

**EAGLE POINTE DEVELOPMENT III, L.P.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

EAGLE POINTE DEVELOPMENT III, L.P.

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INDEPENDENT AUDITORS' REPORT

To the Partners  
Eagle Pointe Development III, L.P.

**Opinion**

We have audited the accompanying financial statements of Eagle Pointe Development III, L.P., (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Pointe Development III, L.P. as of December 31, 2021 and 2020, 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.

**Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eagle Pointe Development III, L.P. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Pointe Development III, L.P.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Eagle Pointe Development III, L.P.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Pointe Development III, L.P.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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 20 through 23 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 18, 2022, on our consideration of Eagle Pointe Development III, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eagle Pointe Development III, L.P.'s 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 Eagle Pointe Development III, L.P.'s internal control over financial reporting and compliance.



Monroe, Louisiana  
February 18, 2022

EAGLE POINTE DEVELOPMENT III, L.P.  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

ASSETS

|  | <u>2021</u>                | <u>2020</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                          |                            |                            |
| Cash and Cash Equivalents                      | \$ 555                     | \$ 22,025                  |
| Accounts Receivable - Tenants                  | 3,541                      | 10,700                     |
| Prepaid Expenses                               | 19,042                     | 16,905                     |
| Total Current Assets                           | <u>23,138</u>              | <u>49,630</u>              |
| <b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b> |                            |                            |
| Replacement Reserve Escrow                     | 20,566                     | 68,460                     |
| Operating Deficit Reserve                      | 85,983                     | 85,983                     |
| Tenants' Security Deposits                     | 33,647                     | 34,219                     |
| Real Estate Tax and Insurance Escrow           | 4,524                      | 4,683                      |
| Total Restricted Deposits and Funded Reserves  | <u>144,720</u>             | <u>193,345</u>             |
| <b>PROPERTY AND EQUIPMENT</b>                  |                            |                            |
| Buildings                                      | 4,860,607                  | 4,860,607                  |
| Land Improvements                              | 37,601                     | 14,000                     |
| Furniture and Equipment                        | 113,174                    | 113,174                    |
| Total  | <u>5,011,382</u>           | <u>4,987,781</u>           |
| Less: Accumulated Depreciation                 | <u>(2,089,876)</u>         | <u>(1,966,771)</u>         |
| Net Depreciable Assets                         | 2,921,506                  | 3,021,010                  |
| Land   | 16,000                     | 16,000                     |
| Total Property and Equipment                   | <u>2,937,506</u>           | <u>3,037,010</u>           |
| <b>OTHER ASSETS</b>                            |                            |                            |
| Tax Credit fees                                | 43,750                     | 43,750                     |
| Less: Accumulated Amortization                 | <u>(43,750)</u>            | <u>(43,750)</u>            |
| Total Other Assets                             | <u>-</u>                   | <u>-</u>                   |
| <b>TOTAL ASSETS</b>                            | <u><u>\$ 3,105,364</u></u> | <u><u>\$ 3,279,985</u></u> |

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

EAGLE POINTE DEVELOPMENT III, L.P.  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

