

VILLA GARDENS LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

VILLA GARDENS LIMITED PARTNERSHIP

TABLE OF CONTENTS

DECEMBER 31, 2019 AND 2018

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS	
BALANCE SHEETS	4-5
STATEMENTS OF OPERATIONS	6
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)	7
STATEMENTS OF CASH FLOWS	8-9
NOTES TO FINANCIAL STATEMENTS	10-18
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENSES	19
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES – AMEC MODEL PROFORMA TO ACTUAL COMPARISONS	20-21
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS – LHC – TAX CREDIT ASSISTANCE PROGRAM	22
TCAP COMPUTATION OF SURPLUS CASH	23
OTHER AUDITORS' REPORTS:	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	26



INDEPENDENT AUDITORS' REPORT

To the Partners and Management
of Villa Gardens Limited Partnership
Lafayette, Louisiana

We have audited the accompanying financial statements of Villa Gardens Limited Partnership (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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors consider 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 Villa Gardens Limited Partnership as of December 31, 2019 and 2018, and the results of its operations, changes in partners' equity (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses, the Schedule of Operating Income and Expense Variances – AMEC Model to Actual Comparisons, the Computation of Surplus Cash, Distributions, and Residual Receipts – LHC – Tax Credit Assistance Program, the TCAP Computation of Surplus Cash, and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of Villa Gardens Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Villa Gardens Limited Partnership's internal control over financial reporting and compliance.

Little & Associates, LLC

Monroe, LA

March 17, 2020

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31,

ASSETS

	2019	2018
CURRENT ASSETS		
Cash-Operating	\$ 73,223	\$ 89,147
Accounts Receivable - Tenants (Net)	7,892	5,330
Accounts Receivable - Agency Subsidy	-	688
Accounts Receivable - Other	520	-
Prepaid Expenses	11,555	11,405
Total Current Assets	93,190	106,570
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Operating Reserve	179,151	178,614
Replacement Reserve	68,336	110,599
Tax and Insurance Escrow	37,766	42,002
Tenants' Security Deposits	33,985	33,145
Total Restricted Deposits and Funded Reserves	319,238	364,360
PROPERTY AND EQUIPMENT		
Buildings	5,977,936	5,977,936
Furniture and Equipment	557,374	557,374
Site Improvements	1,346,514	1,346,514
Total	7,881,824	7,881,824
Less: Accumulated Depreciation	(2,384,395)	(2,111,883)
Net Depreciable Assets	5,497,429	5,769,941
Land	415,324	415,324
Total Property and Equipment	5,912,753	6,185,265
OTHER ASSETS		
Tax Credit Fees	42,250	42,250
Less: Accumulated Amortization	(37,321)	(33,096)
Utility Deposits	900	900
Total Other Assets	5,829	10,054
Total Assets	\$ 6,331,010	\$ 6,666,249

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

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 9,602	\$ 9,880
Deferred Revenue	938	2,860
Asset Management Fee Payable	-	7,380
Asset Management Fee Payable - LHC	-	5,455
Accrued Interest Payable - Capital One	8,864	9,016
Current Portion of Long-Term Debt	<u>26,667</u>	<u>24,786</u>
Total Current Liabilities	<u>46,071</u>	<u>59,377</u>
 DEPOSITS		
Tenants' Security Deposits	<u>33,985</u>	<u>35,990</u>
Total Deposits	<u>33,985</u>	<u>35,990</u>
 LONG-TERM LIABILITIES		
Note Payable - Capital One, Net of Unamortized Debt Issuance Costs	1,351,847	1,368,766
Note Payable - LPTFA	457,614	457,614
Note Payable - LHC TCAP	833,528	833,528
Accrued Interest Payable - LHC TCAP	250,472	216,667
Accrued Partnership Management Fees Payable	<u>65,823</u>	<u>54,278</u>
Total Long-Term Liabilities	<u>2,959,284</u>	<u>2,930,853</u>
 Total Liabilities	<u>3,039,340</u>	<u>3,026,220</u>
 PARTNERS' EQUITY		
Partners' Equity	<u>3,291,670</u>	<u>3,640,029</u>
Total Partners' Equity	<u>3,291,670</u>	<u>3,640,029</u>
 Total Liabilities and Partners' Equity	<u>\$ 6,331,010</u>	<u>\$ 6,666,249</u>

