

EBRPHA DEVELOPMENT 1, L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

EBRPHA DEVELOPMENT 1, L.P.

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INDEPENDENT AUDITORS' REPORT

To the Partners
EBRPHA Development 1, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of EBRPHA Development 1, L.P., (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2017 and 2016, 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 *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 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 EBRPHA Development 1, L.P. as of December 31, 2017 and 2016, 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 23 through 28 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 February 20, 2018, on our consideration of EBRPHA Development 1, L.P.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 EBRPHA Development 1, L.P.'s internal control over financial reporting and compliance.

Bond + Jousignant, LLC

Monroe, Louisiana
February 20, 2018

EBRPHA DEVELOPMENT 1, L.P.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 148,583	\$ 121,851
Accounts Receivable - Tenants	1,983	1,234
Prepaid Expenses	11,571	11,571
Total Current Assets	<u>162,137</u>	<u>134,656</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement Reserve Escrow	46,419	54,714
Tenants' Security Deposits	19,345	18,975
ACC Reserve	34,284	34,215
Debt Service Reserve	48,401	48,304
Guarantor Reserve	203,904	203,293
Operating Deficit Reserve	98,818	98,621
Real Estate Tax and Insurance Escrow	49,022	49,583
Total Restricted Deposits and Funded Reserves	<u>500,193</u>	<u>507,705</u>
PROPERTY AND EQUIPMENT		
Buildings	7,131,822	7,131,822
Land Improvements	1,549,261	1,549,261
Furniture and Equipment	738,421	738,421
Total	<u>9,419,504</u>	<u>9,419,504</u>
Less: Accumulated Depreciation	<u>(1,673,970)</u>	<u>(1,344,370)</u>
Net Depreciable Assets	<u>7,745,534</u>	<u>8,075,134</u>
Total Property and Equipment	<u>7,745,534</u>	<u>8,075,134</u>
OTHER ASSETS		
Permanent Closing Fee	51,413	51,413
Tax Credit Fees	43,250	43,250
Less: Accumulated Amortization	<u>(21,940)</u>	<u>(17,344)</u>
Net Amortizable Assets	72,723	77,319
Utility Deposit	1,722	1,722
Total Other Assets	<u>74,445</u>	<u>79,041</u>
TOTAL ASSETS	<u>\$ 8,482,309</u>	<u>\$ 8,796,536</u>

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

EBRPHA DEVELOPMENT 1, L.P.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

LIABILITIES AND PARTNERS' EQUITY

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 7,995	\$ 3,458
Accrued Interest Payable	6,900	6,995
Management Fees Payable	1,815	1,791
Asset Management Fees Payable	32,342	26,546
Prepaid Rent	5,060	4,356
Due to Related Parties	13,056	13,056
Current Portion of Long-Term Debt	18,082	16,906
Total Current Liabilities	<u>85,250</u>	<u>73,108</u>
DEPOSITS		
Tenants' Security Deposits	19,352	18,982
Total Deposits	<u>19,352</u>	<u>18,982</u>
LONG-TERM LIABILITIES		
Mortgage Payable	1,192,852	1,210,003
Note Payable - HA	209,000	209,000
Accrued Interest - HA	25,143	20,552
Note Payable - CFFP	1,325,570	1,325,570
Accrued Interest - CFFP	164,666	135,446
Note Payable - AHP	700,000	700,000
Accrued Interest - AHP	8,750	7,000
Note Payable - RDA	500,000	500,000
Deferred Developer Fees	54,868	54,868
Total Long-Term Liabilities	<u>4,180,849</u>	<u>4,162,439</u>
Total Liabilities	<u>4,285,451</u>	<u>4,254,529</u>
PARTNERS' EQUITY		
Partners' Equity (Deficit)	<u>4,196,858</u>	<u>4,542,007</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 8,482,309</u>	<u>\$ 8,796,536</u>

