

Lasata Heights faced two major challenges this year. Most significant was the impact additional senior housing options in the county had on our apartment occupancy. The second factor was the continued high apartment turnover. Thirty percent (30%) of our apartments were vacated in 2003. Those tenants that terminated their residency did so for the following reasons:

- 7 tenants moved into Lasata Care Center
- 3 tenants moved to other apartments
- 3 tenants moved in with family members
- 2 tenants moved into assisted living facilities
- 2 tenants died
- 2 tenants moved into other units w/in our building

During 2003 a total of 19 tenants were admitted into Lasata Care Center, with twelve of those being able to return to their apartments after a period of rehabilitation.

Although at year-end 33 people remain on the wait list for an apartment, the higher turnover and recent addition of new senior housing options, resulted in unfilled apartments and decreased the wait time for an apartment. The average wait is 3 months for one-bedroom units, but we were able to accommodate immediate move-ins in some situations, especially with the larger two bedroom units. Although few of the new senior facilities offer the same level of services we do, such as a daily meal, activities, daily check-in, and emergency response systems, by not providing these services they are able to rent for significantly less money per month. For the first time in 16 years, we had to advertise apartment availabilities. Responding to the unanticipated losses in rental revenue and increased marketing costs, we continue to evaluate the effects of the changing senior housing market and make necessary policy and budget revisions.

Major projects completed during the year included the replacement of carpet in the central lobby, lounges and hallway areas; and the construction of a paved walking path for tenants. Our budget was significantly affected by a major change in asset capitalization/depreciation, which resulted in an unbudgeted depreciation expense of \$737,747 and a loss to revenues of \$47,284 for asset disposal. This one time large expense had a major negative impact on our operating expenses but did not affect actual cash flow.

Our revenue sources include rent, housekeeping fees, laundry commission, garage parking and meal fees. Revenues at year-end, including the loss on asset disposal, were 8% below budget and totaled \$648,677. Operating expenses with the unbudgeted depreciation expense totaled \$1,054,217, resulting in a loss of \$405,540. Adding in capital outlay expense, the principal on

debt and deducting depreciation expense, operating expenses totaled \$702,551, resulting in a deficit of \$53,874. Note that without the one time major change in asset capitalization/depreciation, actual cash losses were \$6,590.00 for 2003.

LASATA HEIGHTS APTS 2003 REVENUES/EXPENSES vs BUDGET (unaudited)

	2003	2003	Actu
<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	<u>Bud</u>
Apartment Rentals	\$642,000	\$631,483	\$(10,517)
Meal Charges	45,000	47,217	2,217
Parking Fees	11,500	10,629	(871)
Housekeeping Fees	5,200	5,185	(15)
Laundry Commission	400	441	41
Miscellaneous & Other Revenues	600	1,006	406
Gain/(Loss) on Asset Disposal -		(47,284)	(47,284)
TOTAL OPERATING REVENUE	\$704,700	\$648,677	\$(56,023)
	2003	2003	Actu
<u>EXPENSES</u>	<u>Budget</u>	<u>Actual</u>	<u>Bud</u>
Wages and Salaries	\$(104,200)	\$(107,821)	\$3,621
Fringe Benefits	(33,186)	(33,183)	(3)
Conference and Meetings	(600)	(315)	(285)
Supplies/Expenses	(40,225)	(24,792)	(15,433)
Utilities	(55,500)	(51,965)	(3,535)
Contracts/Purchased Services	(54,900)	(45,557)	(9,343)
Interdepartmental Charges	(2,886)	(3,329)	443
Interest and Fees on Debt	(49,690)	(44,790)	(4,900)
Other Expenses	(6,612)	(4,718)	(1,894)
Depreciation	(82,300)	(737,747)	655,447
TOTAL OPERATING EXPENSES	\$(430,099)	\$(1,054,217)	\$624,118
NET OPERATING SURPLUS/(DEFICIT)	\$274,601	\$(405,540)	\$(680,14)
Delete Depreciation Expense	\$82,300	\$737,747	\$(655,44)
Add Principal on Debt Expense	(360,000)	(360,000)	-
Add Capital Outlay Expenses	(41,500)	(26,081)	(15,419)
NET CASH ADJUSTMENT	\$(44,599)	\$(53,874)	\$(9,275)

