

**ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Partners and Management of
Ashley Place Development II Limited Partnership
Denham Springs, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ashley Place Development II Limited Partnership (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ashley Place Development II Limited Partnership as of December 31, 2022 and 2021, and the results of its operations, changes in partners' equity (deficit) 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Ashley Place Development II 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 Ashley Place Development II Limited Partnership'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 and *Government 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Ashley Place Development II 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 Ashley Place Development II 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 audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information including the Schedule of Expenses and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer shown on pages 18 through 19 and 22 is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2023 on our consideration of Ashley Place Development II Limited Partnership'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 solely 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 effectiveness of Ashley Place Development II Limited Partnership's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashley Place Development II Limited Partnership's internal control over financial reporting and compliance.



Monroe, Louisiana
April 19, 2023

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash - Operations	\$ 3,290	\$ 12,947
Accounts Receivable - Tenants	10,527	11,270
Due from Related Parties	24,385	8,500
Prepaid Expenses	25,260	23,426
Total Current Assets	63,462	56,143
 RESTRICTED DEPOSITS AND FUNDED RESERVES		
Insurance Claim Proceeds Escrow	67,748	-
Insurance Escrow	16,340	16,663
Operating Reserve	2,179	2,177
Replacement Reserve	53,211	42,350
Tenants' Security Deposits	9,075	10,850
Total Restricted Deposits and Funded Reserves	148,553	72,040
 PROPERTY AND EQUIPMENT		
Buildings	2,802,546	2,747,309
Site Improvements	829,543	829,543
Furniture and Fixtures	452,612	452,612
Total Buildings and Improvements	4,084,701	4,029,464
Less: Accumulated Depreciation	(1,835,840)	(1,760,287)
Net Depreciable Assets	2,248,861	2,269,177
Land	245,212	245,212
Total Property and Equipment	2,494,073	2,514,389
 OTHER ASSETS		
Syndication Costs	42,000	42,000
Utility Deposits	103	103
Total Other Assets	42,103	42,103
Total Assets	\$ 2,748,191	\$ 2,684,675

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

LIABILITIES AND PARTNERS' EQUITY

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 20,181	\$ -
Deferred Rent Revenue	7,227	6,536
Accrued Interest Payable	5,957	5,957
Construction Costs Payable - Hurricane	157,451	-
Current Portion of Long-Term Debt	<u>29,234</u>	<u>27,260</u>
Total Current Liabilities	<u>220,050</u>	<u>39,753</u>
DEPOSITS		
Tenant Security Deposits	<u>9,075</u>	<u>10,850</u>
Total Deposits	<u>9,075</u>	<u>10,850</u>
LONG-TERM LIABILITIES		
Asset Management Fee Payable	61,673	56,379
Partnership Management Fees Payable	168,000	156,000
Special Services Fee Payable	114,054	104,818
Note Payable - Bank of America, Net of Unamortized Debt Issuance Costs	908,995	935,113
Note Payable - NEF	63,408	63,408
Accrued Interest - NEF	22,093	20,299
Deferred Developer Fee Payable	<u>449,718</u>	<u>449,718</u>
Total Long-Term Liabilities	<u>1,787,941</u>	<u>1,785,735</u>
Total Liabilities	<u>2,017,066</u>	<u>1,836,338</u>
PARTNERS' EQUITY		
Partners' Equity	<u>731,125</u>	<u>848,337</u>
Total Partners' Equity	<u>731,125</u>	<u>848,337</u>
Total Liabilities and Partners' Equity	<u>\$ 2,748,191</u>	<u>\$ 2,684,675</u>

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE		
Rents	\$ 344,500	\$ 340,970
Vacancy	(46,884)	(36,024)
Late Fees, Forfeited Deposits, etc.	3,303	5,193
Interest Income	183	17
Total Revenue	301,102	310,156
 EXPENSES		
Administrative	55,161	62,259
Utilities	40,474	43,009
Maintenance	50,256	68,810
Insurance	49,844	40,999
Management Fees	18,059	18,609
Interest	75,531	78,964
Depreciation and Amortization	111,114	110,998
Total Expenses	400,439	423,648
 Net Operating Income (Loss)	(99,337)	(113,492)
 OTHER INCOME (EXPENSES)		
Casualty Gain (Loss)	8,655	-
Forgiveness of Debt - PPP Loan	-	376
Asset Management Fees	(5,294)	(5,140)
Partnership Management Fees	(12,000)	(12,000)
Special Services Fee	(9,236)	(9,055)
Total Other Income (Expenses)	(17,875)	(25,819)
 Net Income (Loss)	\$ (117,212)	\$ (139,311)

