

BAYOU PLACE DEVELOPMENT II, L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

BAYOU PLACE DEVELOPMENT II, L.P.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS:	
BALANCE SHEETS	5-6
STATEMENTS OF OPERATIONS	7
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)	8
STATEMENTS OF CASH FLOWS	9-10
NOTES TO FINANCIAL STATEMENTS	11-18
SUPPLEMENTAL INFORMATION:	
SCHEDULES OF EXPENSES	19-20
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	21

**B&T BOND &
TOUSIGNANT, LLC**
CERTIFIED PUBLIC ACCOUNTANTS

1500 Lamy Lane, Monroe, LA 71201-3734 • P. O. Box 14065, Monroe, LA 71207-4065
Phone: (318) 323-0717 • Fax: (318) 323-0719

INDEPENDENT AUDITORS' REPORT

To the Partners
Bayou Place Development II, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of Bayou Place Development II, L.P., (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2018 and 2017, 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.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Place Development II, L.P. as of December 31, 2018 and 2017, 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.

Report on 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 19 through 21 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.



Monroe, Louisiana
February 25, 2019

BAYOU PLACE DEVELOPMENT II, L.P.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 148,073	\$ 146,535
Accounts Receivable - Tenants	2,500	95
Prepaid Expenses	5,952	5,477
Total Current Assets	<u>156,525</u>	<u>152,107</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement Reserve Escrow	75,636	66,547
Operating Deficit Reserve	60,197	59,880
Tenants' Security Deposits	14,050	13,415
Real Estate Tax and Insurance Escrow	18,474	9,515
Total Restricted Deposits and Funded Reserves	<u>168,357</u>	<u>149,357</u>
PROPERTY AND EQUIPMENT		
Buildings	3,700,446	3,700,446
Land Improvements	458,463	458,463
Furniture and Equipment	115,465	115,465
Total	<u>4,274,374</u>	<u>4,274,374</u>
Less: Accumulated Depreciation	<u>(1,265,502)</u>	<u>(1,138,521)</u>
Net Depreciable Assets	3,008,872	3,135,853
Land	264,677	264,677
Total Property and Equipment	<u>3,273,549</u>	<u>3,400,530</u>
OTHER ASSETS		
Permanent Closing Fees	40,232	40,232
Tax Credit Fees	23,785	23,785
Less: Accumulated Depreciation	<u>(28,059)</u>	<u>(25,132)</u>
Net Amortizable Assets	<u>35,958</u>	<u>38,885</u>
Due from Related Parties	13,513	13,513
Utility Deposits	250	250
Total Other Assets	<u>49,721</u>	<u>52,648</u>
TOTAL ASSETS	<u>\$ 3,648,152</u>	<u>\$ 3,754,642</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

LIABILITIES AND PARTNERS' EQUITY

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 21	\$ 1,333
Prepaid Rent	51	414
Accrued Interest Payable	1,551	1,583
Current Portion of Long-Term Debt	6,724	6,276
Total Current Liabilities	<u>8,347</u>	<u>9,606</u>
DEPOSITS		
Tenants' Security Deposits	14,050	13,416
Total Deposits	<u>14,050</u>	<u>13,416</u>
LONG-TERM LIABILITIES		
Mortgage Payable	289,718	295,349
Development Fee Payable	415,881	415,881
Asset Management Fees Payable	25,493	22,231
Partnership Management Fees Payable	73,369	65,018
Total Long-Term Liabilities	<u>804,461</u>	<u>798,479</u>
 Total Liabilities	 <u>826,858</u>	 <u>821,501</u>
PARTNERS' EQUITY		
Partners' Equity (Deficit)	<u>2,821,294</u>	<u>2,933,141</u>
 TOTAL LIABILITIES AND PARTNERS' EQUITY	 <u>\$ 3,648,152</u>	 <u>\$ 3,754,642</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE		
Tenant Rents	\$ 178,800	\$ 178,574
Less Vacancies, Concessions, Etc.	(4,308)	(12,535)
Late Fees, Deposit Forfeitures, Etc.	3,689	2,441
Total Revenue	<u>178,181</u>	<u>168,480</u>
EXPENSES		
Maintenance and Repairs	57,512	66,119
Utilities	2,759	3,666
Administrative	29,074	27,877
Management Fees	10,743	10,142
Taxes	2,924	2,894
Insurance	24,136	25,084
Interest	22,786	23,226
Depreciation and Amortization	129,908	129,908
Total Expenses	<u>279,842</u>	<u>288,916</u>
Income (Loss) from Rental Operations	<u>(101,661)</u>	<u>(120,436)</u>
OTHER INCOME AND (EXPENSES)		
Interest Income	1,427	36
Entity Expense - Partnership & Asset Management Fees	(11,613)	(11,274)
Total Other Income (Expense)	<u>(10,186)</u>	<u>(11,238)</u>
Net Income (Loss)	<u>\$ (111,847)</u>	<u>\$ (131,674)</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Total</u>	<u>GENERAL PARTNER H.A.N.I. Non-Profit Housing, Inc.</u>	<u>LIMITED PARTNER NEF Assignment Corporation</u>
Partners' Equity (Deficit), January 1, 2017	\$ 3,064,815	\$ 4,764	\$ 3,060,051
Net Income (Loss)	<u>(131,674)</u>	<u>(13)</u>	<u>(131,661)</u>
Partners' Equity (Deficit), December 31, 2017	\$ 2,933,141	\$ 4,751	\$ 2,928,390
Net Income (Loss)	<u>(111,847)</u>	<u>(11)</u>	<u>(111,836)</u>
Partners' Equity (Deficit), December 31, 2018	<u>\$ 2,821,294</u>	<u>\$ 4,740</u>	<u>\$ 2,816,554</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.

