management fee in the initial amount of \$10,000 per annum (increasing annually by 3%) for its services in monitoring the operations of the Partnership. The fee is payable out of available cash flow, as defined. If there are not sufficient cash funds available, then such fee shall accrue and be payable out of available cash flow in subsequent years, or from sale or refinancing proceeds. For the years ended December 31, 2023 and 2022, \$13,842 and \$13,439, respectively, was incurred and expensed. As of December 31, 2023 and 2022, \$13,842 and \$17,493, respectively, remain due.

Property management fee

The partnership agreement provides for the payment of a property management fee to the Authority in an amount of 6.0% of gross effective income, as defined. For the years ended December 31, 2023 and 2022, \$97,021 and \$103,840, respectively, was incurred and expensed.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Cash flow distributions

Cash flow, which means the excess of cash receipts over cash expenditures as determined for each fiscal year or portion thereof, shall be distributed in the order of priority as defined in the partnership agreement, as follows:

- To pay annual rental payments due under the Ground Lease, as defined;
- To the investor limited partner, to pay any unpaid Credit Adjuster Payments owed;
- To the investor limited partner, to pay the asset management fee;
- To establish, maintain and/or replenish the operating reserve until the balance in the operating reserve is \$610,000;
- To repay any Operating Deficit Loans made by the investor limited partner, with any such payments to be applied first to accrued but unpaid interest and then to principal;
- To the developer, to repay the Developer Fee note;
- To the general partner, to pay the general partner management fee;
- To repay any Operating Deficit Loans made by the general partner, with any such payments to be applied first to accrued but unpaid interest and then to principal;
- To pay principal and interest owing on the CIHA Unrestricted Debt loan (second mortgage loan);
- To pay principal and interest owing on the NAHASDA loan (third mortgage loan);
- To pay principal and interest owing on the CIHA Corporate Receipts loan (fourth mortgage loan); and
- The balance, 99.99% to the investor limited partner, 0.01% to the general partner.

Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	2023	2022
Cash	\$ 231,924	\$ 160,057
Tenants' security deposits	120,148	130,362
Operating reserve	690,116	689,240
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 1,042,188</u>	<u>\$ 979,659</u>

The amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Project and operating reserve required by the partnership agreement.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Note 7 - Mortgages and notes payable

Mortgages and notes payable consist of the following at December 31:

	2023	2022
<u>AHFC - (1st mortgage loan)</u>		
<p>Promissory note of \$5,900,000 payable to Alaska Housing Finance Corporation; secured by the Project; payable in monthly installments of principal and interest of \$33,499.55; bearing interest at 5.50% per annum; maturing December 1, 2050. During 2023 and 2022, interest of \$312,891 and \$317,648, respectively, was incurred and expensed. As of December 31, 2023 and 2022, accrued interest of \$25,886 and \$26,293, respectively, remains payable.</p>		
<p>Debt issuance costs, net of accumulated amortization, totaled \$58,632 and \$61,073 as of December 31, 2023 and 2022, respectively, and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 5.60%. Amortization of debt issuance costs is \$ \$2,441 and \$2,394 for the years ended December 31, 2023 and 2022, respectively, and are included in interest expense - first mortgage on the statements of operations.</p>		
	\$ 5,647,863	\$ 5,736,560
<u>Cook Inlet Housing Authority</u>		
<p>Promissory note of \$610,000 payable to the Authority; secured by the Project; bearing interest at 0% during construction and at 2% compounding annually beginning January 1, 2013; and maturing December 31, 2042. During 2023 and 2022, interest of \$3,266 and \$3,202, respectively, was incurred and expensed. As of December 31, 2023 and 2022, accrued interest of \$21,913 and \$18,647, respectively, remains payable.</p>		
	144,678	144,678
<u>Cook Inlet Housing Authority</u>		
<p>Promissory note of \$4,166,614 payable to the Authority; secured by the Project, bearing interest at 0.00% during construction and at 2% compounding annually beginning January 1, 2013; maturing December 31, 2061. During 2023 and 2022, interest of \$101,582 and \$99,590, respectively, was incurred and expensed. As of December 31, 2023 and 2022, accrued interest of \$1,014,047 and \$912,465, respectively, remains payable.</p>		
	4,166,614	4,166,614

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

	2023	2022
<u>Cook Inlet Housing Authority</u>		
Promissory note of \$3,300,615 payable to the Authority; secured by the Project; bearing no interest; and maturing December 31, 2061.	3,300,615	3,300,615
Total	\$ 13,259,770	\$ 13,348,467

The liability of the Partnership under the mortgage notes is limited to the underlying value of the real estate collateral, assignment of rents and leases plus other amounts deposited with the lenders.