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Total</u>	<u>General Partner</u>	<u>Limited Partner</u>
Partners' Equity (Deficit), December 31, 2020	\$ 987,648	\$ (82)	\$ 987,730
Net Loss	<u>(139,311)</u>	<u>(14)</u>	<u>(139,297)</u>
Partners' Equity (Deficit), December 31, 2021	848,337	(96)	848,433
Net Loss	<u>(117,212)</u>	<u>(12)</u>	<u>(117,200)</u>
Partners' Equity (Deficit), December 31, 2022	<u>\$ 731,125</u>	<u>\$ (108)</u>	<u>\$ 731,233</u>
Profit and Loss Percentages	<u>100.00%</u>	<u>0.01%</u>	<u>99.99%</u>

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ (117,212)	\$ (139,311)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	114,230	114,114
Casualty Gain	(8,655)	-
(Increase) Decrease in Accounts Receivable - Tenants	743	(254)
(Increase) Decrease in Prepaid Insurance	(1,834)	-
Increase (Decrease) in Accounts Payable	20,181	-
Increase (Decrease) in Accrued Interest Payable	1,794	1,378
Increase (Decrease) in Deferred Rent	691	4,881
Increase (Decrease) in Asset Management Fees Payable	5,294	5,140
Increase (Decrease) in Partnership Management Fees Payable	12,000	12,000
Increase (Decrease) in Special Services Fee Payable	9,236	9,055
Increase (Decrease) in Security Deposit Liability	(1,775)	(2,100)
Total Adjustments	<u>151,905</u>	<u>144,214</u>
Net Cash Provided (Used) by Operating Activities	<u>34,693</u>	<u>4,903</u>
Cash Flows From Investing Activities:		
Acquisition/Construction of Property and Equipment - Hurricane	(4,320)	-
Insurance Proceeds Received - Hurricane	79,628	-
Net Change in Due from Related Parties	(15,885)	(8,500)
Net Cash Provided (Used) by Investing Activities	<u>59,423</u>	<u>(8,500)</u>
Cash Flows From Financing Activities:		
Payment on Long-Term Debt	(27,260)	(25,420)
Net Cash Provided (Used) by Financing Activities	<u>(27,260)</u>	<u>(25,420)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	66,856	(29,017)
Cash and Cash Equivalents at Beginning of Year	<u>84,987</u>	<u>114,004</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 151,843</u>	<u>\$ 84,987</u>

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Supplemental Disclosures of Cash Flow Information:		
Cash and Cash Equivalents		
Cash - Operations	\$ 3,290	\$ 12,947
Insurance Claim Proceeds Escrow	67,748	-
Insurance Escrow	16,340	16,663
Operating Reserve	2,179	2,177
Replacement Reserve	53,211	42,350
Tenants' Security Deposits	9,075	10,850
Total Cash and Cash Equivalents	\$ 151,843	\$ 84,987
 Cash Paid During the Year for:		
Interest	\$ 70,621	\$ 74,470

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

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A – ORGANIZATION

Ashley Place Development II, Limited Partnership (the “Partnership”) was organized in 2007 to develop, construct, own, maintain, and operate a 36-unit rental housing apartment complex for persons of low and moderate income. The apartment complex is located in Denham Springs, Louisiana. All units of the apartment complex are to be rented under the requirements of Section 42 of the Internal Revenue Code (low-income housing tax credit) which will regulate the use of the apartment complex as to occupant eligibility and unit gross rent, among other requirements. The major activities and operations of the Partnership are governed by the Amended and Restated Limited Partnership Agreement (the Partnership Agreement) and 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 Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Collateralization Policy for Financial Instruments

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

Capitalization and Depreciation

Land, buildings, improvements, and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations 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.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the project. At December 31, 2022 this account was funded in an amount equal to the tenants' security deposit liability.

Rental Income and Deferred Rents

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages and cleaning fees, if applicable. Tenant receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. The Partnership does not accrue interest on the tenant receivable balances.