BAYOU PLACE DEVELOPMENT II, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (111,847)	\$ (131,674)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	129,908	129,908
(Increase) Decrease in:		
Accounts Receivable - Tenants	(2,405)	356
Prepaid Expense	(475)	(1,325)
Real Estate Tax and Insurance Escrow	(8,959)	4,195
Increase (Decrease) in:		
Accounts Payable	(1,312)	1,333
Prepaid Rent	(363)	(707)
Accrued Interest Payable	(32)	(29)
Net Security Deposits Received (Paid)	(1)	3
Net Cash Provided (Used) by Operating Activities	<u>4,514</u>	<u>2,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to Reserve for Replacements	(9,089)	(9,021)
Deposits to Operating Deficit Reserve	(317)	(30)
Net Cash Provided (Used) by Investing Activities	<u>(9,406)</u>	<u>(9,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Mortgage Payable	(6,295)	(5,877)
Interest on Loan Fees	1,112	1,131
Increase in Asset Management Fees Payable	3,262	-
Increase in Partnership Management Fees Payable	8,351	8,107
Net Cash Provided (Used) by Financing Activities	<u>6,430</u>	<u>3,361</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,538	(3,630)
Cash and Cash Equivalents, Beginning of Year	<u>146,535</u>	<u>150,165</u>
Cash and Cash Equivalents, End of Year	<u>\$ 148,073</u>	<u>\$ 146,535</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 21,706</u>	<u>\$ 22,124</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE A – ORGANIZATION

Bayou Place Development II, L.P. (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 twenty five unit housing complex intended for rental to persons of low and moderate income. The complex is located in New Iberia, Louisiana and is collectively known as Bayou Place II (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.

Change in Accounting Principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this new accounting policy, the Partnership has retrospectively presented all debt issuance costs as a direct deduction from the carrying amount of the related obligation in the balance sheet. Amortization of the debt issuance costs is calculated using the interest method and is included as a component of interest expense.

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.

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, 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.

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, 2018 and 2017, accounts receivable are 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.

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2018 and 2017.

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 February 25, 2019 (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 1

Operating Reserve

The General Partner shall establish the Operating Reserve Account and fund it with the Operating Reserve Target Amount of \$53,847 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

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

Operating Reserve (Continued)

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 \$317 in 2018 and \$30 in 2017. Withdrawals amounted to \$0 in 2018 and \$0 in 2017. At December 31, 2018 and 2017, the balance of this account was \$60,197 and \$59,880, 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 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 \$9,089 in 2018 and \$9,021 in 2017. There were no withdrawals for either year. At December 31, 2018 and 2017, the balance of this account was \$76,636 and \$66,547, 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 \$32,834 in 2018 and \$18,300 in 2017. Withdrawals amounted to \$23,875 in 2018 and \$22,495 in 2017. At December 31, 2018 and 2017, the balance of this account was \$18,474 and \$9,515, respectively.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Partnership. At December 31, 2018, this account was funded in an amount equal to the security deposit liability.

NOTE D – PARTNERS' CAPITAL

The Partnership has one General Partner – H.A.N.I. Non-Profit Housing, Inc. and one Limited Partner – NEF Assignment Corporation. The Partnership records capital contributions as received.

BAYOU PLACE DEVELOPMENT II, L.P.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE E – LONG-TERM DEBT

Mortgage Payable

Permanent financing was obtained from Pacific Life Insurance in January 2010 in the principal amount of \$353,943. The loan has an eighteen-year term with a thirty-year amortization period and a maturity date of February 1, 2028. The loan bears an annual interest rate of 6.91% with monthly interest and principal payments of \$2,333. The non-recourse note is collateralized by a first mortgage on the Partnership’s land and buildings. At December 31, 2018, the loan had an outstanding balance of \$310,971 and accrued interest of \$1,551.

Debt issuance costs, net of accumulated amortization, of \$14,529 and \$15,621 as of December 31, 2018 and 2017, respectively, are amortized using an imputed interest rate of 4.13%.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 6,724
2020	7,203
2021	7,717
2022	8,267
2023	8,857
Thereafter	\$ 272,202

NOTE F -- TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Due from Bayou Place Development I, L.P.

