

Summary of Audit Results  
December 31, 2022

1. Entities covered:

- a. Burr Oaks Senior Housing, LLC – managed by Horizon Management Services, Wells Fargo is the investor member
- b. Allied Drive Redevelopment, LLC – managed by Lutheran Social Services; NEF is the investor member
- c. Truax Park Phase 1 Redevelopment, LLC – managed by CDA; NEF is the investor member
- d. Truax Park Phase 2 Development, LLC - managed by CDA (there are 8 units managed by Porchlight); US Bank is the investor member
- e. Monona Shores - managed by Founders 3; a business-type activity-enterprise fund of the CDA
- f. CDA 95-1 - managed by Founders 3; a business-type activity-enterprise fund of the CDA
- g. Village on Park – managed by Founders 3; a business-type activity-enterprise fund of the CDA

2. Audited Financial Statements

A. Independent auditor's report

- a. Unmodified opinion
- b. Emphasis of matter paragraph with regards to new lease standard included in Truax Park Phase 1 & Village on Park due to the significance of it.

B. Review of financial statements and account balances:

	Burr Oaks	Allied Drive	Truax Park Phase 1	Truax Park Phase 2	Monona Shores	CDA 95-1	Village on Park
Total assets	\$5,171,287	\$5,613,808	\$8,988,828	\$7,317,399	\$3,990,057	\$1,128,046	\$27,750,732
Total liabilities	\$1,500,345	\$3,108,671	\$5,535,352	\$1,812,926	\$2,470,091	\$140,068	\$4,799,009
Total deferred inflow of resources	\$0	\$0	\$0	\$0	\$0	\$0	\$9,830,916
Total income	\$477,387	\$674,766	\$879,304	\$446,955	\$1,310,074	\$631,369	\$4,182,654
Total expenses	\$602,042	\$1,005,586	\$1,299,008	\$639,078	\$1,360,012	\$238,092	\$1,553,148
Transfer out	\$0	\$0	\$0	\$0	\$88,000	\$0	\$60,000
Net income (loss)	(\$124,655)	(\$330,820)	(\$419,704)	(\$192,123)	(\$137,938)	\$393,277	\$2,569,506

C. Footnotes to highlight:

- a. *Burr Oaks*: No major changes to the footnotes from prior year besides implementation of new lease standard. The accounts receivable and revenue footnote in Note A became lengthy due to additional disclosure required under the new lease standard.
- b. *Allied Drive*: No major changes to the footnotes from prior year besides implementation of the new lease standard. This property has a ground lease in place that was always referred to as a "prepaid asset" on the books. With the implementation of the new lease standard, the terminology changed from "prepaid asset" to "operating lease right-of-use asset". There were no changes to the amounts.

- c. *Truax Park Phase 1*: The most significant change to the footnotes from prior year is due to the implementation of the new lease standard. There was currently a capital lease in place which under new guidance had to be treated differently. Note A and Note E reflect the necessary updates. There was also a cumulative effect of change in accounting principle (lease standard) listed in the Statements of Members' Equity. In addition, Note J Involuntary Conversion was added in current year due to the damage done to the roof of one of the buildings and receipt of insurance proceeds in 2022. Included in the income number above is a gain on involuntary conversion of \$141,314.
- d. *Truax Park Phase 2*: No major changes to the footnotes from prior year besides implementation of the new lease standard. This property has a ground lease in place that was always referred to as a "prepaid asset" on the books. With the implementation of the new lease standard, the terminology changed from "prepaid asset" to "operating lease right-of-use asset". There were no changes to the amounts.
- e. *Monona Shores*: No major changes to the footnotes from prior year.
- f. *CDA 95-1*: The two major changes to the footnotes from prior year include the pay-off of the WHEDA, WHEDA WRAP notes and UDAG note (Note D) and the sale of 601 S Baldwin Street in January 2022 (Note C). Included in the income number above is the gain on the sale of \$254,959 and the forgiveness of interest on the UDAG note of \$69,125.
- g. *Village on Park*: The most significant changes to the footnotes from prior year are due to the implementation of the new lease standard (GASB 87) and the redevelopment activity (demolition of North Building, parking lot rebuild). The redevelopment activity is shown in Note C which reflects construction in progress of a little over \$2,000,000 at December 31, 2022. Also, the income number above includes the TID reimbursement income of \$2,241,189 which is used to pay the development costs. Note F discloses the construction contract as it is significant to the financial statements. Note A and Note E have been updated for the implementation of the new lease standard. Under GASB 87, a lease receivable for future minimum lease payments to be received under all leases and a deferred inflow of resources are required to be reported.

### 3. End of Audit Communication Letter

- a. Recommendations
  - i. Burr Oaks Senior Housing: One new accounting standard on the horizon that we will keep management informed of and assist with implementation of the new standard.
  - ii. Truax Park Phase 1 and Truax Park Phase 2: These entities have similar recommendations/suggestions as prior year with regards to its account structure and preparing surplus cash calculations. No new recommendations/suggestions added in current year.
  - iii. Monona Shores: The tenants' security deposit was underfunded by \$1,178 (the liability was higher than the related cash account at 12/31/22). We recommend an additional deposit gets made into the cash account to make it equal to or more than the liability account.
- b. Consideration of internal control and fraud and internal control communication
  - i. No material weaknesses or significant deficiencies.
- c. Corrected and uncorrected misstatements
  - i. There were no material audit journal entries.
  - ii. There were no uncorrected misstatements.
- b. No other audit findings and no difficulties encountered during audit.