The Partnership uses the direct write-off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Amortization

Organization costs are expensed as incurred. Tax credit costs have been capitalized and are being amortized over the 10 year tax credit period using the straight-line method. As of December 31, 2022, tax credit costs were fully amortized in the amount of \$14,476.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

Lease-Up/Marketing Reserve

In accordance with the Partnership Agreement, the General Partner will establish the Lease-Up/Marketing Reserve account, which shall be funded, until the beginning of the Operating Deficit Guaranty Period. The development budget for the Project shall contain a line item for the Lease-Up/Marketing Reserve. Disbursements to be charged to the Lease-Up/Marketing will require the written approval of the General Partner and the Asset Manager. As of December 31, 2022, this account has not been funded.

Operating Reserve

In accordance with the Partnership Agreement, the General Partner established the Operating Reserve Account. The General Partner shall also be obligated, to the extent funds are available, to replenish the Operating Reserve Account up to the Operating Reserve Target Amount of \$124,955 out of Cash Flow or the proceeds of sales or refinancing in accordance with Section 5.1 & 5.2. During 2022, this account was funded in accordance with the Partnership Agreement. As of December 31, 2022 and 2021, the balance in this account was \$2,179 and \$2,177, respectively.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Replacement Reserve

In accordance with the Partnership Agreement, the General Partner established the Replacement Reserve Account, which was funded, at the time of payment of the Second Installment, in the amount of \$300 per unit per year (increasing annually by 3%) less such amount as shall be required to be set aside for such purpose by any Lender. Withdrawals from this account in excess of \$3,000 in the aggregate in any given month will require the written approval of the General Partner and the Asset Manager. For the year ended December 31, 2022, \$15,398 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2022 was \$10,800, which resulted in the account being underfunded by \$4,598 for the year ended December 31, 2022. For the year ended December 31, 2021, \$14,950 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2021 was \$10,800, which resulted in the account being underfunded by \$4,150 for the year ended December 31, 2021. As of December 31, 2022, the account was underfunded by a total amount of \$27,291. As of December 31, 2022 and 2021, this account was funded in the amount of \$53,211 and \$42,350, respectively.

Replacement Reserve Account activity for the years ended December 31, 2022 and 2021 is as follows:

Beginning Balance 12/31/2020	\$	31,525
Deposits		10,800
Interest		25
Withdrawals		(–)
Ending Balance 12/31/2021		42,350
Deposits		10,800
Interest		61
Withdrawals		(–)
Ending Balance 12/31/2022	\$	53,211

Real Estate Tax Reserve

In accordance with the Partnership Agreement, the General Partner was to establish the Real Estate Tax Reserve, in the initial amount of \$15,000, out of equity proceeds at the time of the Limited Partner's payment of the second equity installment. The Real Estate Tax Reserve is to be increased from Cash Flow until it reaches the Real Estate Tax Reserve Target Amount of \$30,000. The funds in the Real Estate Tax Reserve are to be used only to pay real estate property taxes if the real estate property tax abatement is no longer made available to the Partnership or if the real estate taxes exceed the amounts shown in the Projections. As of December 31, 2022, the Real Estate Tax Reserve had not been funded.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually. The time limit for taxing authorities to examine the Partnership's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

limit. The Partnership files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The Partnership is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2019.

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 Partnership's reported earnings, financial condition or cash flows.

NOTE C – CASH AND CASH EQUIVALENTS/BANK DEPOSITS

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

The Partnership has various bank accounts with one or more financial institutions. 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, 2022, there were no uninsured deposits.

NOTE D – PARTNERS AND CAPITAL CONTRIBUTIONS

The Partnership has a General Partner, (Denham Springs Community GP, LLC), and a Limited Partner (NEF Assignment Corporation). The Partnership records capital contributions as received and distributions as paid. For the years ended December 31, 2022 and 2021, no capital contributions were received and no distributions were paid.