LASATA HEIGHTS APTS 2003 REVENUES/EXPENSES vs BUDGET (unaudited)

	2002	2003	2003
	Year-End	Year-End	2002
<u>REVENUES</u>			
Apartment Rentals	\$627,783	\$631,483	\$3,700
Meal Charges	46,282	47,217	935
Parking Fees	11,263	10,629	(634)
Housekeeping Fees	5,855	5,185	(670)
Laundry Commission	405	441	36
Miscellaneous & Other Revenues	2,536	1,006	(1,530)
Gain/(Loss) on Asset Disposal -		(47,284)	(47,284)
TOTAL OPERATING REVENUE	\$694,124	\$648,677	\$(45,447)
	2002	2003	2003
	Year-End	Year-End	2002
<u>EXPENSES</u>			
Wages and Salaries	\$(100,260)	\$(107,821)	\$7,561
Fringe Benefits	(29,253)	(33,183)	3,930
Conference and Meetings	(336)	(315)	(21)
Supplies/Expenses	(20,302)	(24,792)	4,490
Utilities	(46,169)	(51,965)	5,796
Contracts/Purchased Services	(45,245)	(45,557)	312
Interdepartmental Charges	(2,734)	(3,329)	595
Interest and Fees on Debt	(59,381)	(44,790)	(14,591)
Other Expenses	(5,673)	(4,718)	(955)
Depreciation	(85,268)	(737,747)	652,479
TOTAL OPERATING EXPENSES	\$(394,621)	\$(1,054,217)	\$659,596
NET OPERATING SURPLUS/(DEFICIT)	\$299,503	\$(405,540)	\$(705,040)
Delete Depreciation Expense	\$85,268	\$737,747	\$(652,479)
Add Principal on Debt Expense	(340,000)	(360,000)	20,000
Add Capital Outlay Expenses	(5,958)	(26,081)	20,123
NET CASH ADJUSTMENT	\$38,813	\$(53,874)	\$(92,687)

LASATA HEIGHT APTS BALANCE SHEET--DEC 31, 2003 (unaudited)

<u>NET ASSETS</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
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Available	\$500	\$500	\$-
From Other Parties	280,518	250,062	(30,456)
TOTAL CURRENT ASSETS	\$281,018	\$250,562	\$(30,456)
Land	\$-	\$895	\$895
Land Improvements	25,089	23,806	(1,283)
Buildings	3,733,612	3,480,688	(252,924)
Buildings Improvements	-	277,308	277,308
Furniture & Fixtures	128,621	12,481	(116,140)
Computers	-	2,756	2,756
Accumulated Depreciation	(1,340,976)	(1,990,296)	649,320
TOTAL PROPERTY/PLANT/EQUIPMENT	\$2,546,346	\$1,807,638	\$(738,708)
TOTAL ALL ASSETS	\$2,827,364	\$2,058,200	\$(769,164)
<u>LIABILITIES</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
Accounts Payable	\$8,878	\$8,017	\$(861)
Accrued Payroll Expenses Due	2,935	3,176	241
TOTAL CURRENT LIABILITY	\$11,813	\$11,193	\$(620)
Accrued Interest on Debt	\$18,180	\$14,280	\$(3,900)
Long Term Debt	1,560,000	1,200,000	(360,000)
TOTAL LONG TERM DEBT	\$1,578,180	\$1,214,280	\$(363,900)
TOTAL LIABILITIES	\$1,589,993	\$1,225,473	\$(364,520)

<u>LIABILITY</u>	<u>2002</u>	<u>2003</u>	<u>change</u>
Investments in Fixed Assets	\$937,868	\$1,238,267	\$300,399
Current Year Operational Surplus/(Deficit)	299,503	(405,540)	705,043
TOTAL RETAINED EARNINGS	\$1,237,371	\$832,727	\$(404,644)
TOTAL LIABILITIES AND EQUITY	\$2,827,364	\$2,058,200	\$(769,164)