FRENCHMAN'S CREEK LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

FRENCHMAN'S CREEK LIMITED PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT

To the Partners
Frenchman's Creek Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Frenchman's Creek Limited Partnership, (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2020 and 2019, 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 Frenchman's Creek Limited Partnership as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of Frenchman's Creek Limited Partnership'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 Frenchman's Creek Limited Partnership's internal control over financial reporting and compliance.

Bond + Tousignant, LLC

Monroe, Louisiana
February 11, 2021

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 10,161	$ 25,389
Accounts Receivable - Tenants	373	714
Prepaid Expenses	7,009	6,570
Total Current Assets	17,543	32,673
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement Reserve Escrow	72,781	85,794
Operating Deficit Reserve	94,595	128,509
Tenants' Security Deposits	6,500	12,200
Real Estate Tax and Insurance Escrow	23,383	21,746
Insurance Funds	54,583	-
Total Restricted Deposits and Funded Reserves	251,842	248,249
PROPERTY AND EQUIPMENT		
Buildings	6,119,545	6,119,545
Land Improvements	798,075	798,075
Furniture and Equipment	181,612	181,612
Total	7,099,232	7,099,232
Less: Accumulated Depreciation	(2,301,611)	(2,108,694)
Net Depreciable Assets	4,797,621	4,990,538
Total Property and Equipment	4,797,621	4,990,538
OTHER ASSETS		
Permanent Closing Fees	80,180	80,180
Tax Credit Fees	32,700	32,700
Less: Accumulated Depreciation	(51,779)	(46,926)
Net Amortizable Assets	61,101	65,954
Syndication Costs	22,500	22,500
Total Other Assets	83,601	88,454
TOTAL ASSETS	$ 5,150,607	$ 5,359,914

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

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

LIABILITIES AND PARTNERS' EQUITY

	2020	2019
CURRENT LIABILITIES		
Accounts Payable	$ 12,018	$ -
Prepaid Rent	2,570	108
Accrued Interest Payable	6,230	5,098
Deferred Insurance	25,607	-
Current Portion of Long-Term Debt	26,898	25,124
Total Current Liabilities	73,323	30,330
DEPOSITS		
Tenants' Security Deposits	6,498	12,201
Total Deposits	6,498	12,201
LONG-TERM LIABILITIES		
Mortgage Payable	1,051,884	1,077,634
Notes Payable - NEF	599,320	599,320
Accrued Interest - NEF	191,685	173,710
Development Fee Payable	256,200	256,200
Asset Management Fees Payable	23,171	19,018
Partnership Management Fees Payable	186,994	167,373
Total Long-Term Liabilities	2,309,254	2,293,255
Total Liabilities	2,389,075	2,335,786
PARTNERS' EQUITY		
Partners' Equity (Deficit)	2,761,532	3,024,128
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 5,150,607	$ 5,359,914

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

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE		
Tenant Rents	$ 366,172	$ 365,155
Less Vacancies, Concessions, Etc.	(84,135)	(34,836)
Late Fees, Deposit Forfeitures, Etc.	14,121	17,426
Total Revenue	296,158	347,745
EXPENSES		
Maintenance and Repairs	107,251	141,771
Utilities	23,616	16,528
Administrative	65,188	56,455
Management Fees	18,944	20,934
Taxes	5,885	5,749
Insurance	31,484	32,979
Interest	95,966	96,330
Depreciation and Amortization	197,770	215,907
Total Expenses	546,104	586,653
Income (Loss) from Rental Operations	(249,946)	(238,908)
OTHER INCOME AND (EXPENSES)		
Other Income	10,432	-
Interest Income	692	1,487
Entity Expense - Partnership & Asset Management Fees	(23,774)	(23,082)
Total Other Income (Expense)	(12,650)	(21,595)
Net Income (Loss)	$ (262,596)	$ (260,503)

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

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		GENERAL PARTNER	LIMITED PARTNER
	Total	FCD GP, LLC	NEF Assignment Corporation
Partners' Equity (Deficit), January 1, 2019	$ 3,284,631	$ (104)	$ 3,284,735
Net Income (Loss)	(260,503)	(26)	(260,477)
Partners' Equity (Deficit), December 31, 2019	$ 3,024,128	$ (130)	$ 3,024,258
Net Income (Loss)	(262,596)	(26)	(262,570)
Partners' Equity (Deficit), December 31, 2020	$ 2,761,532	$ (156)	$ 2,761,688
Profit and Loss Percentages	100.00%	0.01%	99.99%