NOTE E – DEBT

Note Payable – NEF

During 2010, the Partnership entered into an unsecured loan agreement with National Equity Fund, Inc., (NEF, Inc.) an affiliate of the Limited Partner, in the amount of \$63,408, which was used to pay the remaining balance on the construction loan. Interest shall accrue at the rate of 2.79% per annum. Payments of principal and interest shall be made to the extent of Surplus Cash until the balance is paid in full. Unless sooner paid, the outstanding principal balance of this Note and all interest thereon shall be due and payable upon and to the extent of receipt of Surplus Cash from net proceeds of sale of all or substantially all of the assets of the Partnership (the "Maturity Date"). As of December 31, 2022 and 2021, the balance owed to NEF, Inc. was \$63,408 and \$63,408 and accrued interest was \$22,093 and \$20,299, respectively.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E – DEBT (CONTINUED)

Permanent Loan

Permanent financing has been obtained through Bank of America of Charlotte, North Carolina in the amount of \$1,224,785. Interest is compounded at an annual rate of 7.01%. The payment amount is set at principal and interest payments of \$8,156.75 monthly and remain the same until the entire unpaid principal is paid in full. The permanent loan is collateralized primarily by the Partnership’s real estate and improvements thereon. The permanent loan shall have a term of 18 years with an amortization of 30 years and matures on June 24, 2028, at which time the unpaid principal will continue to bear interest at the default rate until the remaining principal is paid in full. As of December 31, 2022 and 2021, the balance due on the loan was \$992,503 and \$1,019,763, respectively.

	2022	2021
Note Payable – Bank of America	\$ 992,503	\$ 1,019,763
Less: Unamortized Debt Issuance Costs	(54,274)	(57,390)
Note Payable – Bank of America, Net	\$ 938,229	\$ 962,373

Note Payable – Tower Management Real Estate, LLC – PPP

During the year ended December 31, 2020, Tower Management Real Estate, LLC entered into a Paycheck Protection Program (PPP) Loan with Southern Bancorp Bank. The loan is guaranteed by the Small Business Administration, an agency of the Government of the United States of America (SBA). Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Funds from this loan were advanced to the Partnership, where it used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On December 2, 2021, the loan was forgiven by the SBA. During the years ended December 31, 2022 and 2021, forgiveness of debt on the PPP loan was in the amount of \$0 and \$376, respectively, and in accordance with PPP guidelines, will be tax exempt.

Workout Loan – NEF

Subsequent to year end, the Partnership entered into a workout loan agreement with National Equity Fund, Inc. (NEF), an affiliate of the Limited Partner, in order to pay for costs to repair the Project, due to damage from two hurricanes. As of the report date, the total amount of the workout loan was \$375,000 and \$83,006 had been drawn on the loan.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E – DEBT (CONTINUED)

Aggregate maturities of the permanent loan debt for the next five years and thereafter are as follows:

Year Ending December 31	Amount
2023	\$ 29,234
2024	\$ 31,350
2025	\$ 33,620
2026	\$ 36,054
2027	\$ 38,664
Thereafter	\$ 886,989

The Partnership’s NEF loan is to be repaid from surplus cash. As a result, the aggregate maturities of the NEF loan for the next five years cannot be reasonably estimated.

NOTE F – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Transactions with related parties are as follows:

Development Fee

As provided in the Development Services Agreement, the Partnership shall pay the Developer Fee in the amount of \$600,000 to Denham Springs Housing Authority, an affiliate of the General Partner, and Denham Springs Community Development Corporation, an affiliate of the General Partner, for services rendered for overseeing the construction and development of the complex. As of December 31, 2022 and 2021, the Partnership owed \$449,718 and \$449,718 in deferred developer fees, respectively.

Partnership Management Fee

The Partnership shall pay to the General Partner a Partnership Management Fee annually, on a cumulative basis, in the amount of \$12,000 to compensate the General Partner for managing the Partnership’s operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports. As of December 31, 2022 and 2021, Partnership Management Fees payable totaled \$168,000 and \$156,000, respectively. For the years ended December 31, 2022 and 2021, the Partnership incurred Partnership Management Fees in the amount of \$12,000 and \$12,000, respectively.

Asset Management Fee

The Partnership shall pay the Asset Management Fee annually to the Asset Manager, an affiliate of the Limited Partner, for property management oversight, tax credit compliance monitoring, and related services in the amount of \$3,500, to be increased annually by 3.0%, on a cumulative basis. The Asset Manager will not incur any liability to the General Partner or the Partnership as a result of the Asset Manager’s performance of or failure to perform its asset management services. The Asset Manager owes no duty to the General Partner or the Partnership and may only be terminated by the Limited Partner. As

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE F – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (CONTINUED)

Asset Management Fee (Continued)

of December 31, 2022 and 2021, Asset Management Fees payable totaled \$61,673 and \$56,379, respectively. For the years ended December 31, 2022 and 2021, the Partnership incurred Asset Management Fees in the amount of \$5,294 and \$5,140, respectively.