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

EBRPHA DEVELOPMENT 1, L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE		
Tenant Rents	\$ 122,463	\$ 122,122
Less: Vacancies & Loss to Lease	(9,450)	(10,909)
Rental Assistance - HAP	224,498	221,909
PHA - Operating Subsidy	46,640	35,234
Late Fees, Deposit Forfeitures, Etc.	1,215	1,681
Total Revenue	<u>385,366</u>	<u>370,037</u>
EXPENSES		
Maintenance and Repairs	122,704	72,483
Utilities	11,041	11,389
Administrative	73,477	74,287
Management Fees	23,076	22,946
Taxes	5,108	5,054
Insurance	36,393	36,971
Interest	119,816	117,615
Depreciation and Amortization	334,198	334,198
Total Expenses	<u>725,813</u>	<u>674,943</u>
Income (Loss) from Rental Operations	<u>(340,447)</u>	<u>(304,906)</u>
OTHER INCOME AND (EXPENSES)		
Interest Income	1,094	1,068
Entity Expense - Asset Management Fees	(5,796)	(5,628)
Total Other Income (Expense)	<u>(4,702)</u>	<u>(4,560)</u>
Net Income (Loss)	<u>\$ (345,149)</u>	<u>\$ (309,466)</u>

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

EBRPHA DEVELOPMENT 1, L.P.
 STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Total	GENERAL PARTNER	LIMITED PARTNERS	
		Hospital Plaza I, LLC	Hudson SLP, LLC	Hudson Willow Creek, LLC
Partners' Equity (Deficit), January 1, 2016	\$ 4,851,473	\$ (126)	\$ (127)	\$ 4,851,726
Net Income (Loss)	<u>(309,466)</u>	<u>(31)</u>	<u>(31)</u>	<u>(309,404)</u>
Partners' Equity (Deficit), December 31, 2016	\$ 4,542,007	\$ (157)	\$ (158)	\$ 4,542,322
Net Income (Loss)	<u>(345,149)</u>	<u>(35)</u>	<u>(35)</u>	<u>(345,079)</u>
Partners' Equity (Deficit), December 31, 2017	<u>\$ 4,196,858</u>	<u>\$ (192)</u>	<u>\$ (193)</u>	<u>\$ 4,197,243</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.

EBRPHA DEVELOPMENT 1, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (345,149)	\$ (309,466)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	334,198	334,198
(Increase) Decrease in:		
Accounts Receivable	(749)	(927)
Real Estate Tax and Insurance Escrow	561	-
Increase (Decrease) in:		
Accounts Payable	4,537	1,183
Prepaid Rent	(2,938)	3,862
Accrued Interest Payable	(95)	(188)
Management Fees Payable	24	(23)
Asset Management Fees Payable	5,796	5,627
Deferred Revenue - HAP Payment	3,642	-
Net Security Deposits Received (Paid)	(2)	1
Net Cash Provided (Used) by Operating Activities	<u>(175)</u>	<u>34,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to Reserve for Replacements	(13,888)	(13,497)
Withdrawals from Reserve for Replacements	22,183	-
Deposits to Operating Deficit Reserve	(197)	(197)
Deposits to ACC Reserve	(69)	(68)
Deposits to Debt Service Reserve	(97)	(97)
Deposits to Guarantor Reserve	(611)	(609)
Net Cash Provided (Used) by Investing Activities	<u>7,321</u>	<u>(14,468)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Mortgage Payable	(16,906)	(15,807)
Interest on Loan Fees	931	943
Increase (Decrease) in Accrued Interest - HA	4,591	4,180
Increase (Decrease) in Accrued Interest - CFFP	29,220	26,411
Increase (Decrease) in Accrued Interest - AHP	1,750	1,750
Net Cash Provided (Used) by Financing Activities	<u>19,586</u>	<u>17,477</u>
Net Increase (Decrease) in Cash and Cash Equivalents	26,732	37,276
Cash and Cash Equivalents, Beginning of Year	<u>121,851</u>	<u>84,575</u>
Cash and Cash Equivalents, End of Year	<u>\$ 148,583</u>	<u>\$ 121,851</u>

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

EBRPHA DEVELOPMENT 1, L.P.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 83,419</u>	<u>\$ 85,548</u>

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

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A – ORGANIZATION

EBRPHA Development 1, L.P. (the Partnership) was organized in 2010 as a limited partnership chartered under the laws of the State of Louisiana to develop, construct, own, maintain and operate a forty-two unit apartment complex intended for rental to persons of low and moderate income. The complex is located in Baton Rouge, Louisiana and is collectively known as Willow Creek Townhomes (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 Agreement of Limited Partnership, 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 statements follows.

Basis of Accounting

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

Change in Accounting Principle

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017, the Partnership had \$231,438 in excess of federally insured limits.

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, 2017 and 2016, 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.

