AUDREY HEIGHTS DEVELOPMENT, L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

AUDREY HEIGHTS DEVELOPMENT, L.P.

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BOND & TOUSIGNANT, LLC
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INDEPENDENT AUDITORS' REPORT

To the Partners
Audrey Heights Development, L.P.

Opinion

We have audited the accompanying financial statements of Audrey Heights Development, L.P., (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 referred to above present fairly, in all material respects, the financial position of Audrey Heights Development, L.P. as of December 31, 2022 and 2021, 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 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 Audrey Heights Development, L.P. 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; this includes 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 Audrey Heights Development, L.P.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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. 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, including omissions, 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.

- 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 Audrey Heights Development, L.P.'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 Audrey Heights Development, L.P.'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 supplemental information on pages 20 through 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 audit 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 datedMarch 16, 2023, on our consideration of Audrey Heights Development, L.P.'s internal control over financial reporting and 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 solely 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 Audrey Heights Development, L.P.'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 Audrey Heights Development, L.P.'s internal control over financial reporting and compliance.

Bond + Tousignant, LLC

Monroe, Louisiana
March 16, 2023

AUDREY HEIGHTS DEVELOPMENT, L.P.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 742	$ 5,989
Accounts Receivable - Tenants	2,168	1,239
Prepaid Expenses	15,666	8,847
Total Current Assets	18,576	16,075
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement Reserve Escrow	115,518	105,811
Operating Deficit Reserve	102,462	116,347
Tenants' Security Deposits	8,286	8,886
Real Estate Tax and Insurance Escrow	45,286	29,492
Total Restricted Deposits and Funded Reserves	271,552	260,536
PROPERTY AND EQUIPMENT		
Buildings	7,059,569	7,059,569
Land Improvements	178,436	178,436
Furniture and Equipment	211,747	211,747
Total	7,449,752	7,449,752
Less: Accumulated Depreciation	(2,618,256)	(2,432,845)
Net Depreciable Assets	4,831,496	5,016,907
Land	753,490	753,490
Total Property and Equipment	5,584,986	5,770,397
OTHER ASSETS		
Permanent Closing Fees	17,366	17,366
Tax Credit Fees	33,962	33,962
Less: Accumulated Depreciation	(36,516)	(33,673)
Net Amortizable Assets	14,812	17,655
Syndication Costs	22,000	22,000
Utility Deposits	1,768	1,628
Total Other Assets	38,580	41,283
TOTAL ASSETS	$ 5,913,694	$ 6,088,291

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

AUDREY HEIGHTS DEVELOPMENT, L.P.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

LIABILITIES AND PARTNERS' EQUITY

	2022	2021
CURRENT LIABILITIES		
Accounts Payable	$ 13,531	$ -
Prepaid Rent	2,861	1,158
Accrued Interest Payable	6,274	4,567
Current Portion of Long-Term Debt	28,376	26,432
Total Current Liabilities	51,042	32,157
DEPOSITS		
Tenants' Security Deposits	8,287	8,887
Total Deposits	8,287	8,887
LONG-TERM LIABILITIES		
Mortgage Payable	980,401	1,007,488
Notes Payable - NEF	1,106,240	1,106,240
Accrued Interest - NEF	412,831	378,308
Development Fee Payable	720,000	720,000
Asset Management Fees Payable	35,306	31,392
Partnership Management Fees Payable	277,997	252,618
Total Long-Term Liabilities	3,532,775	3,496,046
Total Liabilities	3,592,104	3,537,090
PARTNERS' EQUITY		
Partners' Equity (Deficit)	2,321,590	2,551,201
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 5,913,694	$ 6,088,291

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

AUDREY HEIGHTS DEVELOPMENT, L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE		
Tenant Rents	$ 344,221	$ 329,883
Less Vacancies, Concessions, Etc.	(36,178)	(18,156)
Late Fees, Deposit Forfeitures, Etc.	14,261	12,112
Other Income	-	425
Total Revenue	322,304	324,264
EXPENSES		
Maintenance and Repairs	58,367	51,606
Utilities	17,300	14,329
Administrative	56,982	58,380
Management Fees	19,281	19,442
Taxes	11,152	10,856
Insurance	61,585	41,606
Interest	109,628	111,041
Depreciation and Amortization	188,254	188,254
Total Expenses	522,549	495,514
Income (Loss) from Rental Operations	(200,245)	(171,250)
OTHER INCOME AND (EXPENSES)		
Interest Income	290	290
Entity Expense - Partnership & Asset Management Fees	(29,656)	(28,916)
Total Other Income (Expense)	(29,366)	(28,626)
Net Income (Loss)	$ (229,611)	$ (199,876)