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

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (262,596)	$ (260,503)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	197,770	215,907
(Increase) Decrease in:		
Accounts Receivable - Tenants	341	3,864
Prepaid Expense	(439)	1,311
Increase (Decrease) in:		
Accounts Payable	12,018	-
Prepaid Rent	2,462	(383)
Accrued Interest Payable	1,132	(107)
Deferred Insurance	25,607	-
Tenants' Security Deposits	(5,703)	(1,621)
Net Cash Provided (Used) by Operating Activities	(29,408)	(41,532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Mortgage Payable	(25,124)	(23,468)
Interest on Loan Fees	1,148	1,172
Increase (Decrease) in Asset Management Fee Payable	4,153	4,032
Increase (Decrease) in Partnership Management Fee Payable	19,621	19,050
Increase in Accrued Interest - NEF Loans	17,975	17,912
Net Cash Provided (Used) by Financing Activities	17,773	18,698
Net Increase (Decrease) in Cash and Restricted Cash	(11,635)	(22,834)
Cash and Restricted Cash, Beginning of Year	273,638	296,472
Cash and Restricted Cash, End of Year	$ 262,003	$ 273,638

Reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows.

	2020	2019
Cash and Cash Equivalents	$ 10,161	$ 25,389
Replacement Reserve Escrow	72,781	85,794
Operating Deficit Reserve	94,595	128,509
Tenants' Security Deposits	6,500	12,200
Real Estate Tax and Insurance Escrow	23,383	21,746
Insurance Funds	54,583	-
Total Cash and Restricted Cash	$ 262,003	$ 273,638

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

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ 75,711	$ 77,353

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

NOTE A – ORGANIZATION

Frenchman's Creek Limited Partnership (the Partnership) was organized in 2007 as a limited partnership chartered under the laws of the State of Louisiana to develop, construct, own, maintain and operate a forty-unit housing complex intended for rental to persons of low and moderate income. The complex is located in Sulphur, Louisiana and is collectively known as Frenchman's Creek (the Complex). The Complex has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Complex as to occupant eligibility and unit gross rent, among other requirements. The major activities of the Partnership are governed by the Amended and Restated Articles of Partnership in Commendam, including amendments (Partnership Agreement) and are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the state housing finance agency. Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Change in Accounting Principle

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

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.

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, 2020, the Partnership had no uninsured deposits.

Tenant Receivable and Bad Debt Policy

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

The Partnership provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Partnership's estimate is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that the Partnership's estimate of the allowance for doubtful accounts will change. At December 31, 2020 and 2019, 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.

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, 2020 and 2019.

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 11, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES

Operating Reserve

The General Partner shall establish the Operating Reserve Account and fund it with the Operating Reserve Target Amount of $126,222 out of loan and/or equity proceeds at the time of payment of the Fourth Installment. The Operating Reserve will be held in the Operating Reserve Account, under the control of the General Partner (or a Project lender, if required), and the Partnership will maintain this account from the date of the Fourth Installment until the end of the Compliance Period. Withdrawals from the Operating Reserve Account will require the written approval of the Asset Manager. So long as funds remain in the

NOTE C – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

Operating Reserve, such funds will be used to fund Project operating and debt service deficits. Any excess funds remaining in the Operating Reserve at the end of the Compliance Period shall be released from the Operating Reserve and used by the Partnership to first pay the Limited Partner's exit taxes due upon sale or dissolution. During 2020 and 2019, this account was funded in the amount of $563 and $1,277, respectively. Withdrawals amounted to $34,477 in 2020 and $0 in 2019. At December 31, 2020 and 2019, the balance in this account was $94,595 and $128,509, respectively.

Replacement Reserve

The General Partner shall establish the Replacement Reserve at the time of payment of the Third Installment. The Replacement Reserve will be held in the Replacement Reserve Account, under the control of the General Partner (unless the Account is under the control of one of the Project Lenders), and the Partnership will maintain this account from the date of payment of the Third Installment until the end of the Compliance Period. Withdrawals from the Replacement Reserve Account in excess of $3,000 in the aggregate in any given month (unless such withdrawal was provided for in the approved Project budget) will require the written approval of the Asset Manager. The General Partner will also be required to fund the Replacement Reserve Account on a cumulative basis, in the amount of $300 per unit per year (to be increased annually by 3%) from Project cash flow. Any excess funds remaining in the Replacement Reserve at the end of the Compliance Period shall be released from the Replacement Reserve and applied by the Partnership in the case of a sale or dissolution of the Partnership. Funding amounted to $12,103 in 2020 and $12,210 in 2019. Withdrawals amounted to $25,116 in 2020 and $24,913 in 2019. At December 31, 2020 and 2019, the balance in this account was $72,781 and $85,794, respectively.

Real Estate Tax and Insurance Escrow

Transfers of sufficient sums are to be made to this account for payment of insurance and real estate taxes. Funding amounted to $29,748 in 2020 and $34,680 in 2019. Withdrawals amounted to $28,111 in 2020 and $33,001 in 2019. At December 31, 2020 and 2019, the balance of this account was $23,383 and $21,746, respectively.