During the process of closing to permanent loan financing in January 2010, Bayou Place Development I, L.P. received \$13,513 of the Partnership’s funds. At December 31, 2018 and 2017 the Partnership was owed \$13,513 and \$13,513, respectively, from Bayou Place Development I, L.P. This amount is included in the financial statements under the caption “Due from Related Parties”.

Developer Fee

The Partnership has entered into a development services agreement in the amount of \$600,000 with Housing Authority of the City of New Iberia, Louisiana, 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, 2018 and 2017, no developer fees were paid and the balance of developer fee payable was \$415,881.

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Asset Management Fee

The Partnership shall pay to the Asset Manager an annual asset management fee in the amount of \$2,500, to be increased annually by three percent (3%) and priority specified in Section 5.1(a), for property management oversight, tax credit compliance monitoring and related services. During the years ended December 31, 2018 and 2017, \$0 and \$3,167 of asset management fees were paid, respectively, and the balance of asset management fees payable was \$25,493 and \$22,231, respectively.

Partnership Management Fee

The Partnership shall pay to the General Partner an annual partnership management fee in the amount of \$6,400, to be increased annually by three percent (3%) and priority specified in Section 5.1(a), for managing the Partnership's operations and assets and coordinating the preparation of required filings and financial reports. During the years ended December 31, 2018 and 2017, no partnership management fees were paid and the balance of partnership management fees payable was \$73,369 and \$65,018, respectively.

NOTE G – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Bayou Place II. The Partnership's operations are concentrated in the affordable housing 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, 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 H – 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 pay any accrued and unpaid interest and unpaid principal on loans made by the General Partner;

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE H – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS (CONTINUED)

- (vi) \$6,400 (increasing annually by three percent) to the General Partner to pay the Partnership Management Fee, on a cumulative basis;
- (vii) The remaining Cash Flow, if any, shall be distributed 0.01% to the General Partner and 99.99% to the Limited Partner.

NOTE I – 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 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Financial Statement Net Income (Loss)	\$ (111,847)	\$ (131,674)
Adjustments:		
Excess of depreciation and amortization for financial reporting purposes over income tax purposes	42,297	42,297
Taxable Income (Loss) as Shown on Tax Return	\$ (69,550)	\$ (89,377)

NOTE K – 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, 2018 and 2017 were \$10,743 and \$10,142, respectively.

NOTE L – EXEMPTION FROM REAL ESTATE TAXES

Per the requirements set forth in the Louisiana Constitution, Article 7, Section 21, the Partnership is exempt from real estate tax. The Iberia Parish Tax Assessor has concurred with this exemption and therefore no real estate taxes have been assessed.

BAYOU PLACE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE M – ADVERTISING

The Partnership incurred advertising costs of \$35 and \$0 during 2018 and 2017, respectively. These costs are expensed as incurred.

SUPPLEMENTAL INFORMATION

BAYOU PLACE DEVELOPMENT II, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
MAINTENANCE AND REPAIRS		
Maintenance Salaries	14,467	13,033
Maintenance Supplies	4,764	6,666
General Maintenance and Repairs	15,092	25,390
Grounds Maintenance	18,394	16,530
Pest Control	4,795	4,500
Total Maintenance and Repairs	<u>\$ 57,512</u>	<u>\$ 66,119</u>
UTILITIES		
Electricity	2,532	3,417
Water and Sewer	227	249
Total Utilities	<u>\$ 2,759</u>	<u>\$ 3,666</u>
ADMINISTRATIVE		
Advertising	35	480
Office Supplies	3,270	2,263
Supportive Services	86	234
Bad Debt Expense	1,120	-
Accounting and Auditing	6,562	6,500
Legal	38	-
Administrative Salaries	15,708	16,274
Miscellaneous	1,258	670
Telephone	997	1,456
Total Administrative	<u>\$ 29,074</u>	<u>\$ 27,877</u>
MANAGEMENT FEES		
Management Fee	10,743	10,142
Total Management Fees	<u>\$ 10,743</u>	<u>\$ 10,142</u>

BAYOU PLACE DEVELOPMENT II, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
TAXES		
Payroll Taxes & Workers Comp	2,924	2,894
Total Taxes	<u>\$ 2,924</u>	<u>\$ 2,894</u>
INSURANCE		
Property Insurance	23,399	20,642
Workers Comp	737	809
Health Other Emp Benefits	-	3,633
Total Insurance	<u>\$ 24,136</u>	<u>\$ 25,084</u>
INTEREST		
Interest	21,694	22,114
Interest - Loan Fees	1,092	1,112
Total Interest	<u>\$ 22,786</u>	<u>\$ 23,226</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	126,981	126,981
Amortization	2,927	2,927
Total Depreciation and Amortization	<u>\$ 129,908</u>	<u>\$ 129,908</u>

BAYOU PLACE DEVELOPMENT II, L.P.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Patricia Reedom, Executive Director of the Housing Authority of the
City of New Iberia for the year ended December 31, 2018.

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