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

AUDREY HEIGHTS DEVELOPMENT, L.P.
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Total	GENERAL PARTNER Covington Community GP, LLC	LIMITED PARTNER NEF Assignment Corporation
Partners' Equity (Deficit), January 1, 2021	$ 2,751,077	$ (192)	$ 2,751,269
Net Income (Loss)	(199,876)	(20)	(199,856)
Partners' Equity (Deficit), December 31, 2021	$ 2,551,201	$ (212)	$ 2,551,413
Net Income (Loss)	(229,611)	(23)	(229,588)
Partners' Equity (Deficit), December 31, 2022	$ 2,321,590	$ (235)	$ 2,321,825
Profit and Loss Percentages	100.00%	0.01%	99.99%

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

AUDREY HEIGHTS DEVELOPMENT, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (229,611)	$ (199,876)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	188,254	188,254
(Increase) Decrease in:		
Accounts Receivable - Tenants	(929)	3,978
Prepaid Expense	(6,819)	(580)
Utility Deposits	(140)	(338)
Increase (Decrease) in:		
Accounts Payable	13,531	-
Prepaid Rent	1,703	110
Accrued Interest Payable	1,707	(532)
Tenants' Security Deposits	(602)	(1,399)
Net Cash Provided (Used) by Operating Activities	(32,906)	(10,383)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Mortgage Payable	(26,432)	(24,592)
Interest on Loan Fees	1,289	1,320
Increase (Decrease) in Asset Management Fee Payable	3,914	(3,117)
Increase (Decrease) in Partnership Management Fee Payable	25,379	24,639
Increase in Accrued Interest - NEF Loans	34,523	34,523
Net Cash Provided (Used) by Financing Activities	38,673	32,773
Net Increase (Decrease) in Cash and Restricted Cash	5,767	22,390
Cash and Restricted Cash, Beginning of Year	266,525	244,135
Cash and Restricted Cash, End of Year	$ 272,294	$ 266,525

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.

	2022	2021
Cash and Cash Equivalents	$ 742	$ 5,989
Replacement Reserve Escrow	115,518	105,811
Operating Deficit Reserve	102,462	116,347
Tenants' Security Deposits	8,286	8,886
Real Estate Tax and Insurance Escrow	45,286	29,492
Total Cash and Restricted Cash	$ 272,294	$ 266,525

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

AUDREY HEIGHTS DEVELOPMENT, L.P.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ 72,109	$ 77,050

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

NOTE A – ORGANIZATION

Audrey Heights Development LP (the Partnership) was organized in 2007 as a limited partnership chartered under the laws of the State of Louisiana to develop, construct, own, maintain and operate a thirty-six-unit housing complex intended for rental to persons of low and moderate income. The complex is located in Covington, Louisiana and is collectively known as Audrey Heights (the Complex). The Complex has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Complex as to occupant eligibility and unit gross rent, among other requirements. The major activities of the Partnership are governed by the Amended and Restated Articles of Partnership in Commendam, including amendments (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 statement 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.

Use of 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.

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 Partnership has various checking, escrow and other deposits at various financial institutions. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2022, the Partnership had no uninsured deposits.

Tenant Receivable and Bad Debt Policy

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Partnership provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Partnership's estimate is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that the Partnership's estimate of the allowance for doubtful accounts will change. At December 31, 2022 and 2021, accounts receivable is presented net of an allowance for doubtful accounts of $0 and $0, respectively.

Capitalization and Depreciation

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. 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 statement of operations. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Land Improvements	20 years
Furniture and Equipment	10 years

Amortization

Permanent closing fees resulting from legal costs incurred during closing to permanent financing are amortized over the term of the loan using the straight-line method.

Organization costs are expensed as incurred.

Tax credit monitoring fees are amortized over the fifteen-year Low-Income Tax Credit Compliance period, using the straight-line method.

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.

Rental Income

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.