Special Services Fee

The Partnership shall pay the Services Manager (Ashley Residential Services, Inc.) a Services Fee in the amount of \$7,000, increasing by 2.0% annually and in the priority specified in §5.1(a)(viii) of the Partnership Agreement for the provision of services to tenants of the Project. As of December 31, 2022 and 2021, a Special Services Fee was accrued in the amount of \$114,054 and \$104,818, respectively. For the years ended December 31, 2022 and 2021, the Partnership incurred Special Service Fees in the amount of \$9,236 and \$9,055, respectively.

Operating Deficit Guarantee

The General Partner shall be obligated to provide any funds needed by the Partnership, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits during the Operating Deficits Guaranty Period. The General Partner shall be required, upon the reduction of the Operating Reserves Account to zero, to promptly provide funds to the Partnership in an amount up to \$122,000 for Operating Deficits occurring during the Operating Deficits Guaranty Period. Such costs shall include all operating and fixed costs accrued or accruable during the Operating Deficits Guaranty Period. Repayments of any borrowings arranged by the General Partner to fulfill its obligations shall be the sole obligation of the General Partner. Funds made available by the General Partner to fulfill its obligations may be reimbursed, without interest, or out of the proceeds of refinancing or sale pursuant to §5.2 of the Partnership Agreement.

Disposition Fee

The Partnership shall pay the Asset Manager a Disposition Fee equal to the greater of \$50,000 or 1% of the gross sales price out of the net sales proceeds at the time of closing of the sale of the Project or the Limited Partner's interest in the Project.

Due from Related Parties

During the year ended December 31, 2022, the Partnership advanced funds in the amount of \$8,205 and paid fencing costs, related to hurricane damage, on behalf of Ashley Place Development III Limited Partnership in the amount of \$3,360. During the year ended December 31, 2021, the Partnership paid operating costs in the amount of \$8,500 on behalf of Ashley Place Development III Limited Partnership, an affiliated Partnership. As of December 31, 2022 and 2021, Ashley Place Development III Limited Partnership owed \$20,065 and \$8,500 to the Partnership, respectively.

During the year ended December 31, 2022, the Partnership paid fencing costs, related to hurricane damage, in the amount of \$4,320 on behalf of Ashley Place I Limited Partnership, an affiliated Partnership. As of December 31, 2022, Ashley Place I Limited Partnership owed \$4,320 to the Partnership.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE G – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from certain transactions detailed in the Partnership Agreement, are allocated .01% to the General Partner and 99.99% to the Limited Partner. Distributable cash flow is defined in The Partnership Agreement as the excess of operating revenues over the sum of operating expenses and debt service.

Distributable cash flow is payable annually as follows:

- (1) to the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required pursuant to Section 6.9;
- (2) to the Operating Reserve Account until such time as such account is equal to the Operating Reserve Target Amount;
- (3) to the payment of any accrued and payable Asset Management Fees to the Asset Manager;
- (4) to the Sponsor to pay any unpaid balance on the Deferred Development Fee;
- (5) to the Real Estate Tax Reserve Account until such time as such account is equal to the Real Estate Tax Reserve Target Amount;
- (6) to pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner;
- (7) to repay any accrued and unpaid interest and unpaid principal on loan made by the General Partner;
- (8) to the General Partner to pay any accrued and payable Partnership Management Fee, on a cumulative basis; and
- (9) to the Services Manager to pay any accrued and payable Services Fee, on a cumulative basis.

NOTE H – CONTINGENCY

The apartment complex's low-income housing tax credits are contingent on the ability of the Partnership to maintain compliance with Section 42 of the Internal Revenue Code. 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 credits plus interest.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE I – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income (loss) to taxable income (loss) of the Partnership for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Financial Statement Net Income (Loss)	\$ (117,212)	\$ (139,311)
Adjustments:		
Excess Depreciation for Income Tax Purposes Over Financial Reporting Purposes	37,809	37,629
Other Book/Tax Difference	<u>(13,840)</u>	<u>(376)</u>
Taxable Income (Loss) Shown on Tax Return	<u>\$ (93,243)</u>	<u>\$ (102,058)</u>

NOTE J – ADVERTISING

For the years ended December 31, 2022 and 2021, the Partnership incurred advertising costs of \$397 and \$494, respectively. These costs are expensed as incurred.