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

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
REVENUE		
Rents	\$ 443,475	\$ 440,811
Vacancies	(11,839)	(10,079)
Concessions	(5,739)	(612)
Bad Debts	(7,799)	(6,045)
Late Fees, Deposits Forfeitures, etc.	11,426	13,102
Other Income	-	1
Total Revenue	429,524	437,178
EXPENSES		
Maintenance and Repairs	160,159	149,995
Utilities	7,210	5,845
Administrative	56,785	51,254
Management Fees	25,298	26,609
Taxes	21,557	16,485
Insurance	47,685	42,068
Interest	150,767	152,526
Depreciation and Amortization	276,738	276,738
Total Expenses	746,199	721,520
Net Income (Loss) from Operations	(316,675)	(284,342)
OTHER INCOME (EXPENSE)		
Interest Income	854	844
Casualty Gain (Loss)	(13,393)	-
Asset Management Fees	(7,600)	(7,380)
Partnership Management Fees	(11,545)	(11,209)
Total Other Income (Expense)	(31,684)	(17,745)
Net Income (Loss)	\$ (348,359)	\$ (302,087)

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

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Total</u>	<u>General Partner Lafayette Housing Authority</u>	<u>Special Limited Partner Hudson SLP, LLC</u>	<u>Investment Partner Hudson Villa Gardens, LP</u>
Partners' Equity (Deficit), December 31, 2017	\$ 3,942,116	\$ (200)	\$ (50,200)	\$ 3,992,516
Net Loss	<u>(302,087)</u>	<u>(30)</u>	<u>(30)</u>	<u>(302,027)</u>
Partners' Equity (Deficit), December 31, 2018	3,640,029	(230)	(50,230)	3,690,489
Net Loss	<u>(348,359)</u>	<u>(35)</u>	<u>(35)</u>	<u>(348,289)</u>
Partners' Equity (Deficit), December 31, 2019	<u>\$ 3,291,670</u>	<u>\$ (265)</u>	<u>\$ (50,265)</u>	<u>\$ 3,342,200</u>
Profit and Loss Percentages	<u>100.00%</u>	<u>0.01%</u>	<u>0.01%</u>	<u>99.98%</u>

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

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (348,359)	\$ (302,087)
Adjustments to Reconcile Net Income (Loss) to Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	286,485	286,485
(Increase)Decrease in Accounts Receivable - Tenants (Net)	(2,562)	2,453
(Increase)Decrease in Accounts Receivable - Agency Subsidy	688	(688)
(Increase)Decrease in Accounts Receivable - Other	(520)	-
(Increase)Decrease in Prepaid Expenses	(150)	(2,095)
Increase(Decrease) in Accounts Payable	(278)	1,758
Increase(Decrease) in Deferred Revenue	(1,922)	2,604
Increase(Decrease) in Asset Management Fee Payable	(7,380)	7,380
Increase(Decrease) in Asset Management Fee Payable - LHC	(5,455)	5,455
Increase(Decrease) in Partnership Management Fee Payable	11,545	11,209
Increase(Decrease) in Accrued Interest Payable	33,653	11,792
Increase(Decrease) in Security Deposit Liability	(2,005)	(420)
Total Adjustments	312,099	325,933
Net Cash Provided by (Used in) Operating Activities	(36,260)	23,846
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on Long-Term Debt	(24,786)	(23,036)
Net Cash Provided by (Used in) Financing Activities	(24,786)	(23,036)
Net Increase (Decrease) in Cash and Cash Equivalents	(61,046)	810
Cash and Cash Equivalents at Beginning of Year	453,507	452,697
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 392,461	\$ 453,507

Supplemental Disclosures of Cash Flow Information:

Cash and Cash Equivalents		
Cash-Operating	\$ 73,223	\$ 89,147
Operating Reserve	179,151	178,614
Replacement Reserve	68,336	110,599
Tax and Insurance Escrow	37,766	42,002
Tenants' Security Deposits	33,985	33,145
Total Cash and Equivalents	\$ 392,461	\$ 453,507

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

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>
<u>Supplemental Disclosures of Cash Flow Information (Continued):</u>		
Cash Paid During the Year for:		
Interest	<u>\$ 107,367</u>	<u>\$ 130,987</u>

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

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A – REPORTING ENTITY AND OPERATIONS

Villa Gardens, Limited Partnership, (the Partnership) was formed as a limited partnership under the laws of the State of Louisiana on November 5, 2009, for the purpose to acquire, construct, own, finance, lease, and operate a qualified low income housing project (the Property) within the meaning of Section 42 of the Internal Revenue Code.