Income Taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, 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 positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Impairment of Long-Lived Assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amounts, 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 loss has been recognized during the years ended December 31, 2022 and 2021.

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 March 16, 2023 (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.

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES

Operating Reserve

The General Partner shall establish the Operating Reserve Account and fund it with the Operating Reserve Target Amount of $141,760 out of loan and/or equity proceeds at the time of payment of the Fourth Installment. The Operating Reserve will be held in the Operating Reserve Account, under the control of the General Partner (or a Project lender, if required), and the Partnership will maintain this account from the date of the Fourth Installment until the end of the Compliance Period. Withdrawals from the Operating Reserve Account will require the written approval of the Asset Manager. So long as funds remain in the Operating Reserve, such funds will be used to fund Project operating and debt service deficits. Any excess funds remaining in the Operating Reserve at the end of the Compliance Period shall be released from the Operating Reserve and used by the Partnership to first pay the Limited Partner's exit taxes due upon sale or dissolution. Funding amounted to $98 in 2022 and $219 in 2021. Withdrawals amounted to $13,983 in 2022 and $0 in 2021. At December 31, 2022 and 2021, the balance of this account was $102,462 and $116,347, respectively.

Replacement Reserve

The General Partner shall establish the Replacement Reserve at the time of payment of the Third Installment. The Replacement Reserve will be held in the Replacement Reserve Account, under the control of the General Partner (unless the Account is under the control of one of the Project Lenders), and the Partnership will maintain this account from the date of payment of the Third Installment until the end of

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

the Compliance Period. Withdrawals from the Replacement Reserve Account in excess of $3,000 in the aggregate in any given month (unless such withdrawal was provided for in the approved Project budget) will require the written approval of the Asset Manager. The General Partner will also be required to fund the Replacement Reserve Account on a cumulative basis, in the amount of $300 per unit per year (to be increased annually by 3%) from Project cash flow. Any excess funds remaining in the Replacement Reserve at the end of the Compliance Period shall be released from the Replacement Reserve and applied by the Partnership in the case of a sale or dissolution of the Partnership. Funding amounted to $22,155 in 2022 and $22,072 in 2021. Withdrawals amounted to $12,448 in 2022 and $0 in 2021. At December 31, 2022 and 2021, the balance of this account was $115,518 and $105,811, respectively.

Real Estate Tax and Insurance Escrow

Transfers of sufficient sums are to be made to this account for payment of insurance and real estate taxes. Funding amounted to $86,032 in 2022 and $44,854 in 2021. Withdrawals amounted to $70,238 in 2022 and $42,927 in 2021. At December 31, 2022 and 2021, the balance of this account was $45,286 and $29,492, respectively.

Outside Pledged Operating Reserve

The General Partner shall establish the Outside Pledged Operating Reserve in the amount of $142,380 out of General Partner's own funds no later than May 1, 2009. The Outside Pledged Operating Reserve will be held in the Outside Pledged Operating Reserve Account under the control of the General Partner. The Partnership will maintain this account until the later of (i) the third anniversary of the achievement of Breakeven Operations or (ii) the date the Project has maintained a Debt Service Coverage Ratio of 1.15 for a period of not less than twelve consecutive months, based upon the average Debt Service Coverage Ratio during such period. Withdrawals from the Outside Pledged Operating Reserve Account require written notice to the Asset Manager which shall include the purpose for which such withdrawal was made. The Outside Pledged Operating Reserve will be used to fund operating and debt service deficits and for other uses benefiting the Project. On the date that the Partnership achieves the benchmarks set forth above, if there are funds remaining in the Outside Pledged Operating Reserve Account, the General Partner may request to the Asset Manager that such funds be released to the General Partner. At December 31, 2022, this account had not been funded.

Tenants' Security Deposits

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

NOTE D – CAPITAL LEASE

The Partnership leases the land from Covington Community Corporation, an affiliate of the general partner, under an agreement that is classified as a capital lease. The Partnership made one advance term rental payment in the amount of $753,490. The term of the lease commenced in December 2007 and expires on a date which is ninety-nine years from the date the leased premises become available for occupancy, unless sooner terminated as provided by the lease. There are no future minimum lease payments required under the capital lease agreement.