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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 20, 2018 (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

Replacement Reserve Escrow

Commencing with the month following Final Closing, the Partnership shall be obligated to make a payment to the Partnership's Reserve Fund for Replacements in the amount of \$14,400 and thereafter for each month equal to (on an annualized basis) the greater of the amount required by the lender or \$300 per unit (the "Reserve Minimum Payment") The amount of the Reserve Minimum Payment shall be increased annually by three (3%) percent. All withdrawals from this account shall be made only with the approval of the

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

Special Limited Partner. Funding amounted to \$13,888 in 2017 and \$13,497 in 2016. Withdrawals amounted to \$22,183 in 2017 and \$0 in 2016. At December 31, 2017 and 2016, the balance of this account was \$46,419 and \$54,714, respectively.

Balance, December 31, 2016	\$	54,714
Deposits:		
Monthly Deposits: \$1,157.33 x 12		13,888
Interest Earned		-
Withdrawals:		
Withdrawal		<u>(22,183)</u>
Balance, December 31, 2017	\$	<u>46,419</u>

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Partnership. At December 31, 2017, this account was funded in an amount equal to the security deposit liability.

Operating Deficit Reserve

The General Partner shall establish and fund an operating reserve account (the "Operating Reserve Account") which shall be funded in the amount of \$146,000 at the time of the payment of the Third Capital Contribution. Such 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 Partnership Agreement) and shall be used exclusively to pay for Operating Deficits incurred by the Partnership, but only subsequent to the Operating Deficit Guaranty being exhausted; provided however, that all withdrawals from the Operating Reserve Account shall be made only with the Consent of the Special Member. Notwithstanding anything to the contrary contained herein, should the balance in the Operating Reserve Account fall below \$146,000 (the "Operating Reserve Minimum"), distributions shall be made from Net Cash Flow on each Payment Date to maintain a minimum balance of \$146,000. Funding amounted to \$197 in 2017 and \$197 in 2016. At December 31, 2017 and 2016, the balance of this account was \$98,818 and \$98,621, respectively.

Insurance Escrow

Transfers of sufficient sums are to be made to this account for payment of insurance. Funding amounted to \$23,142 in 2017 and \$23,142 in 2016. Withdrawals amounted to \$23,703 in 2017 and \$23,142 in 2016. At December 31, 2017 and 2016, the balance of this account was \$49,022 and \$49,583, respectively.

Debt Service Reserve

The General Partner shall establish and fund a debt service reserve (the "Debt Service Reserve Account") in the amount of \$48,000, simultaneously with the operating deficit reserve. The Debt Service Reserve shall be applied toward payment of principal and interest on permanent financing loan. Funding amounted

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

to \$97 in 2017 and \$97 in 2016. At December 31, 2017 and 2016, the balance of this account was \$48,401 and \$48,304, respectively.

ACC Reserve

The General Partner shall establish and fund a public housing operating subsidy reserve account (the "ACC Reserve Account") in a segregated account for the benefit of the Partnership, and such ACC Reserve Account shall be funded at the time of the funding of the Third Capital Contribution in an amount equal to \$34,000; provided however, at the time of the Second Capital Contribution, an initial subsidy reserve in the amount of \$17,000 shall be funded to support any delays in receipt of the Operating Subsidy; any balance in this initial subsidy reserve at the time of the Third Capital Contribution may be used toward the funding of the ACC Reserve Account. The General Partner is responsible for funding the ACC Reserve Account in the full amount of \$34,000 even if the Initial Operating Deficit Reserve is drawn down prior to the Third Capital Contribution. Any interest earned on the funds in the ACC Reserve Account shall be redeposited therein and held as a part thereof. Such ACC Reserve Account shall be maintained for the duration of the Compliance Period. After the Compliance Period, funds on deposit may be released in accordance with the Regulatory and Operating Agreement. The signature of the Special Limited Partner is required for withdrawal of funds from the ACC Reserve Account. Funding amounted to \$69 in 2017 and \$68 in 2016. At December 31, 2017 and 2016, the balance of this account was \$34,284 and \$34,215, respectively.