The Property consists of a 43 unit, single-family home rental complex, located in Lafayette, Louisiana and was placed in service on March 23, 2011. The Property is eligible for Low-Income Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code (low-income housing tax credit) which regulates the use of the Property with respect to occupant eligibility and unit rent levels, among other requirements.

The major activities and operations of the Partnership are governed by the Amended and Restated Articles of Partnership (the Partnership Agreement) and are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, LHC (formerly the Louisiana Housing Finance Agency). Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

NOTE B – PARTNERSHIP AND PARTNERS

Pursuant to the Partnership Agreement, the Partnership is comprised of three partners (collectively, the Partners). The Partnership's general partner, Lafayette Housing Authority (the General Partner); a limited partner, Hudson Villa Gardens LP (the Limited Partner); and, a special limited partner, Hudson SLP LLC (the Special Limited Partner).

The Housing Authority of the City of Lafayette, Louisiana (the Housing Authority) is obligated to guarantee the obligations of the General Partner, pursuant to an Unconditional Guaranty executed by the Housing Authority.

On September 21, 2011, the Special Limited Partner assigned its interest in the Partnership to Hudson VG SLP LLC, which now acts as the Partnership's Special Limited Partner.

As the result of certain circumstances precluding the General Partner from meeting its obligations under the Partnership Agreement, on September 26, 2011, the Special Limited Partner exercised certain of its rights under the Partnership Agreement to cause the authority of the General Partner to be restricted and to require that the Special Limited Partner provide consent to any and all actions of the General Partner.

On January 16, 2012, the Construction Loan matured. Following this maturity, the Construction Loan became subject to remedies of the Construction/Permanent Lender, which remedies include acceleration of the Construction Loan, termination of the permanent loan commitment and/or initiation of foreclosure proceedings.

As the result of non-performance by the General Partner under the provisions of the Partnership Agreement and as the result of the technical default of the Partnership under the Construction Loan, the Special limited Partner issued a Notice of Default to the General Partner on February 3, 2012. This Notice of Default allowed for a 30-day cure period as prescribed by the Partnership Agreement.

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B – PARTNERSHIP AND PARTNERS (CONTINUED)

The General Partner failed to respond to the Notice, and failed to cure the cited defaults within the prescribed cure period.

On March 7, 2012, the Special Limited Partner took action to remove Villa Gardens Housing Corporation as the general partner of the Partnership.

Concurrent with the removal of Villa Gardens Housing Corporation as the general partner of the Partnership, the general partner interest was assigned to the Lafayette Housing Authority. Effective as of March 7, 2012, the Lafayette Housing Authority assumed responsibility as the General Partner of the Partnership.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Cash and Cash Equivalents

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

Cash and Other Deposits

The Partnership has various checking, escrow, and other deposits at various financial institutions. Noninterest-bearing and interest-bearing accounts, in the aggregate, are insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2019, there were uninsured deposits of \$126,279.

Collateralization Policy for Financial Instruments

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

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires significant changes to the financial reporting model. The change includes presenting restricted cash or restricted cash equivalents (Restricted Deposits and Funded Reserves on the Balance Sheet) with cash and cash equivalents. The new standard is effective for the Partnership's year ended December 31, 2019 and thereafter and must be applied on a retrospective basis. The Partnership adopted the ASU effective January 1, 2019. Adoption of the ASU did not result in any reclassifications or restatements to partners' equity or net income (loss).

Capitalization and Depreciation

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

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

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations.

Amortization

Organization costs are expensed as incurred. Tax credit costs are amortized over the ten year tax credit 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.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the apartment complex. At December 31, 2019, the tenants' security deposit was funded in an amount equal to the security deposit liability.

Rental Income and Deferred Rents

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

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Income and Deferred Rents (Continued)

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

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

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually. The time limit for taxing authorities to examine the Partnership's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit. The Partnership files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The Partnership is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 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. Application of the impairment provisions of FASB ASC 360, *Property, Plant, and Equipment* has not materially affected the Partnership's reported earnings, financial condition or cash flows.