Insurance Funds

The Partnership opened an account in May of 2020 at Pacific Life to deposit insurance proceeds from insurance claims. At December 31, 2020 the balance in this account was $54,583.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Partnership. At December 31, 2020, this account was funded in an amount equal to the security deposit liability.

NOTE D – PARTNERS' CAPITAL

The Partnership has one General Partner – FCD GP, LLC and one Limited Partner – NEF Assignment Corporation. The Partnership records capital contributions as received.

NOTE E – LONG-TERM DEBT

Mortgage Payable

The Partnership received permanent financing from Pacific Life in September of 2010. The permanent loan was in the original amount of $1,283,500 and bears an interest rate of 6.84%. The loan has an eighteen (18) year term and an amortization period of thirty (30) years and a maturity date of October 1, 2028. The loan is non-recourse and is collateralized by a first mortgage on the Partnership's land, buildings and equipment. For the years ended December 31, 2020 and 2019, the partnership maintained a debt service coverage ratio of 56% and 85%, respectively. At December 31, 2020 and 2019, the balance of the loan was $1,092,913 and $1,118,038 and accrued interest was $6,230 and $5,098, respectively.

Debt issuance costs, net of accumulated amortization, of $14,131 and $15,280 as of December 31, 2020 and 2019, respectively, are amortized using an imputed interest rate of 1.23%.

Notes Payable - NEF

During 2009, the Partnership received a workout loan from National Equity Fund 2007 Series II Limited Partnership (an affiliate of the Limited Partner) in the amount of $300,000. Interest accrues on the principal of the loan at a rate of 3.11%. Payments of interest are to be paid annually out of surplus cash and payments of principle shall be made annually to the extent of any surplus cash remaining after the payment of interest. In the event surplus cash is insufficient to pay any such interest for such year, then such interest shall be paid to the extent of any surplus cash, and the balance of such interest shall be accrued and paid if, as, and when there is surplus cash after payment of current interest hereunder. Unless sooner paid, the outstanding principal balance of this note and all interest thereon shall be due and payable upon and to the extent of receipt of surplus cash from net proceeds of sale of all or substantially all of the assets of the maker. At December 31, 2020, the balance of this note was $300,000 and accrued interest was $104,185.

During 2010, the Partnership received a second workout loan from National Equity Fund 2007 Series II Limited Partnership in the amount of $340,000. The interest rate on this note is 2.79% and the terms and conditions are the same as the previously mentioned note. At December 31, 2020, the balance of this note was $299,320 and accrued interest was $87,500.

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

Year Ending December 31,	Amount
2021	$ 26,898
2022	28,796
2023	30,829
2024	33,005
2025	35,335
Thereafter	$ 1,537,370

NOTE F -- TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Developer Fee

The Partnership has entered into a development services agreement in the amount of $800,000 with Housing Authority of the City of Sulphur, Louisiana, an affiliate of the General Partner, to render services for overseeing the construction and development of the complex. The developer fee is capitalized in the basis of the building. For the years ended December 31, 2020 and 2019, $0 and $0, respectively, of developer fees were paid and the balance of developer fee payable was $256,200 and $256,200, respectively.

Asset Management Fee

The Partnership shall pay to the Asset Manager an annual asset management fee in the amount of $3,000, to be increased annually by three percent (3%) and priority specified in Section 5.1(a) of the Amended and Restated Partnership Agreement, for property management oversight, tax credit compliance monitoring and related services. During years ended December 31, 2020 and 2019, $0 and $0 respectively, of asset management fees were paid and the balance of the asset management fee payable was $23,171 and $19,018, respectively.

Partnership Management Fee

The Partnership shall pay to the General Partner an annual partnership management fee in the amount of $14,600, to be increased annually by three percent (3%) and priority specified in Section 5.1(a) of the Amended and Restated Partnership Agreement, 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. During the years ended December 31, 2020 and 2019, no partnership management fees were paid and the balance of the partnership management fee payable was $186,994 and $167,373 respectively.

NOTE G – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Frenchman's Creek. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE H – 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 I – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from capital transactions detailed in the Amended and Restated Partnership Agreement, are allocated .01% to the General Partner and 99.99% to the Limited Partner.

