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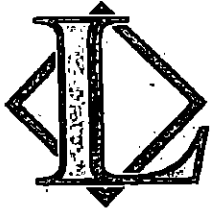
STUDIO 114, LLC  
AUDITED FINANCIAL STATEMENT  
DECEMBER 31, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 17 2014

STUDIO 114, LLC  
TABLE OF CONTENTS  
DECEMBER 31, 2013

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENT	
BALANCE SHEET	3
NOTES TO FINANCIAL STATEMENT	4-8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	9-10
SCHEDULE OF FINDINGS AND RESPONSES	11
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	12



**LITTLE & ASSOCIATES LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA

**INDEPENDENT AUDITORS' REPORT**

To the Members  
of Studio 114, LLC  
Lafayette, Louisiana

We have audited the accompanying balance sheet of Studio 114, LLC (a Louisiana Limited Liability Company) as of December 31, 2013, and the related notes.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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 balance sheet referred to above presents fairly, in all material respects, the financial position of Studio 114, LLC as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014, on our consideration of Studio 114, LLC's 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 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 internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Studio 114, LLC's internal control over financial reporting and compliance.

*Little & Associates, LLC*

Monroe, LA  
May 28, 2014

STUDIO 114, LLC  
BALANCE SHEET  
DECEMBER 31,

ASSETS

	<u>2013</u>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents - Development	\$ 1,165
<b>Total Current Assets</b>	<u>1,165</u>
<b>PROPERTY AND EQUIPMENT</b>	
Buildings	141,652
Land	15,739
Construction and Development in Progress	1,865,923
<b>Total Property and Equipment</b>	<u>2,023,314</u>
 <b>Total Assets</b>	 <u><u>\$ 2,024,479</u></u>

LIABILITIES AND MEMBERS' EQUITY

	<u>2013</u>
<b>CURRENT LIABILITIES</b>	
Construction Costs Payable	\$ 613,957
Development Costs Payable	25,088
Note Payable - Community First Bank	533,135
<b>Total Current Liabilities</b>	<u>1,172,180</u>
 <b>LONG-TERM LIABILITIES</b>	
Note Payable - LPTFA	547,491
<b>Total Long-Term Liabilities</b>	<u>547,491</u>
 <b>Total Liabilities</b>	 1,719,671
 <b>MEMBERS' EQUITY</b>	
Members' Equity	304,808
<b>Total Members' Equity</b>	<u>304,808</u>
 <b>Total Liabilities and Members' Equity</b>	 <u><u>\$ 2,024,479</u></u>

The accompanying notes are an integral part of the financial statement.

STUDIO 114, LLC  
NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013

**NOTE A – ORGANIZATION**

Studio 114, LLC, (the “Company”), a Louisiana Limited Liability Company, was organized in 2010 to rehabilitate, develop, and operate a 15-unit apartment project, known as The Studios at LWG (the “Project”) in Lafayette, Louisiana. The Project consists of 8 HOME assisted and 7 market rate apartments. The Project is rented to low-income tenants and is operated in a manner necessary to comply with the Louisiana Housing Corporation, formally Louisiana Housing Finance Agency, Urban Rental Development Grant Agreement under the HOME Investment Partnership Program. The major activities of the Company are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the state housing finance agency. Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Basis of Accounting**

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

**Estimates**

The preparation of financial statements in conformity 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents represent unrestricted cash and all highly liquid and unrestricted debt instruments purchased with a maturity of three months or less.

**Cash and Other Deposits**

The Company has a checking account at Community First Bank. Noninterest-bearing and interest-bearing accounts, in the aggregate, are insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2013, there were no uninsured deposits.

STUDIO 114, LLC  
NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FASB ASC 360, Property, Plant, and Equipment

FASB ASC 360, *Property, Plant, and Equipment* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of the impairment provisions of FASB ASC 360, *Property, Plant, and Equipment* has not materially affected the Company's reported earnings, financial condition or cash flows.

Collateralization Policy for Financial Instruments

The Company does not require collateral to support financial instruments subject to credit risk.

Construction in Progress

Construction in progress is recorded in accordance with the Application and Certificate for Payment as submitted by the contractor and certified by the architect. Construction in progress is recognized as depreciable property and equipment when the architect deems the construction to be substantially complete.

Property, Equipment, and Depreciation

Land, buildings, improvements, and equipment are recorded at cost. Upon completion of the project, depreciation will be provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method over their estimated service lives as follows:

Buildings	40 years
Furniture, Fixtures and Equipment	10 years
Site Improvements	20 years

Improvements are capitalized, while 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 statements of operations.

Amortization

Upon commencement of the permanent financing, permanent loan fees will be amortized over the term of the mortgage loan using the straight-line method. As of December 31, 2013, accumulated amortization amounted to \$0.

STUDIO 114, LLC  
NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is a single member limited liability company and was structured as a disregarded entity for U.S. Federal, state, and local income tax purposes. Accordingly, no provision for income taxes is made in the Company's financial statements.

NOTE C – MEMBER AND CAPITAL CONTRIBUTIONS

The Company has one member (Lafayette Public Trust Financing Authority). The Company records capital contributions as received and distributions as paid. During the year ended December 31, 2013, the Company did not receive any contributions from the Member. As of December 31, 2013, the total capital contributions provided by the Member was \$0.