The annual debt service requirements for mortgages and notes payable consist of the following:

Year ending	Principal	Interest	Total
2024	\$ 93,701	\$ 308,294	\$ 401,995
2025	98,986	303,008	401,994
2026	104,570	297,425	401,995
2027	110,468	291,526	401,994
2028	116,700	285,295	401,995
2029-2033	689,988	1,319,985	2,009,973
2034-2038	907,819	1,102,153	2,009,972
2039-2043	1,339,099	913,565	2,252,664
2044-2048	1,571,505	438,467	2,009,972
2049-2053	759,705	44,287	803,992
2054-2058	-	-	-
2059-2061	7,467,229	6,828,296	14,295,525
Subtotal	13,259,770	12,132,301	25,392,071
Less unamortized debt issuance costs	(58,632)	-	(58,632)
Total	\$ 13,201,138	\$ 12,132,301	\$ 25,333,439

Note 8 - Ground lease agreement

On June 3, 2011, the Partnership entered into a ground lease agreement with AHFC that provides the Partnership with a right-of-use asset, the land upon which are located the buildings and improvements of the Project. The lease is for a term of sixty-seven (67) years. The ground lease agreement calls for a minimum rent payment in the amount of \$3,300,615 ("Minimum Rent") to be paid during the first 30 years of the ground lease. The Minimum Rent will be payable in annual payments of \$160,014 beginning the first January 1 following the anniversary of the completion date of the Project, until such time when the Minimum Rent has been paid in full. Such annual payment will be limited to the lesser of \$160,014 or 80% of the available cash flow of the Partnership, as defined in the ground lease agreement. Any portion of the required annual payment not paid due to insufficient available cash will accrue and be due and payable by the end of the 30th year of the term of the ground lease. In addition to the Minimum Rent, the ground lease agreement also calls

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

for the payment of "Additional Rent" starting the later of the 31st year of the lease term or the payment in full of the Term Loan, in the amount of 7% of the value of the leased premises. The Additional Rent due annually starting the 31st year of the lease term is considered variable payment as it is based on the assessed value of the leased premises and as such has not been included in the lease liability. The lease agreement also requires the Partnership to pay property taxes applicable to the leased asset and to provide insurance coverage on any leasehold improvements made by the Partnership. The property taxes and insurance payments are variable payments made to third parties and are not included in the rent expense.

Right of-use-asset

The right-of-use asset has been determined to be a finance-type lease totaling \$1,359,951 and \$1,433,794 at December 31, 2023 and 2022, respectively, and is included in investment in rental property on the balance sheets. Amortization of finance-type right-of-use asset of \$73,843 and \$73,843 for the years ended December 31, 2023 and 2022, respectively, is included in depreciation expense in the statements of operations.

Lease liability

The lease liability at December 31, 2023 and 2022 of \$1,289,092 and \$1,400,238, respectively, is the present value of remaining scheduled lease payments discounted using the Partnership's incremental borrowing rate of 3.49%. It does not include any deferred lease payable amounts. Interest expense on the lease liability for the years ended December 31, 2023 and 2022 of \$48,868 and \$52,616, respectively, is included in interest expense - mortgages and other in the statements of operations. Future remaining scheduled lease payments during the lease term are shown in the table below. The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2023, which is recorded on a present value basis, as described above.

2024	\$	160,014
2025		160,014
2026		160,014
2027		160,014
2028		160,014
2029-2033		<u>740,381</u>
		1,540,451
Discount		<u>(251,359)</u>
Lease liability as of December 31, 2023	\$	<u><u>1,289,092</u></u>

Deferred ground lease payable

The ground lease agreement provides for any unpaid scheduled lease payments to be deferred and paid subsequently out of available cash flows, as defined. Any deferred ground lease payable not paid by the due date bears no interest and is added to the annual rental payment due for the following year as defined. As of December 31, 2023 and 2022, ground lease payable is \$262,118 and \$233,386, respectively, and is included in the balance sheets.