Distribution of distributable cash from operations for each fiscal year will be made as follows:

(i) To the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required pursuant to Section 6.9;

(ii) Payment of any accrued and payable Asset Management Fees to the Asset Manager;

(iii) To the Sponsor to pay any unpaid balance of the Deferred Development Fee;

(iv) To the Operating Reserve Account until such time as such account is equal to the Operating Reserve Target Amount;

(v) To the Real Estate Tax Reserve Account until such time as such account is equal to the Real Estate Tax Reserve Target Amount;

(vi) To pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner;

(vii) To pay any accrued and unpaid interest and unpaid principal on loans made by the General Partner;

(viii) To pay the Partnership Management Fee, on a cumulative basis;

(ix) To the General Partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest) by the General Partner pursuant to Section 6.4(f)(i) or 6.4(f)(ii) and not yet repaid:

(x) The remaining Cash Flow, if any, shall be distributed 0.01% to the General Partner and 99.99% to the Limited Partner.

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, 2020 and 2019 is as follows:

	2020	2019
Financial Statement Net Income (Loss)	$ (262,596)	$ (260,503)
Adjustments:		
Excess of depreciation and amortization for financial reporting purposes over income tax purposes	56,624	74,460
Timing Differences	-	-
Taxable Income (Loss) as Shown on Tax Return	$ (205,972)	$ (186,043)

NOTE K – ADVERTISING

The Partnership incurred advertising costs of $759 during 2020 and $757 during 2019. These costs are expensed as incurred.

NOTE L – EXEMPTION FROM REAL ESTATE TAXES

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

NOTE M – MANAGEMENT AGENT

The Partnership has entered into an agreement with Tower Management, LLC to provide services in connection with rent-up, leasing and operation of the project. Management fees are charged in an amount equal to the greater of $800 or 6% of gross rents received per month. Management fees incurred for the years ended December 31, 2020 and 2019 were $18,944 and $20,934, respectively.

NOTE N – INSURANCE CLAIM

On January 11, 2020, a tree fell on a unit causing damage. An insurance claim was filed and payment of $14,572 was received in 2020. Total loss and damages were determined to be $47,555. During 2020, payments for repairs of $28,965 were made but construction was delayed due to Hurricane Laura. As of December 31, 2020, repairs were not yet complete.

On August 27, 2020, the complex suffered damage due to Hurricane Laura. The complex filed a claim and received advanced payment during 2020 in the amount of $40,000. Full claim and the amount of loss are yet to be determined. No expenses were incurred by the end of 2020 to restore the complex to its previous condition.

SUPPLEMENTAL INFORMATION

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
MAINTENANCE AND REPAIRS		
Maintenance Salaries	27,374	27,075
Maintenance Supplies	5,421	11,261
General Maintenance and Repairs	40,168	72,509
Grounds Maintenance	31,845	28,606
Pest Control	2,443	2,320
Total Maintenance and Repairs	$ 107,251	$ 141,771
UTILITIES		
Electricity	6,974	7,051
Water and Sewer	1,952	1,489
Sewer	1,878	1,462
Garbage Trash Removal	12,812	6,526
Total Utilities	$ 23,616	$ 16,528
ADMINISTRATIVE		
Advertising	759	757
Office Supplies	8,129	4,701
Supportive Services	627	-
Bad Debt Expense	8,137	5,712
Accounting and Auditing	7,250	7,000
Legal	142	277
Administrative Salaries	35,163	31,515
Miscellaneous	1,391	3,230
Telephone	3,590	3,263
Total Administrative	$ 65,188	$ 56,455
MANAGEMENT FEES		
Management Fee	18,944	20,934
Total Management Fees	$ 18,944	$ 20,934

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
TAXES		
Payroll Taxes & Workers Comp	5,735	5,749
Misc Permits Taxes Etc	150	-
Total Taxes	$ 5,885	$ 5,749
INSURANCE		
Property Insurance	27,672	27,690
Workers Comp	1,808	1,893
Health Other Emp Benefits	2,004	3,049
Other Taxes Insurance	-	347
Total Insurance	$ 31,484	$ 32,979
INTEREST		
Interest	76,842	77,245
Interest - NEF	17,976	17,912
Interest - Loan Fees	1,148	1,173
Total Interest	$ 95,966	$ 96,330
DEPRECIATION AND AMORTIZATION		
Depreciation	192,917	211,054
Amortization	4,853	4,853
Total Depreciation and Amortization	$ 197,770	$ 215,907

FRENCHMAN'S CREEK LIMITED PARTNERSHIP
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head Name: Vena Bertrand, Executive Director of the Housing Authority of the City of Sulphur

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

BOND & TOUSIGNANT, LLC
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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
Frenchman's Creek Limited Partnership

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 Frenchman's Creek Limited Partnership, which comprise the balance sheets as of December 31, 2020 and 2019, 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 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frenchman's Creek 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Frenchman's Creek Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness Frenchman's Creek Limited Partnership's 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 Frenchman's Creek 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 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 + Tousignant, LLC

Monroe, Louisiana
February 11, 2021