NOTE D – NOTE PAYABLE

Permanent Loan – Capital One

On March 7, 2012, the Partnership entered into a permanent loan agreement to receive funds up to the amount of \$1,600,000 from Capital One, National Association. This permanent loan (the Permanent Loan) is payable in monthly installments of principal and interest in the amount of \$11,013 until its maturity in fifteen years, March 7, 2027, at which time any remaining principal and interest is due and payable. The Permanent Loan bears interest at a fixed rate of 7.34% per annum and is collateralized primarily by the Partnership's land and improvements, thereon.

As of December 31, 2019 and 2018, the Permanent Loan had a balance of \$1,449,181 and \$1,473,967, with interest accrued of \$8,864 and \$9,016, respectively.

	2019	2018
Note Payable – Capital One	\$ 1,449,181	\$ 1,473,967
Less: Unamortized Debt Issuance Costs	(70,667)	(80,415)
Note Payable – Capital One, Net	\$ 1,378,514	\$ 1,393,552

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE D – NOTE PAYABLE (CONTINUED)

Note Payable – LPTFA

The Partnership entered into a permanent loan agreement with Lafayette Public Trust Financing Authority on July 16, 2010 (the LPTFA Loan). The maximum loan amount that can be drawn is \$463,250. The LPTFA Loan bears no interest and is payable solely from 75% of net cash flow of the Partnership commencing on January 2011. The LPTFA Loan matures on June 30, 2025. The LPTFA Loan is primarily collateralized by a mortgage on real property and a security agreement. As of December 31, 2019 and 2018, the total note payable was \$457,614 and \$457,614, respectively.

Note Payable – LHC TCAP

The LHC has committed loan proceeds of \$833,527 to the Partnership (the TCAP Loan), of which \$833,527 has been received by the Partnership. The TCAP Loan bears interest at a fixed rate of 4.00% per annum, which accrues on the outstanding principal balance and is payable in annual installments solely from 75% of surplus cash, due on the first day of April commencing April 1, 2012. The TCAP Loan will mature on August 1, 2045, which is the date all unpaid sums under the note are due and payable. The TCAP Loan also details that payments shall be made only out of and to the extent of the cash flow of the Partnership after payment of all operating expenses approved by the LHC. As a condition to obtaining this financing, the Partnership has entered into a regulatory agreement with LHC, whereby rentals are to be restricted to low-income tenants rents charged are to be restricted to a percentage of the tenant’s median income.

Should the LHC issue a written notice to the Partnership of an instance of noncompliance with the regulatory agreement, the Partnership shall have thirty days from the issuance of such notice to correct the noncompliance. Should the noncompliance not be corrected within the thirty days, the LHC has the right to declare the entire amount of mortgage immediately due and payable.

The balance at December 31, 2018 and 2018 was \$833,528 and \$833,528, with interest accrued of \$250,472 and \$216,667, respectively.

Maturities of Long-Term Debt

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

Year Ending December 31	Amount
2020	\$ 26,667
2021	\$ 28,692
2022	\$ 30,870
2023	\$ 33,214
2024	\$ 35,735
Thereafter	\$ 2,585,145

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE E – RELATED PARTY TRANSACTIONS

Asset Management Fee

The Partnership shall pay the Asset Management Fee annually to the Special Limited Partner for property management oversight, tax credit compliance monitoring, and related services. The Asset Management Fee is an annual fee in the amount of \$6,000, to be increased annually by three percent (3%) and accrues on a cumulative basis. For the years ended December 31, 2019 and 2018, Asset Management Fees incurred totaled \$7,600 and \$7,380, respectively. At December 31, 2019 and 2018, Asset Management Fees were owed in the amount of \$0 and \$7,380 to the Special Limited Partner, respectively.

Partnership Management Fees

The Partnership shall pay to the General Partner a cumulative Partnership Management Fee to be increased annually in the amount and priority specified in section 8.10 of the Partnership Agreement to compensate the General Partner for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports. The Partnership Management Fee shall equal \$10,000 per year, increasing annually by the CPI percentage. Any unpaid Partnership Management Fee in a given fiscal year shall accrue and be payable from net cash flow available in future years. For the years ended December 31, 2019 and 2018, Partnership Management Fees incurred totaled \$11,545 and \$11,209, respectively. At December 31, 2019 and 2018, Partnership Management Fees payable totaled \$65,823 and \$54,278, respectively.

