

**BAYOU PLACE DEVELOPMENT II, L.P.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

BAYOU PLACE DEVELOPMENT II, L.P.

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## 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, 2019 and 2018, 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, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Bond + Jousignant, LLC".

Monroe, Louisiana  
February 12, 2020

BAYOU PLACE DEVELOPMENT II, L.P.  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 158,660	\$ 148,073
Accounts Receivable - Tenants	-	2,500
Prepaid Expenses	5,538	5,952
Total Current Assets	<u>164,198</u>	<u>156,525</u>
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>		
Replacement Reserve Escrow	84,765	75,636
Operating Deficit Reserve	60,802	60,197
Tenants' Security Deposits	13,285	14,050
Real Estate Tax and Insurance Escrow	18,341	18,474
Total Restricted Deposits and Funded Reserves	<u>177,193</u>	<u>168,357</u>
<b>PROPERTY AND EQUIPMENT</b>		
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>(1,381,122)</u>	<u>(1,265,502)</u>
Net Depreciable Assets	2,893,252	3,008,872
Land	264,677	264,677
Total Property and Equipment	<u>3,157,929</u>	<u>3,273,549</u>
<b>OTHER ASSETS</b>		
Permanent Closing Fees	40,232	40,232
Tax Credit Fees	23,785	23,785
Less: Accumulated Depreciation	<u>(30,985)</u>	<u>(28,059)</u>
Net Amortizable Assets	<u>33,032</u>	<u>35,958</u>
Due from Related Parties	13,513	13,513
Utility Deposits	250	250
Total Other Assets	<u>46,795</u>	<u>49,721</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,546,115</u></u>	<u><u>\$ 3,648,152</u></u>

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

BAYOU PLACE DEVELOPMENT II, L.P.  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018

LIABILITIES AND PARTNERS' EQUITY

	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 21
Prepaid Rent	68	51
Accrued Interest Payable	1,518	1,551
Current Portion of Long-Term Debt	7,203	6,724
Total Current Liabilities	<u>8,789</u>	<u>8,347</u>
<b>DEPOSITS</b>		
Tenants' Security Deposits	13,285	14,050
Total Deposits	<u>13,285</u>	<u>14,050</u>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	283,586	289,718
Development Fee Payable	415,881	415,881
Asset Management Fees Payable	25,493	25,493
Partnership Management Fees Payable	81,970	73,369
Total Long-Term Liabilities	<u>806,930</u>	<u>804,461</u>
Total Liabilities	<u>829,004</u>	<u>826,858</u>
<b>PARTNERS' EQUITY</b>		
Partners' Equity (Deficit)	<u>2,717,111</u>	<u>2,821,294</u>
<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<u><u>\$ 3,546,115</u></u>	<u><u>\$ 3,648,152</u></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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Tenant Rents	\$ 178,922	\$ 178,800
Less Vacancies, Concessions, Etc.	(4,655)	(4,308)
Late Fees, Deposit Forfeitures, Etc.	4,970	3,689
Total Revenue	<u>179,237</u>	<u>178,181</u>
<b>EXPENSES</b>		
Maintenance and Repairs	60,129	57,512
Utilities	2,440	2,759
Administrative	32,294	29,074
Management Fees	10,879	10,743
Taxes	3,107	2,924
Insurance	23,711	24,136
Interest	22,349	22,786
Depreciation and Amortization	118,547	129,908
Total Expenses	<u>273,456</u>	<u>279,842</u>
Income (Loss) from Rental Operations	<u>(94,219)</u>	<u>(101,661)</u>
<b>OTHER INCOME AND (EXPENSES)</b>		
Interest Income	2,098	1,427
Entity Expense - Partnership & Asset Management Fees	(12,062)	(11,613)
Total Other Income (Expense)	<u>(9,964)</u>	<u>(10,186)</u>
Net Income (Loss)	<u>\$ (104,183)</u>	<u>\$ (111,847)</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, 2019 AND 2018

	<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, 2018	\$ 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	\$ 2,821,294	\$ 4,740	\$ 2,816,554
Net Income (Loss)	<u>(104,183)</u>	<u>(10)</u>	<u>(104,173)</u>
Partners' Equity (Deficit), December 31, 2019	<u>\$ 2,717,111</u>	<u>\$ 4,730</u>	<u>\$ 2,712,381</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ (104,183)	\$ (111,847)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	118,547	129,908
(Increase) Decrease in:		
Accounts Receivable - Tenants	2,500	(2,405)
Prepaid Expense	414	(475)
Increase (Decrease) in:		
Accounts Payable	(21)	(1,312)
Prepaid Rent	17	(363)
Accrued Interest Payable	(33)	(32)
Tenants' Security Deposits	(766)	634
Net Cash Provided (Used) by Operating Activities	<u>16,475</u>	<u>14,108</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on Mortgage Payable	(6,724)	(6,295)
Interest on Loan Fees	1,071	1,112
Increase (Decrease) in Asset Management Fee Payable	-	3,262
Increase (Decrease) in Partnership Management Fee Payable	8,601	8,351
Net Cash Provided (Used) by Financing Activities	<u>2,948</u>	<u>6,430</u>
Net Increase (Decrease) in Cash and Restricted Cash	19,423	20,538
Cash and Restricted Cash, Beginning of Year	<u>316,430</u>	<u>295,892</u>
Cash and Restricted Cash, End of Year	<u>\$ 335,853</u>	<u>\$ 316,430</u>
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.		
Cash and Cash Equivalents	\$ 158,660	\$ 148,073
Replacement Reserve Escrow	84,765	75,636
Operating Deficit Reserve	60,802	60,197
Tenants' Security Deposits	13,285	14,050
Real Estate Tax and Insurance Escrow	<u>18,341</u>	<u>18,474</u>
Total Cash and Restricted Cash	<u>\$ 335,853</u>	<u>\$ 316,430</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 21,311</u>	<u>\$ 21,706</u>