NOTE D – DEVELOPMENT COSTS AND CONSTRUCTION IN PROGRESS

Development costs include all costs, other than costs incurred for the acquisition of land and building and for construction that has been incurred by the Company in the development of the apartment complex. Such costs include, but are not limited to, architect fees, engineering fees, legal fees, and loan fees. As of December 31, 2013, the Company has incurred development costs in the amount of \$431,748. As December 31 2013, the Company owed development cost in the amount of \$25,088. Subsequent to year end, the Company incurred additional development costs in the amount of \$141,906.

Construction in Progress represents construction costs incurred by the Company as of December 31, 2013. As of December 31, 2013, \$1,434,175 was incurred by the Company for labor, services, equipment, or materials for the project supplied by Ribbeck Construction Corporation. The total construction contract amounts to \$1,794,637, which includes change orders. As of December 31, 2013, the Company owed Ribbeck Construction Corporation \$613,957 for construction costs. Subsequent to year end, the Company incurred additional construction costs in the amount of \$360,462.

NOTE E – NOTES PAYABLE

Construction Loan

On May 21, 2013, the Company entered into a construction loan agreement with Community First Bank in the amount of \$800,000. Interest on the loan is a fixed rate of 4.5% per annum. Monthly interest only payments, based on the outstanding principal balance, are due on the thirteenth day of each month, commencing November 13, 2011 with a Maturity Date of May 21, 2014. The loan is primarily collateralized by a first mortgage on the Company's land and all subsequent improvements and assignment of the project's architectural plans, leases and rents, and all committed subsidies for the project. As of December 31, 2013, the balance of the loan was \$533,135. Subsequent to year end the maturity date was extended for a ninety day period

STUDIO 114, LLC  
 NOTES TO THE FINANCIAL STATEMENT  
 DECEMBER 31, 2013

NOTE E – NOTES PAYABLE (CONTINUED)

Construction Loan (continued)

and the Company made additional draws on the loan in the amount of \$128,669 which made the balance on the loan \$661,804 as of the report date.

Note Payable – Lafayette Public Trust Financing Authority (LPTFA)

On October 24, 2012, the Company entered into a loan agreement with Lafayette Public Trust Financing Authority in the amount of \$1,010,000. The interest rate is a fixed rate of 0%. Commencing January 1, 2014, annual payments are required consisting of fifty percent (50%) of the net cash flow for the twelve (12) month period immediately preceding each payment. All outstanding principle shall be due and payable at the earlier to occur of December 30, 2030, the maturity date, or the sale, refinance, recapitalization or other material capital event related to the Project. The loan is collateralized by a first mortgage on the property. As of December 31, 2013, the balance of the loan was \$547,491. Subsequent to year end, the Company made additional draws on the loan in the amount of \$460,000 which made the balance of the loan \$1,007,491 as of the report date.

Maturities of Long-Term Debt

Aggregate maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2014	\$ 533,135
2015	\$
2016	\$
2017	\$
2018	\$
Thereafter	\$ 547,491

NOTE F – GRANT INCOME

On May 9, 2012, the Company was awarded a HOME Investment Partnership Program grant in the amount of \$1,000,000. As a condition of receiving this grant, the Company entered into an Urban Rental Development Grant Agreement and must remain in compliance with the terms of this agreement throughout the term of the grant. As of December 31, 2013, the company had received proceeds of the grant in the amount of \$304,808. Subsequent to year end, the Company received additional grant proceeds in the amount of \$537,120.



STUDIO 114, LLC  
NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013

**NOTE G – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES**

**Developer Fee**

On June 1, 2012, the Company entered into a Project Consultant Agreement with The Cartesian Company, Inc. for services rendered for overseeing the construction and development of the apartment complex. The developer fee will be capitalized into the basis of the building. In accordance with the Project Consultant Agreement, the developer fee will be earned in installments when certain conditions (the “benchmarks”) for each installment have been met. A portion of the developer fee has been accrued to reflect benchmarks that have been met. As of December 31, 2013, the Company incurred \$96,600 in developer fees of which \$85,000 was paid and \$11,600 was accrued and is included in the Development Costs Payable line item on the balance sheet. Subsequent to year end the accrual amount as well as additional developer fees in the amount of \$44,600 were paid to The Cartesian Company.

**NOTE H – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through May 28, 2014, which is the date the financial statements were available for issue.



**LITTLE & ASSOCIATES LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA

**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***

**Independent Auditor's Report**

To the Members  
Studio 114, LLC  
Lafayette, 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 Studio 114, LLC, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Studio 114, LLC's basic financial statements, and have issued our report thereon dated May 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Studio 114, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Studio 114, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Studio 114, LLC's internal control.

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 Studio 114, LLC's 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 consider 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 Studio 114, LLC's financial statements are free from material misstatement, 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 Studio 114, LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Studio 114, LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Little & Associates, LLC*

Monroe, Louisiana

May 28, 2014

Studio 114, LLC  
Schedule of Findings and Responses  
For the Year Ended December 31, 2013

**SECTION I – SUMMARY OF AUDIT RESULTS**

**Financial Statement Audit**

Type of auditors' report issued:		Unmodified
Internal Control over financial reporting: Material Weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Noted
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Noted

**SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**Studio 114, LLC  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2013**

**The status of the prior year audit findings are summarized as follows:**

**None**