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES

Operating Reserve

The General Partner shall establish an operating reserve account (the Operating Reserve) which is to be funded at the time of the funding of the Third Capital Contribution by the Limited Partner in the amount of \$175,000. The operating reserve account shall be maintained for the duration of the Compliance Period (after which, funds on deposit may be released and distributed as net cash flow in accordance with section 7.03 of the Partnership Agreement) and shall be used exclusively to pay for Operating Deficits incurred by the Partnership with the consent of the Special Limited Partner. Subsequent to the initial period, any amounts on deposit in the operating reserve account in excess of \$175,000 may be released to the General Partner. Should the balance in the operating reserve account fall below \$175,000, distributions shall be made from net cash flow to maintain a minimum balance of \$175,000.

As of December 31, 2019 and 2018, the Operating Reserve had a balance of \$179,151 and \$178,614, respectively.

Replacement Reserve

The General Partner shall establish a replacement reserve account (the Replacement Reserve), to be funded each month (on an annualized basis) the greater of (i) the amount required by the Construction/Permanent Lender and (ii) \$300 per unit annually, to be increased annually by 3%.

Monthly funding of the Replacement Reserve is to commence as of the month following substantial completion of the apartment complex, as defined in the Partnership Agreement. The Partnership shall utilize amounts in the Replacement Reserve to fund major repair, capital expenditures and replacement of capital

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES (CONTINUED)

Replacement Reserve (Continued)

items for the property, subject to consent of the Special Limited Partner. In the event that the reserve minimum payment to the Replacement Reserve required under the terms of the Partnership Agreement exceeds the amount required by the Construction/Permanent Lender, the Special Limited Partner shall establish a separate account called the SLP Replacement Reserve Account, into which the General Partner shall deposit any such excess. Interest earned on either account shall become part of that account.

In accordance with the TCAP Replacement Reserve Agreement, upon execution and delivery of the TCAP loan documents, the Partnership is required to establish a Replacement Reserve Fund. Commencing on the date the first scheduled monthly payment is due under the TCAP Reserve For Replacement Agreement after the conversion and continuing on the same day of each successive month until the end of the Review Period of 60 months after the first scheduled monthly payment date, the Partnership shall pay to LHC or the Permanent Lender of the TCAP Loan \$1,075 per month for deposit into the Replacement Reserve Fund, together with any regular monthly payments as required by the TCAP mortgage.

For the year ended December 31, 2019, \$16,341 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2019 was \$16,185, which resulted in the account being underfunded by \$156 for the year ended December 31, 2019. For the year ended December 31, 2018, \$15,865 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2018 was \$15,446, which resulted in the account being underfunded by \$419 for the year ended December 31, 2018. As of December 31, 2019, the account was underfunded by a total amount of \$3,631. As of December 31, 2019 and 2018, the Replacement Reserve had a balance of \$68,336 and \$110,599, respectively.

Replacement Reserve Account activity for the years ended December 31, 2019 and 2018 is as follows:

Replacement Reserve	
Beginning Balance 12/31/2017	\$ 94,579
Deposits	15,446
Interest	574
Withdrawals	(–)
Ending Balance 12/31/2018	110,599
Deposits	16,185
Interest	318
Withdrawals	(58,766)
Ending Balance 12/31/2019	\$ 68,336

NOTE G – PARTNERS AND CONTRIBUTIONS

Article V of the Partnership Agreement sets forth the capital contributions of the Partners. The General Partner’s, Lafayette Housing Authority, capital contribution is \$10. The Special Limited Partner’s, Hudson SLP LLC, capital contribution is \$10. The Limited Partner’s, Hudson Villa Gardens LP, capital contribution is \$5,999,400. Each of the Partners’ capital contributions are subject to adjustments in accordance with the terms of the Partnership Agreement.

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE G – PARTNERS AND CONTRIBUTIONS (CONTINUED)

The Partnership records capital contributions as received and distributions as paid. During the years ended December 31, 2019 and 2018, there were no capital contributions received. During the years ended December 31, 2019 and 2018, no distributions were paid to the Partners.