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

BAYOU PLACE DEVELOPMENT II, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-18 on Restricted Cash to eliminate inconsistencies in its presentation in the statement of cash flows, thereby reducing the diversity in practice. This ASU amended prior guidance on the presentation of restricted cash and now requires that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown in the statements of cash flows. This ASU also requires an entity to disclose information about the nature of restricted cash, as well as provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. As a result, ending cash and restricted cash as of December 31, 2018 and 2017, was increased from \$148,073 and \$146,535 to \$316,430 and \$295,892, respectively.

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, 2019 AND 2018

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, 2019, 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, 2019 and 2018, 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, 2019 AND 2018

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, 2019 and 2018.

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 12, 2020 (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 \$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, 2019 AND 2018

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 \$605 in 2019 and \$317 in 2018. Withdrawals amounted to \$0 in 2019 and \$0 in 2018. At December 31, 2019 and 2018, the balance of this account was \$60,802 and \$60,197, 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 \$9,129 in 2019 and \$9,089 in 2018. There were no withdrawals for either year. At December 31, 2019 and 2018, the balance of this account was \$84,765 and \$75,636, 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 \$27,454 in 2019 and \$32,834 in 2018. Withdrawals amounted to \$27,587 in 2019 and \$23,875 in 2018. At December 31, 2019 and 2018, the balance of this account was \$18,341 and \$18,474, respectively.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Partnership. At December 31, 2019, 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, 2019 AND 2018

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, 2019, the loan had an outstanding balance of \$304,247 and accrued interest of \$1,518.

Debt issuance costs, net of accumulated amortization, of \$13,458 and \$14,529 as of December 31, 2019 and 2018, 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	\$ 7,203
2020	7,717
2021	8,268
2022	8,857
2023	9,489
Thereafter	\$ 262,713

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, 2019 and 2018 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, 2019 and 2018, 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, 2019 AND 2018

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, 2019 and 2018, \$3,461 and \$0 of asset management fees were paid, respectively, and the balance of asset management fees payable was \$25,493 and \$25,493, 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, 2019 and 2018, no partnership management fees were paid and the balance of partnership management fees payable was \$81,970 and \$73,369, 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, 2019 AND 2018

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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Financial Statement Net Income (Loss)	\$ (104,183)	\$ (111,847)
Adjustments:		
Excess of depreciation and amortization for financial reporting purposes over income tax purposes	30,937	42,297
Taxable Income (Loss) as Shown on Tax Return	\$ (73,246)	\$ (69,550)

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, 2019 and 2018 were \$10,879 and \$10,743, 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, 2019 AND 2018

NOTE M – ADVERTISING

The Partnership incurred advertising costs of \$305 and \$35 during 2019 and 2018, respectively. These costs are expensed as incurred.

SUPPLEMENTAL INFORMATION

BAYOU PLACE DEVELOPMENT II, L.P.  
SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>MAINTENANCE AND REPAIRS</b>		
Maintenance Salaries	14,875	14,467
Maintenance Supplies	6,851	4,764
General Maintenance and Repairs	15,512	15,092
Grounds Maintenance	17,660	18,394
Pest Control	5,231	4,795
Total Maintenance and Repairs	<u>\$ 60,129</u>	<u>\$ 57,512</u>
<b>UTILITIES</b>		
Electricity	2,187	2,532
Water and Sewer	253	227
Total Utilities	<u>\$ 2,440</u>	<u>\$ 2,759</u>
<b>ADMINISTRATIVE</b>		
Advertising	305	35
Office Supplies	3,182	3,270
Supportive Services	-	86
Bad Debt Expense	-	1,120
Accounting and Auditing	6,500	6,562
Legal	1,388	38
Administrative Salaries	15,737	15,708
Miscellaneous	4,435	1,258
Telephone	747	997
Total Administrative	<u>\$ 32,294</u>	<u>\$ 29,074</u>
<b>MANAGEMENT FEES</b>		
Management Fee	10,879	10,743
Total Management Fees	<u>\$ 10,879</u>	<u>\$ 10,743</u>

BAYOU PLACE DEVELOPMENT II, L.P.  
SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>TAXES</b>		
Payroll Taxes & Workers Comp	3,107	2,924
Total Taxes	<u>\$ 3,107</u>	<u>\$ 2,924</u>
 <b>INSURANCE</b>		
Property Insurance	22,498	23,399
Workers Comp	892	737
Health Other Emp Benefits	321	-
Total Insurance	<u>\$ 23,711</u>	<u>\$ 24,136</u>
 <b>INTEREST</b>		
Interest	21,278	21,694
Interest - Loan Fees	1,071	1,092
Total Interest	<u>\$ 22,349</u>	<u>\$ 22,786</u>
 <b>DEPRECIATION AND AMORTIZATION</b>		
Depreciation	115,620	126,981
Amortization	2,927	2,927
Total Depreciation and Amortization	<u>\$ 118,547</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, 2019

Agency Head Name: Patricia Reedom, Executive Director of the Housing Authority of the  
City of New Iberia for the year ended December 31, 2019.

<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