Guarantor Reserve

The General Partner shall establish and the Guarantor shall fund a Partnership reserve (the "Guarantor Reserve Account"). Such Guarantor Reserve Account shall be funded at Initial Closing in an amount equal to \$375,000. The Guarantor Reserve may be reduced to a balance of \$200,000 as of the latest to occur of the payment of the Second Capital Contribution for the (i)Partnership and (ii)the Autumn Partnership and provided that the Guarantor maintains the Guarantor Net Worth and Liquidity Covenant as provided by the Unconditional Guaranty. At the end of the Compliance Period, any remaining funds in the Guarantor Reserve Account will be first used to pay any amounts owed to the Limited Partners and the balance if any to be used to pay down the CFFP loan and the HA Loan. The Guarantor Reserve shall be applied toward payment of operating deficits or to the payment of obligations of the Guarantor under the Guaranty for either the Partnership or the Autumn Partnership and withdrawals shall require the signature of the Special Limited Partner, which it may provide or withhold at its discretion. Funding amounted to \$611 in 2017 and \$609 in 2016. Withdrawals amounted to \$0. At December 31, 2017 and 2016, the balance of this account was \$203,904 and \$203,293, respectively.

NOTE D – OPERATING LEASE

The Partnership leases land from the East Baton Rouge Housing Authority, an affiliate of the General Partner, under an agreement that is an operating lease. The Term of the lease is ninety-nine (99) years commencing on December 13, 2011. Annual rent shall be one dollar (\$1.00) per annum for the first eighty (80) years of the lease. The rent will be adjusted on the date that is eighty (80) years from the commencement date of the lease and every fifteen (15) years thereafter to the then fair market rent.

EBRPHA DEVELOPMENT I, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE E – PARTNERS' CAPITAL

During 2012, Hudson Willow Creek, LLC and Hudson SLP, LLC were admitted into the partnership as limited partners and the original limited partner withdrew from the Partnership. The Partnership has one General Partner – Hospital Plaza I, LLC and two Limited Partners – Hudson SLP, LLC (Special Limited Partner) and Hudson Willow Creek, LLC (Investor Limited Partner). The Partnership records capital contributions as received.

NOTE F – LONG-TERM DEBT

Permanent Loan

The Partnership has a permanent loan dated October 29, 2013 from Capital One in the original amount of \$1,289,000. The term of the loan is fifteen years with a thirty year amortization. The interest rate is 6.75% with principal and interest payments of \$8,360 per month. The non-recourse loan will be collateralized by the Partnership's land and improvements (as fee simple or leasehold). For the years ended December 31, 2017 and 2016, the partnership maintained a debt service coverage ratio of 117% and 133%, respectively. At December 31, 2017 and 2016, the balance of the loan was \$1,226,587 and \$1,243,493, respectively, and accrued interest was \$6,900 and \$6,995, respectively.

Debt issuance costs, net of accumulated amortization, of \$15,653 and \$16,584 as of December 31, 2017 and 2016, respectively, are amortized using an imputed interest rate of .90%.

HA Loan

In January 2012, the Partnership received a subordinate mortgage loan (the "HA Loan") in the original principal amount of \$209,000 the East Baton Rouge Parish Housing Authority which is evidenced by a mortgage note given by the Partnership to the Housing Authority. The term of loan is forty (40) years at an annual interest rate of two (2%), compounded annually. The loan is non-recourse to the Partnership and the Partners (other than customary non-recourse carve out-provisions which have been consented to by the Special Limited Partner). The Partnership shall make payments to the Lender from available Surplus Cash as set forth in the Partnership Agreement. At December 31, 2017 and 2016, the balance of the loan was \$209,000 and \$209,000, respectively, and accrued interest was \$25,143 and \$20,552, respectively.

CFFP Loan

In January 2012, the Partnership received a subordinate mortgage loan (the "CFFP Loan") in the original principal amount of \$1,500,570 from the East Baton Rouge Parish Housing Authority (Housing Authority). The loan is for a term of forty (40) years and will be due in full and payable on or before February 1, 2052. The loan will accrue interest at two (2%), compounded annually, and is evidenced by a mortgage note given by the Partnership to the Housing Authority. The loan is non-recourse to the Partnership and the Partners (other than customary non-recourse carve out-provisions which have been consented to by the Special Limited Partner). During 2013, \$175,000 was released from the Guarantor Reserve to pay down the principal balance of the loan. The Partnership shall make payments to the Lender from available Surplus Cash as set forth in the Partnership Agreement. At December 31, 2017 and 2016, the balance of the loan was \$1,325,570 and \$1,325,570, respectively, and accrued interest was \$164,666 and \$135,446, respectively.