NOTE H – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All Partnership profits, losses, and tax credits are allocated among the Partners according to Section 7.02 of the Partnership Agreement, which dictates that .015 is allocated to the General Partner, .015 is allocated to the Special Limited Partner and the remaining 99.98% is allocated to the Limited Partner. Distributions of cash flow are governed by Sections 7.03 of the Partnership Agreement.

NOTE I – MANAGEMENT FEE

The Partnership pays a property management fee to Latter and Blum Property Management, Inc. equal to six percent (6.0%) of actual rent collections for the preceding month. For the years ended December 31, 2019 and 2018, Management Fees incurred and paid totaled \$25,298 and \$26,609, respectively. At December 31, 2019 and 2018, no Management Fees payable was owed.

NOTE J – ADVERTISING

During the years ended December 31, 2019 and 2018, advertising costs were incurred in the amount of \$0 and \$225, respectively. Advertising costs are expensed as incurred.

NOTE K – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income (loss) to taxable loss of the Partnership for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Financial statement net income (loss)	\$ (348,359)	\$ (302,087)
Adjustments:		
Excess of depreciation for income tax purposes over financial reporting purposes	137,007	137,004
Timing difference in income/expense Recognition	17,818	(94)
Taxable loss shown on tax return	\$ (193,534)	\$ (165,177)

NOTE L – PROPERTY TAXES

The Partnership is exempt from paying property taxes and therefore did not incur property taxes for the years ended December 31, 2019 and 2018.

VILLA GARDENS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE M – CASUALTY LOSS

During the year ended December 31, 2019, the apartment complex was damaged by a fire. The insurance company paid claims in the amount of \$13,782. The apartment complex incurred costs related to the fire in the amount of \$27,175. For the year ended December 31, 2019, there was a casualty loss of \$13,393 resulting from the damage as a result of the fire.

NOTE N – SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through March 17, 2020, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>
MAINTENANCE AND REPAIRS		
Salaries	\$ 47,040	\$ 32,157
Repairs Contract	31,960	15,854
Supplies	13,504	22,761
Painting & Decorating	4,016	2,535
Cleaning	875	13,554
Grounds	22,505	32,332
Garbage and Trash Removal	5,858	2,671
Services	21,163	25,957
Miscellaneous	13,238	2,174
Total Maintenance and Repairs	<u>\$ 160,159</u>	<u>\$ 149,995</u>
UTILITIES		
Electricity	\$ 5,772	\$ 5,419
Water and Sewer	1,438	426
Total Utilities	<u>\$ 7,210</u>	<u>\$ 5,845</u>
ADMINISTRATIVE		
Manager Salaries	\$ 21,199	\$ 20,912
Leasing Agent Salary	3,616	1,881
Advertising	-	225
Bank Charges	788	771
Office Expense	5,369	2,850
Telephone	2,473	2,496
Travel	1,450	1,217
Bookkeeping/Accounting	3,000	2,700
Legal and Professional Fees	10,683	11,359
Asset Management Fees - LHC	5,765	5,455
Other Administrative Expenses	2,442	1,388
Total Administrative	<u>\$ 56,785</u>	<u>\$ 51,254</u>
TAXES		
Payroll Taxes	\$ 21,557	\$ 16,485
Total Taxes	<u>\$ 21,557</u>	<u>\$ 16,485</u>
INSURANCE		
Property and Liability Insurance	\$ 45,381	\$ 41,702
Employee Benefits	2,304	366
Total Insurance	<u>\$ 47,685</u>	<u>\$ 42,068</u>
INTEREST EXPENSE		
Interest on Mortgage	\$ 116,962	\$ 118,721
Interest on Mortgage - LHC TCAP	33,805	33,805
Total Interest Expense	<u>\$ 150,767</u>	<u>\$ 152,526</u>