NOTE E – PARTNERS' CAPITAL

The Partnership has one General Partner – Covington Community GP, LLC and one Limited Partner – NEF Assignment Corporation. The Partnership records capital contributions as received.

NOTE F – LONG-TERM DEBT

Mortgage Payable

The Partnership received permanent financing from Pacific Life in February of 2011. The permanent loan was in the original amount of $1,241,500 and bears an interest rate of 7.12%. The loan has an eighteen (18) year term and an amortization period of thirty (30) years, with a maturity date of March 1, 2029 and a monthly principal and interest payment of $8,360. The loan is non-recourse and is collateralized by a first mortgage on the Partnership's land, buildings and equipment. For the years ended December 31, 2022 and 2021, the partnership maintained a debt service coverage ratio of 75% and 106%, respectively. At December 31, 2022, the balance of the loan was $1,023,288 and accrued interest was $6,274.

Debt issuance costs, net of accumulated amortization, of $14,511 and $15,800 as of December 31, 2022 and 2021, respectively, are amortized using an imputed interest rate of 1.47%.

Notes Payable - NEF

During 2010, the Partnership received a workout loan from National Equity Fund 2007 Limited Partnership (an affiliate of the Limited Partner) in an amount up to $150,000. Interest accrues on the principal of the loan at a rate of 3.11%. Payments of interest are to be paid annually out of surplus cash and payments of principle shall be made annually to the extent of any surplus cash remaining after the payment of interest. In the event surplus cash is insufficient to pay any such interest for such year, then such interest shall be paid to the extent of any surplus cash and the balance of such interest shall be accrued and paid if, as, and when there is surplus cash after payment of current interest hereunder. 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 maker. As of December 31, 2022, the balance of the loan was $84,795 and accrued interest was $33,300.

During 2011, the Partnership received a second workout loan from National Equity Fund 2007 Limited Partnership in the amount of $1,000,000. The interest rate on this note is 3.15% and the terms and conditions are the same as the previously mentioned note. At December 31, 2022, the balance of this note was $1,000,000 and accrued interest was $374,289.

During 2012, the Partnership received a third workout loan from National Equity Fund 2007 Limited Partnership in the amount of $50,000. The interest rate on this note is 1.80% and the terms and conditions are the same as the previously mentioned note. At December 31, 2022, the balance of this note was $21,445 and accrued interest was $5,242.

NOTE F – LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Amount
2023	$ 28,376
2024	30,464
2025	32,705
2026	35,111
2027	37,695
Thereafter	$ 1,965,177

NOTE G – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Developer Fee

The Partnership has entered into a development services agreement in the amount of $870,000 with the Covington Housing Authority, an affiliate of the General Partner, to render services for overseeing the construction and development of the complex. The developer fee is capitalized in the basis of the building. During the years ended December 31, 2022 and 2021, no developer fees were paid and the balance of developer fee payable was $720,000.

Asset Management Fee

The Partnership shall pay to the Asset Manager an annual asset management fee on a cumulative basis in the amount of $3,000, to be increased annually by three percent (3%) and priority specified in Section 5.1(a) of the partnership agreement, for property management oversight, tax credit compliance monitoring and related services. During years ended December 31, 2022 and 2021, asset management fees were paid in the amount of $0 and $4,277 and the balance of asset management fees payable was $35,306 and $31,392, respectively.

Partnership Management Fee

The Partnership shall pay to the General Partner an annual partnership management fee on a cumulative basis in the amount of $17,800, to be increased annually by three percent (3%) and priority specified in Section 5.1(a) of the partnership agreement, for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state and local taxes and other required filings and financial reports. During the years ended December 31, 2022 and 2021, no partnership management fees were paid and the balance of partnership management fees payable was $277,997 and $252,618, respectively.

NOTE H – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Audrey Heights. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated

NOTE H – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS (CONTINUED)

environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE I – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from capital transactions detailed in the Amended and Restated Partnership Agreement, are allocated .01% to the General Partner and 99.99% to the Limited Partner.