EBRPHA DEVELOPMENT I, L.P.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

NOTE F – LONG-TERM DEBT (CONTINUED)

AHP Loan

In January 2012, the Partnership received an AHP Loan in the amount of \$700,000 from Capital One, N.A., that is sourced by the Federal Home Loan Bank Affordable Housing Program. The loan has a term of forty (40) years. The entire principal of the loan together with simple interest at the rate of one quarter of one percent (0.25%) per annum, shall be paid to the Payee on the forty-first (41st) anniversary of this note, January 31, 2053 (the "Maturity Date"). No interest shall accrue from January 31, 2012 through the date on which construction is completed for the project. This loan is non-recourse to the Partnership and the Partners (other than customary non-recourse carve out-provisions which have been Consented to by the Special Limited Partner) and which will be held by parties who are not "related parties" except with respect to the Capital One Loan to any of the Partners within the meaning of Section 752 of the Code and the Regulations thereunder. The Partnership shall make annual payments to the Lender from available Surplus Cash as set forth in the Partnership Agreement. At December 31, 2017 and 2016, the balance of the loan was \$700,000 and \$700,000, respectively, and accrued interest was \$8,750 and \$7,000, respectively.

RDA Loan

In January 2012, the East Baton Rouge Redevelopment Authority (RDA) provided a subordinate mortgage loan (the "RDA Loan") in the amount of \$500,000 to the Partnership. The loan has a thirty-year term and will accrue interest at zero (0.00%) percent annually. The loan is evidenced by a mortgage note given by the Partnership to the Lender and is secured by the RDA Mortgage and other related security documents and financing statements. The loan is non-recourse to the Partnership and the Partners (other than customary non-recourse carve out-provisions which have been consented to by the Special Limited Partner). The loan will be repaid solely from Surplus Cash, to the extent Surplus Cash is generated from the operation of the Project, in the sum of one-third (1/3) of the first \$42,000 of Surplus Cash; plus two-thirds (2/3) of any excess over the \$42,000 of Surplus Cash. At December 31, 2017 and 2016, the balance of the loan was \$500,000 and \$500,000, respectively.

Aggregate 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>
2018	\$ 18,082
2019	19,342
2020	20,689
2021	22,130
2022	23,670
Thereafter	\$ 3,857,244

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Due to Related Parties

Due to East Baton Rouge Parish Housing Authority

During 2011, East Baton Rouge Parish Housing Authority (EBRPHA) an affiliate of the General Partner, advanced funds in the amount of \$180,509 to the Partnership to fund construction costs. At December 31, 2017 and 2016, the Partnership owed EBRPHA \$13,056 and \$13,056, respectively. These amounts are included in the financial statements under the caption "Due to Related Parties".

Deferred Developer Fees

The Partnership has entered into a development services agreement with Hospital Plaza I, LLC (Managing General Partner); and Partners for Progress, Inc. (Developer), an affiliate of the General Partner, to render services for overseeing the construction and development of the complex. The Developer shall be entitled to receive a fee of \$638,656 and the Managing General Partner is entitled to receive a fee of \$638,657 for the total development fee of \$1,277,313. The developer fee is capitalized in the basis of the building. During the years ended December 31, 2017 and 2016, \$0 and \$0, of Developer Fees were paid and the balance of developer fee payable was \$54,868 and \$54,868, respectively.

Incentive Partnership Management Fee

The Partnership has entered into an Incentive Partnership Management Fee Agreement with the General Partner, for certain management services outlined in the Incentive Partnership Management Fee Agreement. Such agreement includes provisions to the effect that in return for its services in administering and directing the business of the Partnership, maintaining appropriate books and records relating to all financial affairs of the Partnership, and reporting periodically to the Partners, the Lender, and the Agency with respect to the financial and administrative affairs of the Partnership and the Complex. For services performed under this agreement, the Partnership shall pay to the General Partner, solely from the Net Cash Flow of the Partnership available for distribution and in accordance with Section 7.03(a) of the Partnership Agreement, an amount not to exceed eight percent (8%) of Gross Effective Income per year and such fee shall not be cumulative. For the years ended December 31, 2017 and 2016 there were no Incentive Partnership Management Fees paid.