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Project Name: VILLA GARDENS

3.00% Inflation Rate for Income/Expenses

2.50% Inflation Rate for Replacement Reserve

	2019 Year 9 AMEC Model	12/31/2019 Year 9 Actual	Explanation of Variances Exceeding 5.00%
Income Statement			
Rental Income	-7%		
Residential-			
5121 Rental Income GROSS VACANCY	\$ 478,763	\$ 443,475	
5121 Rental Income NET VACANCY	-	-	
5190 Other	-	-	
5140 Stores & Commercial-	-	-	
Total Rental Income:	478,763	443,475	
Vacancies: Enter as Negative	-48%		
5220 Apartments-	(33,513)	(11,839)	
5240 Stores & Commercial-	-	-	
5270 Garage & Parking Spaces-	-	-	
5290 Miscellaneous Concessions-	-	(5,739)	
Total Vacancies:	(33,513)	(17,578)	
Net Rental Income:	445,250	425,897	
Other Income & Bad Debt	11%		
5910 Laundry & Vending-	-	-	
6370 Apartment Bad Debt- Enter as Neg.	-	(7,799)	
6370 Commercial Bad Debt- Enter as Neg.	-	-	
5920 NSF, Damages & Late Charges, Other-	3,268	11,426	
Total Other Income:	3,268	3,627	
EFFECTIVE GROSS INCOME	448,518	429,524	
Admin. Exps	-29%		
6210 Advertising-	1,558	-	
6250 Admin. Exps.-	-	12,169	
6310 Office Salaries-	30,098	-	
6311 Office Supplies-	-	3,969	
6320 Management Fee-	26,897	25,298	
6330 Management or Super. Sal.-	41,524	21,199	
6331 Mgmt. or Super. Free Rent Unit-	-	-	
6340 Legal Expenses (Project)-	-	-	
6350 Auditing Exps. (Project)-	9,502	10,683	
6351 Bookkeeping Fees/Acct. Services-	-	3,000	
6390 LHFA Asset Management Fee	6,334	5,765	
Total Admin. Less Management Fee	89,016	56,785	
Total Admin. Exps.:	115,913	82,083	
Utilities Expense	16%		
6420 Fuel Oil/Coal-	-	-	
6420 Fuel for Domestic Hot Water-	-	-	
6450 Electricity (Light & Misc. Power)-	4,433	5,772	
6451 Water-	-	543	
6452 Gas-	1,774	-	
6453 Sewer-	-	895	
Total Utilities Exps.:	6,207	7,210	

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Project Name: VILLA GARDENS

3.00% Inflation Rate for Income/Expenses

2.50% Inflation Rate for Replacement Reserve

	2019 Year 9 AMEC Model	12/31/2019 Year 9 Actual	Explanation of Variances Exceeding 5.00%
O & M Expenses	<i>186%</i>		
6510 O&M Payroll-	15,406	47,040	
6515 O&M Supplies-	3,167	27,458	
6520 O&M Contract-	7,601	68,249	
6525 Garbage & Trash Removal-	3,217	5,858	
6530 Security Payroll/Contract-	-	3,500	
6545 Elevator Maintenance/Contract-	-	-	
6546 HVAC R & M-	6,967	8,054	
6570 Other Expenses-	4,433	-	
6590 Misc. O & M Expenses-	-	-	
Neighborhood Network-	15,200	-	
Total O & M Expenses:	55,991	160,159	
Taxes & Insurance	<i>15%</i>		
6710 Real Estate Taxes-	-	-	
6711 Payroll Taxes (FICA)-	3,167	21,557	
6719 Misc. Taxes, Licenses, & Permits-	-	-	
6720 Property & Liability Insurance-	47,504	45,381	
6721 Fidelity Bond Insurance-	-	-	
6722 Workmen's Compensation-	3,167	-	
6723 Health Ins. & Other Emp.Benefits-	6,169	2,304	
6279 Other Insurance-	-	-	
Total Taxes & Insurance:	60,007	69,242	
TOTAL OPERATING EXPENSES:	<i>34%</i>	318,694	
NET OPERATING INCOME:	\$ 210,399	\$ 110,830	
Replacement Reserves	<i>3%</i>	\$ 16,185	
ADJUSTED NET OPERATING INCOME	\$ 194,682	\$ 94,645	

VILLA GARDENS LIMITED PARTNERSHIP
 COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS -
 LHC - TAX CREDIT ASSISTANCE PROGRAM
 DECEMBER 31, 2019

U.S. Department of Housing
 and Urban Development
 Office of Housing
 Federal Housing Commissioner

