

Madison Pointe, LLC

Annual Financial Report

For the Years Ended December 31, 2016 & 2015

Madison Pointe, LLC

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Members of
Madison Pointe, LLC
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Madison Pointe, LLC, which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of income and retained earnings, 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 audit. We conducted our audit 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. 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 auditor's 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.

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Pointe, LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of operating expenses on page 15 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 dated November 17, 2018, on our consideration of Madison Pointe, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Madison Pointe, LLC's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana
November 17, 2018



Basic Financial Statements

MADISON POINTE, LLC

Balance Sheet
For The Years Ended
December 31,

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 123,209	\$ 85,681
Accounts receivable, net	547	14,956
Utility deposits	-	525,327
Prepaid expenses	<u>3,365</u>	<u>3,365</u>
Total Current Assets	127,121	629,329
Property, Plant and Equipment, net	<u>5,521,954</u>	<u>5,700,585</u>
Total Assets	<u><u>5,649,075</u></u>	<u><u>6,329,914</u></u>
LIABILITIES AND MEMBERS EQUITY		
Current Liabilities:		
Accounts payable	8,545	6,777
Accrued payable	4,241	3,951
Notes payable	<u>10,604</u>	<u>9,932</u>
Total Current Liabilities	23,390	20,660
Non-current Liabilities		
Security deposits payable	12,050	11,050
Notes payable	<u>4,677,588</u>	<u>5,075,988</u>
Total Non-current Liabilities	4,689,638	5,087,038
Total Liabilities	<u>4,713,028</u>	<u>5,107,698</u>
Members' Equity		
Retained earnings	<u>936,047</u>	<u>1,222,216</u>
Total Members' Equity	<u>936,047</u>	<u>1,222,216</u>
Total Liabilites and Members' Equity	<u><u>\$ 5,649,075</u></u>	<u><u>\$ 6,329,914</u></u>

The accompanying notes are an integral part of these statements

MADISON POINTE, LLC

**Statement of Income and Retained Earnings
For The Years Ended December 31,**

	2016	2015
Revenues		
Rental income	\$ 188,588	\$ 189,937
Tenant assistance payments	76,561	67,402
Forfeited deposits, late fees, other fees	5,257	7,754
Total Revenues	270,406	265,093
 Operating Expenses		
General and administrative	108,191	88,626
Insurance	25,069	24,266
Maintenance and repairs	35,499	50,139
Utilities	5,793	6,341
Other operating expense	51,042	24,695
Taxes	25,435	33,747
Total Operating Expenses	251,029	227,814
 Net Income (Loss) from Operations	19,377	37,279
 Other Income (Expenses)		
Forgiveness of debt	398,400	398,400
Amortization	(6,238)	(6,238)
Depreciation	(212,841)	(208,931)
Total Other Income (Expenses)	179,321	183,231
 Net Income	198,698	220,510
 Beginning Retained Earnings, Restated	737,349	1,001,706
 Ending Retaining Earnings	\$ 936,047	\$ 1,222,216

The accompanying notes are an integral part of these statements

MADISON POINTE, LLC

Statement of Cashflows
For the Year Ended December 31,

	<u>2016</u>
Cash Flows from Operating Activities	
Net Income (Loss)	\$ 198,698
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	219,079
Increase (decrease) in receivables	14,409
Increase (decrease) in account payable	1,768
Increase (decrease) in accrued interest	290
Increase (decrease) in security deposit	1,000
Increase (decrease) other accrued liabilities	<u>672</u>
Net Cash Provided by Operating Activities	<u>435,916</u>
Cash Flow from Investing Activities:	
Purchase of property and equipment	(40,448)
Reductions in deposits	<u>525,327</u>
Net cash (used) provided by investing activities	484,879
Cash Flow from Financing Activities:	
Adjustment to equity	(484,867)
Decrease in notes payable	<u>(398,400)</u>
Net Cash Provided by Financing Activities	(883,267)
Net Increase (Decrease) in Cash & Cash Equivalents	37,528
Cash and Cash Equivalents at the Beginning of the period	<u>85,681</u>
Cash and Cash Equivalents at End of period	<u>\$ 123,209</u>

Supplemental Data

1. Interest paid during the years ended December 31, 2016 and 2015 was \$56,518 and \$46,556 respectively.

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

Nature of Organization and Operations:

Madison Pointe, LLC (the "Company"), was organized in 2009 to develop, construct, own, maintain, and operate a 40-unit rental housing apartment complex for persons of low and moderate income. The apartment complex is located in Tallulah, Louisiana. The major activities and operations of the company are governed by the Operating Agreement (the "Operating 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.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents:

Cash and cash equivalents include all restricted monies in banks and highly liquid investments with original maturities of three months or less.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Tenants' Security:

Tenants' security deposits are to be held in a separate, non-interest-bearing bank account in the name of the apartment complex. At December 31, 2016, this account is funded in the amount of the security deposit liability. The security deposits held in escrow may be refundable upon the expiration or termination of the tenants' lease provided the terms of the lease have not been violated.

Advertising & Marketing:

Advertising & Marketing costs are charged to operations when the advertising and marketing first takes place. No direct-response advertising & marketing is used by the Company.

Financial Instruments:

The Company's financial instruments (primarily cash, receivables, borrowings and payables) are carried in the accompanying balance sheet at amounts which reasonably approximate fair value.

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Rental Income and Accounts Receivable:

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

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

Tenant receivables are reported net of an allowance for doubtful accounts in the amount of \$547. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Income Taxes:

Madison Pointe, LLC is a Partnership, therefore, it is not a taxable entity for federal income tax purposes. No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Members individually. The time limit for taxing authorities to examine the Company's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit.

Accelerated depreciation is used for tax reporting and straight-line depreciation is used for financial statement reporting. For the year ended December 31, 2016, the Company has no material uncertain tax positions to be accounted for in the financial statements under these new guidelines. Further, no interest or penalties have been accrued or charged to expense at year end.

Depreciation:

Land, buildings, improvements, and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method for financial reporting purposes and the accelerated method for tax purposes. 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 income and retained earnings. Depreciation is computed over the estimated useful lives of the related assets as follows:

Buildings	40 years
Site Improvements	20 years
Furniture, Fixtures and Equipment	10 years

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Amortization:

Permanent loan fees are amortized over the term of the mortgage loan using the straight-line method. There was accumulated amortization of \$29,743 as of December 31, 2016.

FASB ASC 360, Property, Plant, and Equipment:

FASB ASC 360, *Property, Plant and Equipment* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Applications of the impairment provisions of FASB ASC 360, *Property, Plant, and Equipment* had not materially affected the Company's reported earnings, financial condition or cash flows.

Note 2 – Deposits with Financial Institutions

The Company has an account at Cross Keys Bank. The interest-bearing account, in the aggregate, is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2016, there were no uninsured deposits.

Note 3 - Cash and Cash Equivalents

Madison Pointe, LLC had the following cash balances for 2016 and 2015 of \$123,209 and \$85,681 respectively. The following schedule is a breakdown of cash accounts as of December 31, 2016:

Petty Cash	\$	125
Operating Cash		58,425
Tenant Security Deposits		12,576
Replacement Reserve		49,050
Operating Reserve		768
Cash - Tax & Insurance Escrow		<u>2,265</u>
Total	\$	<u>123,209</u>

Note 4 Restricted Reserves

Operating Reserve

In accordance with the 1602 Regulatory Agreement Financing Certification, the Operating Reserve Account shall be established in the initial amount of \$75,000. To the extent funds are available, a balance at least equal to \$75,000 shall be maintained in the Operating Reserve Account during the compliance period. At December 31, 2016 this account was funded in the amount of \$768.

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 4 Restricted Reserves (Continued)

Replacement Reserve

In accordance with the 1602 Replacement Reserve Agreement, the Company shall establish the Replacement Reserve in the initial amount of \$20,000 upon the execution and delivery of the 1602 investment documents (December 2011). The Company also is required to fund the Replacement Reserve Account monthly in the amount of \$1,000 commencing on the date the first scheduled monthly payment is due and continuing on the same day of each successive month until the end of the Review Period which is 60 months after the first scheduled monthly payment date. As of December 31, 2016, and 2015, the account had a balance of \$49,050 and \$49,060 respectively. For the year ended December 31, 2016, no money was required to be funded to the Replacement Reserve account. The actual amount funded during 2015 was \$4,000, which resulted in the account being adequately funded.