Asset Management Fees

The Partnership shall pay an annual Asset Management Fee to the Special Limited Partner in the amount of \$5,000 per annum which fee shall be paid on December 1st of each year (commencing on December 1, 2012), which amount shall be adjusted annually by three percent (3.0%). In the event that all gross revenue collected directly or indirectly from the operations of the Apartment Complex is insufficient to pay the Asset Management Fee in any year, the unpaid amount shall accrue and shall be payable commencing on the applicable Payment Date until fully paid, from New Cash Flow available in future years or if not fully paid when the Apartment Complex is sold, then from net proceeds of a Capital Transaction pursuant to Section 7.05(c) (i) of the Partnership Agreement. During the years ended December 31, 2017 and 2016, no Asset Management Fee was paid, and the balance of Asset Management Fees payable was \$32,342 and \$26,546, respectively

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (CONTINUED)

Operating Deficit Guaranty

In the event that, at any time during the period beginning upon the date Breakeven Operations is achieved and ending on the date on which Breakeven Operations are maintained over twelve-month periods on an annual basis for five consecutive years (the "Initial Period"), an Operating Deficit shall exist, the General Partner shall provide such funds to the Partnership as shall be necessary to pay such Operation Deficit(s), provided however, that the General Partner shall not be obligated to provide more than \$196,640 (12 months of underwritten expenses), plus amounts repaid as Operating Deficit Loans, in the aggregate. Any such loans provided after the achievement of Breakeven Operations shall be in the form of a loan to the Partnership (the "Operating Deficit Loan(s)"). An Operating Deficit Loan shall be made in accordance with the provisions of Section 8.16 of the Partnership Agreement; provided, however, that an Operating Deficit Loan shall bear no interest. In the event that the General Partner shall fail to make any such Operating Deficit Loan as aforesaid, the Special Limited Partner may use its sole discretion to cause the Partnership to use the Investment Partner's Capital Contributions, in an amount not in excess on any remaining installments of the Development Fee due pursuant to Section 8.10 of the Partnership Agreement, to meet such obligations of the General Partner and the Development Fee shall be deemed paid, and an Operating Deficit Loan made, to such extent and the Developer shall take such amount of the Development Fee into income for federal income tax purposes.

Development Deficits

The General Partner hereby is obligated to pay all Excess Development Costs; the Partnership shall have no obligation to pay any Excess Development Costs. Any amounts paid by the General Partner pursuant to this clause shall not be repaid by the Partnership, nor shall such amounts be considered or treated as Capital Contributions of the General Partner to the Partnership, without the consent of the Special Limited Partner. In the event that the General Partner shall fail to pay any such Excess Development Costs as required by the Partnership Agreement, the Special Limited Partner may use its sole discretion to cause the Partnership to use the Investment Partner's Capital Contributions in an amount not in excess of the total of any remaining unpaid obligations of the General Partner, and the Development Fee shall be deemed paid to such extent and the Developer shall take such amount of the Development Fee into income for federal income tax purposes.

NOTE H – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from capital transactions and special allocations set forth in the Partnership Agreement, are allocated .01% to the General Partner, .01% to the Special Limited Partner and 99.98% to the Investment Limited Partner.

Subject to the approval of the Lender, if required, Net Cash Flow shall be applied and/or distributed on each Payment Date in the following priority:

- (i) First, of the first \$42,000 of Surplus Cash, 33.33% to the payment of the RDA Loan and 66.67% of the balance of the first \$42,000 as set forth in sub clauses (ii) through (vii) below, thereafter, 66.67% of the balance exceeding the initial \$42,000 of Surplus Cash to the payment of the RDA Loan and 33.33% of the of the balance exceeding the initial \$42,000 of Surplus Cash as set forth in sub clauses (ii) through (vii) below;

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

- (ii) In the event that any Operational Reduction Amount is due and owing pursuant to Section 5.01(d)(iii) of the Partnership Agreement, or the General Partner has not made any required payment in violation of any other provisions of Section 5.01(d) of the Partnership Agreement, an amount equal to the payment due and owing under such Section 5.01(d) shall be distributed to the Investment Partner in satisfaction of such obligation;
- (iii) Second, an amount equal to any deferred Asset Management Fee shall be distributed to the Special Limited Partner;
- (iv) Then, an amount equal to the payment necessary to maintain the Operating Reserve Minimum in accordance with Section 8.08(b) of the Partnership Agreement;
- (v) Next, to the payment of amounts due with respect to any Operating Deficit Loan(s) until such loan(s) is repaid;
- (vi) Any remaining amount up to an amount equal to 85% of Net Cash Flow, first, to the payment of the Development Fee until fully paid, second, to the General Partner until there shall have been cumulative distributions under this clause fifth in the aggregate equal to the General Partner's Special Capital Contribution, if any, then to the payment of the CFFP Loan and then the HA Loan and finally to the General Partner in an aggregate amount equal to and in satisfaction of the Incentive Partnership Management Fee; and
- (vii) Finally, any remaining amount to the Partners in accordance with their respective Interest.