NOTE K – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership’s sole asset is Ashley Place Development II. The Partnership’s operations are concentrated in the low-income real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including but not limited to, the state housing financing agency. Such administrative directives, rules and regulations are subject to change by federal and state agencies. Such changes may occur with little notice or inadequate funding to pay for related cost, including the additional administrative burden, to comply with a change.

NOTE L – CASUALTY CLAIM

During the year ended December 31, 2020, the apartment complex was damaged by Hurricane Delta. During the year ended December 31, 2021, the apartment complex filed a claim with its insurance company. During the year ended December 31, 2022, the insurance company paid claims in the amount of \$79,628. The apartment complex incurred costs related to the hurricane in the amount of \$157,451. Construction costs payable at December 31, 2022, relative to this hurricane damage, amounted to \$157,451. The Partnership disposed of fixed asset costs related to the claim in the amount of \$102,214 with an unrecoverable book value of \$66,653, which resulted in a net casualty gain of \$12,975 for the year ended December 31, 2022, from the disposal and restoration related to the hurricane.

During the year ended December 31, 2021, the apartment complex was damaged by Hurricane Ida. The apartment complex chose not to file a claim with its insurance company, since the amount was below the deductible of \$25,000. During the year ended December 31, 2022, the apartment complex incurred fencing costs related to the hurricane in the amount of \$4,320. For the year ended December 31, 2022, there was a casualty loss of \$4,320 resulting from the damage as a result of the hurricane.

For the year ended December 31, 2022, there was a net casualty gain of \$8,655 resulting from the damage as a result of both Hurricane Delta in 2020 and Hurricane Ida in 2021.

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE M – SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through April 19, 2023, the date which the financial statements were available for issue.

SUPPLEMENTAL INFORMATION

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ADMINISTRATIVE		
Manager Salaries	\$ 23,754	\$ 24,900
Professional Fees	7,803	8,320
Advertising	397	494
Office Expense	4,757	4,370
Bank Charges	36	15
Legal	3,104	9,833
Bad Debt Expense	6,092	2,298
Telephone	2,633	2,387
Other Renting Expenses	354	1,010
Other Administrative Expenses	6,231	8,632
Total Administrative	<u>\$ 55,161</u>	<u>\$ 62,259</u>
UTILITIES		
Electricity	\$ 7,167	\$ 8,542
Water and Sewer	23,647	26,159
Trash Collection	9,660	8,308
Total Utilities	<u>\$ 40,474</u>	<u>\$ 43,009</u>
MAINTENANCE AND REPAIRS		
Supplies	\$ 13,151	\$ 30,709
Repairs	1,185	5,494
Payroll	20,935	14,470
Contracts	8,134	9,838
Grounds	5,513	6,730
Pest Control	1,338	1,569
Total Maintenance and Repairs	<u>\$ 50,256</u>	<u>\$ 68,810</u>
INSURANCE		
Liability Insurance	\$ 49,254	\$ 39,588
Workman's Compensation	590	1,411
Total Insurance	<u>\$ 49,844</u>	<u>\$ 40,999</u>

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
INTEREST EXPENSE		
Interest Expense	\$ 75,531	\$ 78,964
Total Interest Expense	<u>\$ 75,531</u>	<u>\$ 78,964</u>



**Independent Auditors' 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***

To the Partners and Management of
Ashley Place Development II Limited Partnership
Denham Springs, 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 Ashley Place Development II Limited Partnership, which comprise the balance sheet as of December 31, 2022, and the related statements of operations, partners equity (deficit) and cash flows for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ashley Place Development II Limited Partnership'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 Ashley Place Development II Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Ashley Place Development II Limited Partnership'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 Ashley Place Development II Limited Partnership'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 or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ashley Place Development II Limited Partnership'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 Ashley Place Development II Limited Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashley Place Development II Limited Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Monroe, Louisiana

April 19, 2023

ASHLEY PLACE DEVELOPMENT II
LIMITED PARTNERSHIP

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

FOR THE YEAR ENDED DECEMBER 31, 2022

Please refer to the Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer included in the Denham Springs Housing Authority's audit report for information relative to compensation, benefits and other payments to the agency head or chief executive officer.

Ashley Place Development II Limited Partnership
 Schedule of Findings and Responses
 For the Year Ended December 31, 2022

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

Ashley Place Development II Limited Partnership
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

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

None