Replacement Reserve

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 49,060	\$ 50,665
Deposits	-	4,000
Interest	55	102
Withdrawals	<u>(65)</u>	<u>(5,707)</u>
Ending Balance	<u>\$ 49,050</u>	<u>\$ 49,060</u>

Note 5 – Retained Earnings Restatement

During the year, Management became aware of incorrect recording of an asset. The correction resulted in a restatement in beginning retained earnings of \$484,867. The following schedule summarizes the adjustments to beginning retained earnings for the year ended December 31, 2016.

	<u>Changes in Retained Earnings</u>
Beginning Retained Earnings, Unadjusted	\$ 1,222,216
Remove utility deposit	(525,327)
Corrected value for furnitures & fixtures	<u>40,460</u>
Beginning Retained Earnings, as Restated	<u>\$ 737,349</u>

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 6 – Property and Equipment

The following schedule summarizes estimated useful life, cost and accumulated depreciation of property and equipment as of December 31, 2016.

Depreciation and Amortization expense for the year ended December 31, 2016 is \$219,080.

	2015	Additions	Deductions	2016
Land	\$ 145,428	\$ -	\$ -	\$ 145,428
Buildings	5,312,018	-	-	5,312,018
Furniture & Equipment	498,214	41,299	-	539,513
Site Improvements	526,177	-	850	525,327
Perm Loan Fees	93,576	-	-	93,576
Total Cost	6,575,413			6,615,862
Less Accumulated Depreciation	(851,274)	(212,841)	-	(1,064,115)
Less Accumulated Amortization	(23,554)	(6,239)	-	(29,793)
Total, net	\$ 5,700,585	\$ (219,080)	\$ -	\$ 5,521,954

Note 7– Accounts Payable

Accounts payable include amounts due to vendors at December 31, 2016. All amounts in accounts payable are expected to be paid within 180 days.

Note 8 – Notes Payable

Permanent Loan

On June 21, 2013, the Company entered into a permanent loan agreement with Cross Keys Bank in the amount of \$725,000. The loan is collateralized by a mortgage on real property and a security agreement. Simple interest is assessed on the unpaid principle balance of the loan at a rate of 6.57% per annum. The Company will make 179 regular payments in the amount of \$4,654.81 and one irregular payment for the remaining balance of the loan on the maturity date, June 15, 2028. As of December 31, 2016, and 2015, the outstanding principle balance of the loan is \$693,569 and \$704,193 respectively.

Note Payable LHC – 1602 Funds

On February 23, 2011, the Company entered into a loan agreement in the amount of \$5,976,000 with LHC, formerly the Louisiana Housing Finance Agency. In order to obtain this financing,

the Company entered into a 1602 Sub Award Investment Agreement (“Agreement”) with LHC. In accordance with the Agreement, LHC provided cash assistance to the Company by providing 1602 Investment Funds to the Company in the form of a loan, as evidenced by the 1602 Sub Award

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 8 – Notes Payable (Continued)

Promissory Note (“1602 Note”). The 1602 Note is noninterest bearing and requires no repayment unless a recapture event occurs. The 1602 Note shall mature on the earliest to occur of (i) Recapture Event; (ii) acceleration following an event of default under the permanent loan documents that is not cured within any applicable grace or cure period; or (iii) December 31, 2026, the last day of the compliance period for the Project. At the end of each year during the Compliance Period and so long as no Recapture Event has occurred, the principal amount of \$725,000 the 1602 Note shall be reduced by an amount equal to the principal balance of the 1602 Note as of the first day of the Compliance Period times a fraction in which the numerator is one (1) and the denominator is fifteen (15). The note is collateralized by the 1602 Act of Mortgage. As of December 31, 2016, and 2015, the principal balance of the loan totaled \$3,983,999 and \$4,780,799 respectively. As of December 31, 2016, the forgiveness of debt was \$398,400. The aggregate maturities of long-term debt for the next five years cannot be reasonably estimated since certain of the Company’s long-term debt is expected to be forgiven.

Maturities of Long-Term Debt

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

Year Ending December 31,	Amount
2017	\$ 10,604
2018	11,323
2019	12,089
2020	12,908
2021	13,782
Thereafter	<u>4,627,486</u>
	<u>\$ 4,668,192</u>

Note 9 – Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in

markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 9 – Fair Value of Financial Instruments (continued)

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specified data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The Company's financial instruments (primarily cash, receivables, borrowings and payables) are carried in the accompanying balance sheet at amounts which reasonably approximate fair value. The estimated fair value amounts have been determined by the Company on a recurring basis using available market information and appropriate valuation methodologies. Considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The recorded values of cash and cash

equivalents, receivables, and accrued expenses approximate their fair values based on their short-term nature. The Company recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered Level 1 measurements as of December 31, 2016.