Unless otherwise consented to by the Special Limited Partner and as provided above with respect to the General Partner's Special Capital Contribution, if any, no Net Cash Flow shall be paid to the General Partners as a return of equity contributed to the Partnership.

NOTE I – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Willow Creek Townhomes. 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.

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Financial Statement Net Income (Loss)	\$ (345,149)	\$ (309,466)
Adjustments:		
Excess of depreciation and amortization for income tax purposes over financial reporting purposes	(62,980)	(79,103)
Timing Differences	<u>965</u>	<u>(968)</u>
Taxable Income (Loss) as Shown on Tax Return	<u>\$ (407,164)</u>	<u>\$ (389,537)</u>

NOTE K – CONTINGENCY

The apartment complex’s low-income housing tax credits are contingent on the ability of the Partnership to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

NOTE L – MANAGEMENT AGENT

The Partnership has entered into an agreement with NDC Real Estate 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 6% of Gross Receipts of all units collected from the preceding month. Notwithstanding the above, until achievement of ninety-five (95%) occupancy for ninety (90) consecutive days, the Management Fee shall be \$1,400 or six (6%) of Gross Receipts received during the preceding month, whichever amount is greater. Management Fees incurred for the years ended December 31, 2017 and 2016, were \$23,076 and \$22,946, respectively.

NOTE M -- ADVERTISING

The Partnership incurred advertising costs of \$0 during 2017 and \$0 during 2016. These costs are expensed as incurred.

NOTE N – EXEMPTION FROM REAL ESTATE TAXES

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

EBRPHA DEVELOPMENT 1, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE O – RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or partner's equity.

SUPPLEMENTAL INFORMATION

EBRPHA DEVELOPMENT 1, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
MAINTENANCE AND REPAIRS		
Maintenance Salaries	9,493	8,206
Maintenance Supplies	2,130	5,639
Maintenance Contracts	34,902	21,982
Repairs & Maintenance	52,281	27,723
Grounds Maintenance	12,006	8,933
Pest Control	11,892	-
Total Maintenance and Repairs	<u>\$ 122,704</u>	<u>\$ 72,483</u>
UTILITIES		
Electricity	3,466	4,522
Water	6,302	6,134
Sewer	17	-
Trash Removal	1,256	733
Total Utilities	<u>\$ 11,041</u>	<u>\$ 11,389</u>
ADMINISTRATIVE		
Accounting	8,083	8,006
Manager Salary	30,525	31,587
Superintendent Salaries	21,730	23,126
Office Salaries/Commission	136	-
Office Expense	5,661	5,001
Bad Debts	-	216
Administrative Travel	418	262
Staff Training	294	928
Telephone	4,708	4,651
Bank Service Charges	72	74
Other Administrative	1,850	436
Total Administrative	<u>\$ 73,477</u>	<u>\$ 74,287</u>
MANAGEMENT FEES		
Management Fee	<u>23,076</u>	<u>22,946</u>
Total Management Fees	<u>\$ 23,076</u>	<u>\$ 22,946</u>

EBRPHA DEVELOPMENT 1, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
TAXES		
Payroll Taxes	5,108	5,054
Total Taxes	<u>\$ 5,108</u>	<u>\$ 5,054</u>
INSURANCE		
Property/Liability Insurance	23,703	23,821
Fidelity Bond	102	131
Workers Compensation	2,646	2,371
Hospitalization BC/BS	9,942	10,648
Total Insurance	<u>\$ 36,393</u>	<u>\$ 36,971</u>
INTEREST		
Mortgage Interest	83,324	84,331
Interest - HA	4,591	4,180
Interest - CFFP	29,220	26,411
Interest - AHP	1,750	1,750
Interest - Loan Fees	931	943
Total Interest	<u>\$ 119,816</u>	<u>\$ 117,615</u>
DEPRECIATION AND AMORTIZATION		
Amortization	4,597	4,597
Depreciation	-	329,601
Depreciation	329,601	-
Total Depreciation and Amortization	<u>\$ 334,198</u>	<u>\$ 334,198</u>