Distribution of distributable cash from operations for each fiscal year will be made as follows:

(i) 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;

(ii) Payment of any accrued and payable Asset Management Fees to the Asset Manager;

(iii) To the Sponsor to pay any unpaid balance of the Deferred Development Fee;

(iv) To the Operating Reserve Account until such time as such account is equal to the Operating Reserve Target Amount;

(v) To the Real Estate Tax Reserve Account until such time as such account is equal to the Real Estate Tax Reserve Target Amount;

(vi) To pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner pursuant to Section 3.7;

(vii) To pay any accrued and unpaid interest and unpaid principal on loans made by the General Partner pursuant to Section 3.7;

(viii) To pay the Partnership Management Fee, on a cumulative basis;

(ix) To the General Partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest) by the General Partner pursuant to Section 6.4(f)(i) or Section 6.4 (f)(ii) and net yet repaid.

NOTE J – 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:

	2022	2021
Financial Statement Net Income (Loss)	$ (229,611)	$ (199,876)
Adjustments:		
Excess of depreciation and amortization for financial reporting purposes over income tax purposes	49,409	49,409
Taxable Income (Loss) as Shown on Tax Return	$ (180,202)	$ (150,467)

NOTE K – CONTINGENCY

The apartment complex's low-income housing tax credits are contingent on the ability of the Partnership to maintain compliance with applicable sections of 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 tax credits plus interest.

NOTE L – MANAGEMENT AGENT

The Partnership has entered into an agreement with Tower Management, LLC to provide services in connection with rent-up, leasing and operation of the project. Management fees are charged in an amount equal to the greater of $800 or 6% of gross rents received per month. Management fees incurred for the years ended December 31, 2022 and 2021 were $19,281 and $19,442, respectively.

NOTE M – ADVERTISING

The Partnership incurred advertising costs of $783 in 2022 and $1,201 in 2021. These costs are expensed as incurred.

SUPPLEMENTAL INFORMATION

AUDREY HEIGHTS DEVELOPMENT, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
MAINTENANCE AND REPAIRS		
Maintenance Supplies	2,623	2,149
General Maintenance and Repairs	40,993	40,599
Grounds Maintenance	11,682	5,737
Pest Control	3,069	3,121
Total Maintenance and Repairs	$ 58,367	$ 51,606
UTILITIES		
Electricity	4,988	3,308
Water and Sewer	3,858	2,571
Garbage Trash Removal	8,454	8,450
Total Utilities	$ 17,300	$ 14,329
ADMINISTRATIVE		
Advertising	783	1,201
Office Supplies	3,406	3,229
Bad Debt Expense	1,258	(13)
Accounting and Auditing	7,250	7,250
Legal	-	3,366
Administrative Salaries	39,281	38,231
Miscellaneous	1,277	1,136
Telephone	3,727	3,980
Total Administrative	$ 56,982	$ 58,380
MANAGEMENT FEES		
Management Fee	19,281	19,442
Total Management Fees	$ 19,281	$ 19,442

AUDREY HEIGHTS DEVELOPMENT, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
TAXES		
Payroll Taxes & Workers Comp	3,749	3,416
Real Estate Tax	7,403	7,440
Total Taxes	$ 11,152	$ 10,856
INSURANCE		
Property Insurance	57,738	36,574
Workers Comp	471	1,227
Health Other Emp Benefits	3,376	3,805
Total Insurance	$ 61,585	$ 41,606
INTEREST		
Interest	73,816	75,198
Interest - NEF	34,523	34,523
Interest - Loan Fees	1,289	1,320
Total Interest	$ 109,628	$ 111,041
DEPRECIATION AND AMORTIZATION		
Depreciation	185,411	185,411
Amortization	2,843	2,843
Total Depreciation and Amortization	$ 188,254	$ 188,254

AUDREY HEIGHTS DEVELOPMENT, L.P.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2022

Agency Head Name: Tammie Groover, Executive Director of the Covington Housing Authority for the year ended December 31, 2022.

Purpose	Amount
Salary	$0
Benefits	$0
Auto/Mileage	$0
Travel	$0
Meals	$0
Continuing Education, Per Diem, Etc.	$0
Unvouchered Expenses	$0

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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
Audrey Heights Development, L.P.

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 Audrey Heights Development, L.P., 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, and have issued our report thereon dated March 16, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audrey Heights Development, L.P.' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Audrey Heights Development, L.P.' internal control. Accordingly, we do not express an opinion on the effectiveness Audrey Heights Development, L.P.' 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 the entity'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 Audrey Heights Development, L.P.'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bond + Tousignant, LLC

Monroe, Louisiana
March 16, 2023