Note 10– Members' Equity

The Company has two Members (Madison Pointe GP, LLC and Bridgewater Holdings, LLC). The Company records capital contributions as received. For the years ended December 31, 2016, no capital contributions were made by the Members.

Note 11 – Transactions with Affiliates and Related Parties

Management Agent Compensation

On January 14, 2011, the Company entered into a Development Services Agreement with Gemini Real Estate Holdings, Inc., (an affiliate of the General Partner). Management fees are charged at an amount equal to 8.5% of gross collected revenue during the previous month. As of December 31, 2016 and 2015, management fees of \$24,805 and \$24,695 respectively were paid to Gemini Real Estate Holdings, Inc.

Management Fee

Per the 1602 Asset Management Agreement, entered into February 1, 2011, the Company is to compensate the Louisiana Housing corporation (LHC) (the Asset Manager) an asset management fee. The Company agrees to pay Foley & Judell, LLP on behalf of the Asset Manager so long as

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 11 – Transactions with Affiliates and Related Parties (Continued)

the 1602 loan documents are in effect (i) an initial asset management fee to Foley & Judell, LLP of \$25,500 at closing and (ii) an annual asset management fee commencing with the execution of this 1602 Asset Management Agreement in the amount of \$5,000 to Foley & Judell, LLP. The annual fee shall be due and payable to the Asset Manager commencing at the end of the first year of the project's compliance period (December 2011). The annual fee shall be due and payable to the Asset Manager on each January 1 and shall be adjusted each year by the consumer price index. For the years ended December 31, 2016 and 2015, the Company incurred \$9,000 and \$5,320 respectively in asset management fees. As of December 31, 2016, the Company owed \$0 in asset management fees payable.

Note 12 – Operating Deficit Guaranty

The Company has entered into the Loan Agreement with OCD whereby OCD will provide to the Company a forgivable/assignable Loan (the "Loan") for the development of the Project. In order to secure the Loan and the Company's obligations to OCD under the Loan documents, the Members, Evangeline Estates GP, L.L.C., Enterprise VPPHA Corporation, Gemini Real Estate Holdings, Inc. and Archie L. Jones (collectively, the "Guarantors") will enter into an Operating Deficit Guaranty whereby the Guarantors will agree to fund the Project's Operating

Deficits (as defined in the Loan Agreement) as required under the Loan Agreement. The Operating Guaranty Agreement will terminate upon the first to occur of (a) the Project has generated positive Surplus Cash (as defined in the Loan Agreement) for two (2) consecutive project fiscal years and (b) the Project completes its five-year affordability period. The Members acknowledge that the Guarantors are solidarity obligated to fund Operating Deficits under the Operating Deficit Guaranty in favor of OCD. The Members shall put forth their best effort to ensure that any existing operating reserves are used to pay Operating Deficits prior to any payments by Guarantors under the Operating Deficit Guaranty. As provided in the Loan Agreement, any such payments of Operating Deficits by Guarantors shall be repayable from the Company to Guarantors only from annual positive Surplus Cash.

Note 13 – Property Taxes

The Company incurred property taxes of \$21,455 and \$29,658 for the year ended December 31, 2016 and 2015 respectively.

MADISON POINTE, LLC

Notes to the Financial Statements For the Year Ended December 31, 2016 and 2015

Note 14 – Taxable Income (Loss)

A reconciliation of financial statement net income (loss) to taxable income (loss) of the Company for the year ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Financial statement net income (loss)	\$ 198,699	\$ 221,260
Adjustments:		
Excess of depreciation and amortization for Income tax purposes over financial reporting purposes	(75,853)	(90,019)
Other Book/Tax Timing Differences	<u>(349,273)</u>	<u>(390,315)</u>
Taxable income (loss) as shown on tax return	<u>\$ (226,427)</u>	<u>\$ (259,074)</u>

Note 15 – Current Vulnerability Due to Certain Concentrations

The Company's largest asset is the housing project. The Company's operations are concentrated in the multifamily low-income real estate market in the Tallulah, Louisiana area. At this time, there is no concern of a concentration of risk of revenue loss from a group of tenants or any one tenant. However, it is always considered reasonable possible that any customer, grantor, or contributor will be lost in the near term.