**Computation of Surplus Cash,
 Distributions and Residual Receipts**

Project Name: Villa Gardens	Fiscal Period Ended: 12/31/2019	Project Number:
---------------------------------------	-------------------------------------------	------------------------

Part A - Compute Surplus Cash

Cash		
1. Cash (Accounts 1110, 1120, 1191, 1192)	\$	107,208
2. Tenant subsidy vouchers due for period covered by financial statement	\$	-
3. Other (describe)	\$	-
(a) Total Cash (Add Lines 1, 2 and 3)	\$	107,208

Current Obligations		
4. Accrued mortgage interest payable	\$	8,864
5. Delinquent mortgage principal payments	\$	-
6. Delinquent deposits to reserve for replacements	\$	3,631
7. Accounts payable (due within 30 days)	\$	9,602
8. Loans and notes payable (due within 30 days)	\$	2,149
9. Deficient Tax Insurance or MIP Escrow Deposits	\$	-
10. Accrued expenses (not escrowed)	\$	-
11. Prepaid Rents (Account 2210)	\$	938
12. Tenant security deposits liability (Account 2191)	\$	33,985
13. Other (Describe)	\$	-
(b) Less Total Current Obligations (Add Lines 4 through 13)	\$	59,169
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))	\$	48,039

Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts	
1. Surplus Cash	\$ 48,039

Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	\$	-
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$	-
2c. Distributions Paid During Fiscal Period Covered by Statement	\$	-
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$	-
4. Amount Available for Distribution During Next Fiscal Period	\$	48,039
5. Deposit Due Residual Receipts (Must be deposited with mortgagee within 60 days after fiscal period ends)	\$	-

Prepared By		Reviewed By	
Loan Technician	Date	Loan Servicer	Date

VILLA GARDENS LIMITED PARTNERSHIP
 TCAP COMPUTATION OF SURPLUS CASH
 FOR THE YEAR ENDED DECEMBER 31, 2019

Cash from FY 2019 Operations:

FY 2019 Rent Revenues	\$	429,524
FY 2019 Interest Income		<u>854</u>
Subtotal A		<u>430,378</u>

Less:

FY 2019 Operating Expenses		318,694
Debt Service due in FY 2019		132,153
FY 2019 Required Replacement Reserves Deposit		<u>16,341</u>
Subtotal B		<u>467,188</u>

FY 2019 Surplus Cash (Subtotal A - Subtotal B) \$ (36,810) See Note (a).

FY 2019 TCAP Payment Due - See Note (b) below. * 0 75% of FY 2019 Surplus Cash

NOTES:

- (a) As used here, Surplus Cash means all operating revenue earned in FY 2019 in excess of (i) FY 2019 operating expenses (excluding depreciation), (ii) debt service due in FY 2019, (iii) required deposits in FY 2019 to the replacement reserves and (iv) any other required reserve deposits in FY 2019. Foley & Judell, L.L.P., as Asset Manager, will review the audit and adjust the operating budget, if necessary, to eliminate non-operating items such as capital expenditures, distributions, excessive payments to related parties, etc. No TCAP payment is required if a Deferred Developer Fee is shown or if Subtotal B exceeds Subtotal A.
- (b) *Annual Installments.* Payments of interest and principal under the TCAP Note shall be made in annual installments (each, an "Annual Installment") to be paid to LHFA on or before April 1 of each calendar year of the TCAP Loan Term commencing April 1, 2012 (a "Payment Date"). Each Annual Installment shall equal seventy-five percent (75%) of Surplus to be paid solely from Surplus Cash (as described in the TCAP Loan Agreement) to the extent Surplus Cash is generated from the operation of the Project. Notwithstanding the foregoing to the contrary, all outstanding Indebtedness under the TCAP Note is due on the Maturity Date (TCAP Promissory Note Sec. 3(a)).

* TCAP payment is subordinated to required payment to LPTFA.



Little & Assoc.
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Partners and Management of
Villa Gardens Limited Partnership
Lafayette, 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 Villa Gardens Limited Partnership, which comprise the balance sheet as of December 31, 2019, and the related statements of operations, partners' equity (deficit) and cash flows for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Villa Gardens Limited Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villa Gardens Limited Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Villa Gardens Limited Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Villa Gardens Limited Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Little & Associates, LLC

Monroe, Louisiana
March 17, 2020

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2019

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