Loussac Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Note 9 - Concentration of credit risk

The Partnership maintains its cash balances with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Partnership believes that no significant concentration of credit risks exists with respect to these cash balances at December 31, 2023.

Note 10 - Economic concentrations

The Project consists of a 120-unit apartment project located in Anchorage, Alaska. Future operations could be affected by changes in economic or other conditions in that geographical area or changes in federal low income housing subsidies or the demand for such housing.

The Partnership receives housing assistance payments from the local housing agency on behalf of the tenants. During the years ended December 31, 2023 and 2022, the Partnership earned housing assistance payments of \$442,478 and \$491,433, respectively, which are included in rental income in the statements of operations.

Note 11 - Units remediation and insurance claims

During 2023, several units of the Project had some meth damage and the Project also experienced other incidents at different Project sites. As a result, the Partnership incurred remediation costs in the amount of \$596,615. The Partnership expects a full reimbursement from the insurance carrier except for the deductible of \$5,000 per claim. As of December 31, 2023, the Partnership completed the remediation work and all units were in service as of December 31, 2023. The Partnership submitted claims of \$557,622 to the insurance company to request reimbursement, of which the Partnership received \$399,059 during 2023 and the remaining \$158,563 is included in other assets on the balance sheet at December 31, 2023.

Note 12 - Contingency

The Project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 13 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through April 11, 2024, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Loussac Place Limited Partnership

Schedules of Certain Income and Expenses Years Ended December 31, 2023 and 2022

	2023	2022
Rental income		
Rent revenue - gross potential	\$ 1,157,198	\$ 1,184,490
Tenant assistance payments	442,478	491,433
Total rental income	\$ 1,599,676	\$ 1,675,923
Other operating income		
Cable contract revenue	\$ 180	\$ -
Damages income	10,003	44,952
Late fees	6,480	5,670
Miscellaneous other income	7,363	3,961
Total other operating income	\$ 24,026	\$ 54,583
Salaries and employee benefits		
Salaries - administrative	\$ 75,724	\$ 87,183
Salaries - maintenance	143,527	69,892
Health insurance and other benefits	94,503	54,726
Total salaries and employee benefits	\$ 313,754	\$ 211,801
Repairs and maintenance		
Exterminating	\$ 636	\$ 1,008
Grounds	62,005	55,931
Security services/contract	180	56
Supplies	2,293	2,985
HVAC expense	27,833	22,590
Painting, decorating and cleaning	43,767	40,422
Repairs and maintenance - other than contracts	127,383	67,604
Repairs and maintenance - contracts	447	23
Flooring	14,280	38,967
Miscellaneous maintenance expenses	30,270	22,719
Total repairs and maintenance	\$ 309,094	\$ 252,305
Utilities		
Electricity	\$ 20,854	\$ 17,926
Water	87,334	79,463
Trash removal	63,222	55,578
Gas	122,357	147,366
Cable	-	19
Total utilities	\$ 293,767	\$ 300,352

Loussac Place Limited Partnership

**Schedules of Certain Income and Expenses
Years Ended December 31, 2023 and 2022**

	2023	2022
Miscellaneous operating expenses		
Office supplies and expense	\$ 3,373	\$ 1,267
Training and travel	3,231	2,270
Telephone and answering service	8,405	11,259
Computer supplies and expense	1,050	342
Bad debt expense	76,424	39,581
Other rent expense	5,032	-
Miscellaneous administrative	3,551	2,578
Advertising and newspaper	-	1,354
Legal	642	749
Audit and accounting	14,425	7,125
	\$ 116,133	\$ 66,525
Interest expense - mortgages and other		
Interest expense - third mortgage	\$ 3,266	\$ 3,202
Interest expense - fourth mortgage	101,582	99,590
Interest expense - finance lease	48,868	52,616
	\$ 153,716	\$ 155,408
Miscellaneous other income (expense)		
Insurance reimbursements for claims	\$ 557,622	\$ 6,475
Unit remediation and other incidents costs	(598,040)	(42,334)
Nonroutine write off of accounts receivable	(109,803)	-
Miscellaneous other income	-	946
Miscellaneous other expense	(610)	(2,029)
	\$ (150,831)	\$ (36,942)

See Independent Auditor's Report.



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