The Company must also comply with the Affordability Requirement under the State of Louisiana, Division of Administration, Office of Community Development (OCD) – CDBG program. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. 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 16 - Subsequent Events

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Company has evaluated subsequent events and the reason for selecting that date. The Company has evaluated subsequent events through November 17, 2018 which is the date the financial statements were available for issue.

Supplementary Information

MADISON POINTE, LLC

Schedule of Operating Expenses
For The Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Administrative Expenses		
Manager- Superintendent salary	\$ 17,738	\$ 17,714
Accounting and auditing	12,036	1,100
Telephone	5,821	5,254
Office expense	2,000	2,520
Travel expense	612	1,038
Legal expense	500	700
Bank service charges	676	1,059
Capital items	2,890	7,165
Interest crosskey	56,518	46,556
Tax credit compliance fee	400	200
Asset management fees	<u>9,000</u>	<u>5,320</u>
Total Administrative Expense	108,191	88,626
Maintenance and Repairs		
Supplies	2,358	266
Repairs	21,041	33,083
Grounds	<u>12,100</u>	<u>16,790</u>
Total Maintenance and Repairs Expense	35,499	50,139
Utilities		
Electricity - buildings	4,003	3,766
Electricity - vacancies	450	1,019
Water	945	912
Sewer	<u>395</u>	<u>644</u>
Total Utilities Expense	5,793	6,341
Other Operating Expense		
Management fee	24,805	24,695
Operating expense	<u>26,237</u>	<u>-</u>
Total Other Operating Expense	51,042	24,695
Taxes		
Real estate taxes	21,455	29,658
Payroll tax expense	<u>3,980</u>	<u>4,089</u>
Total Taxes	25,435	33,747
Insurance		
Property and liability insurance	20,438	20,333
Workman's compensation	2,401	2,042
Health insurance and other	<u>2,230</u>	<u>1,891</u>
Total Insurance Expense	25,069	24,266
Total Operating Expenses	<u>\$ 251,029</u>	<u>\$ 227,814</u>

See Independent Auditors' Report

Summary of Findings and Responses

Madison Pointe, LLC

Schedule of Findings and Responses
For the Year Ended December 31, 2016

I. Summary of Auditors' Report

a. Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Madison Pointe, LLC.
2. No control deficiencies were disclosed during the audit of the financial statements or reported in the *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*.
3. There was one (1) instance of noncompliance that is reported in the *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*.

b. Federal Awards

N/A

c. Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2016.

MADISON POINTE, LLC

Schedule of Findings and Responses
For the Year Ended December 31, 2016

II. Findings – Financial Statement Audit

2016-001 – Late Report Filing

Condition:

The report was not submitted to the Louisiana Legislative Auditor’s office on a timely basis.

Criteria:

LSA – R.S.24.513 states that “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee’s fiscal year.”

Cause:

The cause appears to be the late engagement of auditor due to the disengagement of the Company’s previous auditor.

Effect:

The Company was not in compliance with the State Law governing the completion and submission of audit reports.

Recommendation:

Management must implement procedures to ensure that they are in compliance with the reporting requirements of the state.

Response:

Management will take proactive steps to begin the audit process earlier in the fiscal period in order to give the auditor more time to complete the engagement.

Madison Pointe, LLC

Schedule of Findings and Responses
For the Year Ended December 31, 2016

III. Summary of Prior Year Findings

2015-001 – Late Report Filing

Condition:

The report was not submitted to the Louisiana Legislative Auditor’s office on a timely basis.

Criteria:

LSA – R.S.24.513 states that “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee’s fiscal year.”

Cause:

The cause appears to be the late engagement of auditor due to the disengagement of the Company’s previous auditor.

Effect:

The Company was not in compliance with the State Law governing the completion and submission of audit reports.

Recommendation:

Management must implement procedures to ensure that they are in compliance with the reporting requirements of the state.

Current Status:

Unresolved; See 2016-001

Internal Control, Compliance and Other Matters



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

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 Members of
Madison Pointe, LLC
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Madison Pointe, LLC which comprise the balance sheet as of December 31, 2016, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November , 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Pointe, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison Pointe, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison Pointe, LLC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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.

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Pointe, LLC'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

Madison Pointe, LLC's Response to Findings

Madison Pointe, LLC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Madison Pointe, LLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. Walker & Company, APC

Lake Charles, Louisiana

November 17, 2018