EBRPHA DEVELOPMENT 1, L.P.
 PHA UNITS - STATEMENT OF REVENUES AND EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

2017

RENTAL INCOME	
5120 Rent Revenue - Gross Potential	\$ 44,285
5180 Operating Subsiby Revenue	46,640
5100T Total Rental Income	<u>90,925</u>
VACANCIES	
5220 Apartments	(342)
5200T Total Vacancies	<u>(342)</u>
5152N Net Rental Income	90,583
OTHER REVENUE	
5920 Tenant Charges	400
5900T Total Other Income	<u>400</u>
5000T TOTAL REVENUE	90,983
ADMINISTRATIVE EXPENSES	
6203 Conventions and Meetings	-
6210 Advertising and Marketing	-
6310 Office Salaries	-
6311 Office Expenses	1,816
6320 Management Fee	7,692
6330 Manager or Superintendent Salaries	17,382
6350 Audit Expenses	2,310
6351 Bookkeeping Fees/Accounting Services	345
6390 Miscellaneous Administrative Expenses	2,181
6263T Total Administrative Expenses	<u>31,726</u>
UTILITIES	
6450 Electricity	1,263
6451 Water	1,634
6400T Total Utilities Expense	<u>\$ 2,897</u>

EBRPHA DEVELOPMENT 1, L.P.
 PHA UNITS - STATEMENT OF REVENUES AND EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>
OPERATING AND MAINTENANCE EXPENSES	
6510 Payroll	\$ 4,081
6515 Supplies	571
6520 Contracts	28,661
6530 Security Payroll/Contract	2,757
6546 Heating/Cooling Repairs and Maintenance	3,214
6590 Miscellaneous Operating and Maintenance Expenses	544
6500T Total Operating and Maintenance Expenses	<u>39,828</u>
TAXES AND INSURANCE	
6711 Payroll Taxes	1,498
6720 Property and Liability Insurance	-
6721 Fidelity Bond Insurance	-
6722 Workmen's Compensation	(5)
6723 Hospitalization	2,922
6700T Total Taxes and Insurance	<u>4,415</u>
FINANCIAL EXPENSES	
6820 Interest on Mortgage Payable	27,806
6890 Miscellaneous Financial Expenses	140
6800T Total Financial Expenses	<u>27,946</u>
6000T TOTAL COST OF OPERATIONS	<u>106,812</u>
3250 NET PROFIT (LOSS)	(15,830)
Insurance Escrows	7,714
Reserve for Replacements	4,623
Principal Payments	5,635
Withdrawal Insurance	-
Carpet Improvements	578
Total Cash Requirements	<u>18,550</u>
NET CASH SURPLUS (DEFICIENCY)	<u>\$ (34,380)</u>

EBRPHA DEVELOPMENT 1, L.P.
PHA UNITS – TENANT ACCOUNTS RECEIVABLE AND RESERVE ACTIVITY
DECEMBER 31, 2017

1. PHA UNITS – TENANT ACCOUNTS RECEIVABLE

At December 31, 2017, the amounts uncollected from PHA-Assisted Units for which no eviction actions have been commenced was \$445.

2. REPLACEMENT RESERVE ESCROW ACTIVITY

Balance, December 31, 2016	\$	54,714
Monthly Deposits: \$1,157.33 x 12		13,888
Interest Earned		-
Withdrawals:		
None		-
		<hr/>
Balance, December 31, 2017	\$	<u>46,419</u>

3. ACC RESERVE ACTIVITY

Balance, December 31, 2016	\$	34,215
Deposits:		
Interest Earned		69
Withdrawals:		
None		-
		<hr/>
Balance, December 31, 2017	\$	<u>34,284</u>

EBRPHA DEVELOPMENT 1, L.P.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Richard L. Murray, Executive Director of the Housing Authority
of East Baton Rouge Parish

<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

B&T BOND & TOUSIGNANT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT 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
EBRPHA Development 1, L.P.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of EBRPHA Development 1, L.P., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EBRPHA Development 1, L.P.'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 EBRPHA Development 1, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of EBRPHA Development 1, L.P.'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EBRPHA Development 1, L.P.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bond + Jousignant, LLC

Monroe, Louisiana
February 20, 2018