LIABILITIES AND PARTNERS' EQUITY

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                    |                     |                     |
| Accounts Payable                              | \$ 22,961           | \$ 26,709           |
| Prepaid Rent                                  | 1,353               | 1,559               |
| Accrued Interest Payable                      | 8,238               | 10,738              |
| Base Management Fees Payable                  | 220,959             | 195,665             |
| Subordinate Management Fees Payable           | 137,619             | 122,442             |
| Asset Management Fees Payable                 | 1,758               | -                   |
| Due to Related Parties                        | 94,483              | 67,607              |
| Developer Fee Payable                         | 44,153              | 44,153              |
| Current Portion of Long-Term Debt             | 65,489              | 60,913              |
| Total Current Liabilities                     | 597,013             | 529,786             |
| <b>DEPOSITS</b>                               |                     |                     |
| Tenants' Security Deposits                    | 12,500              | 13,749              |
| Total Deposits                                | 12,500              | 13,749              |
| <b>LONG-TERM LIABILITIES</b>                  |                     |                     |
| Mortgage Payable                              | 1,655,660           | 1,716,698           |
| Notes Payable - HABC (AHP Loan)               | 190,000             | 190,000             |
| Notes Payable - HOME Funds                    | 420,285             | 420,285             |
| Notes Payable - HABC (Bridge Loan)            | 8,291               | 8,291               |
| Accrued Interest - HOME Funds                 | 306,295             | 288,047             |
| Accrued Interest - HABC                       | 159,917             | 150,417             |
| Accrued Interest - HABC (Bridge Loan)         | 2,024               | 1,807               |
| Deferred Developer Fees                       | 423,973             | 423,973             |
| Accrued Interest - Deferred Developer Fee     | 171,453             | 171,453             |
| Total Long-Term Liabilities                   | 3,337,898           | 3,370,971           |
| Total Liabilities                             | 3,947,411           | 3,914,506           |
| <b>PARTNERS' EQUITY</b>                       |                     |                     |
| Partners' Equity (Deficit)                    | (842,047)           | (634,521)           |
| <b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b> | <b>\$ 3,105,364</b> | <b>\$ 3,279,985</b> |

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

EAGLE POINTE DEVELOPMENT III, L.P.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|                                      | <u>2021</u>         | <u>2020</u>         |
|--------------------------------------|---------------------|---------------------|
| <b>REVENUE</b>                       |                     |                     |
| Tenant Rents                         | \$ 480,717          | \$ 462,657          |
| Late Fees, Deposit Forfeitures, Etc. | 19,826              | 7,099               |
| Total Revenue                        | <u>500,543</u>      | <u>469,756</u>      |
| <b>EXPENSES</b>                      |                     |                     |
| Maintenance and Repairs              | 157,139             | 155,584             |
| Utilities                            | 80,843              | 75,510              |
| Administrative                       | 113,204             | 55,521              |
| Management Fees                      | 40,471              | 38,422              |
| Insurance                            | 23,311              | 25,077              |
| Interest                             | 163,000             | 171,134             |
| Depreciation and Amortization        | 123,105             | 122,215             |
| Total Expenses                       | <u>701,073</u>      | <u>643,463</u>      |
| Income (Loss) from Rental Operations | <u>(200,530)</u>    | <u>(173,707)</u>    |
| <b>OTHER INCOME AND (EXPENSES)</b>   |                     |                     |
| Interest Income                      | 37                  | 207                 |
| Asset Management Fee                 | (7,033)             | (6,952)             |
| Total Other Income (Expense)         | <u>(6,996)</u>      | <u>(6,745)</u>      |
| Net Income (Loss)                    | <u>\$ (207,526)</u> | <u>\$ (180,452)</u> |

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



EAGLE POINTE DEVELOPMENT III, L.P.  
 STATEMENTS OF PARTNERS' EQUITY (DEFICIT)  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|   | Total               | GENERAL<br>PARTNER<br>Bossier<br>Housing<br>Corporation,<br>Inc. | LIMITED PARTNERS |   |
|---|---------------------|--|------------------|---|
|   |                     |  | SCDC,<br>LLC     | Nationwide<br>Affordable<br>Housing Fund 16,<br>LLC |
| Partners' Equity (Deficit), January 1, 2020   | \$ (454,069)        | \$ (242)   | \$ (23)          | \$ (453,804)  |
| Net Income (Loss)                             | <u>(180,452)</u>    | <u>(18)</u>  | <u>(2)</u>       | <u>(180,432)</u>                                    |
| Partners' Equity (Deficit), December 31, 2020 | \$ (634,521)        | \$ (260)   | \$ (25)          | \$ (634,236)  |
| Net Income (Loss)                             | <u>(207,526)</u>    | <u>(21)</u>  | <u>(2)</u>       | <u>(207,503)</u>                                    |
| Partners' Equity (Deficit), December 31, 2021 | <u>\$ (842,047)</u> | <u>\$ (281)</u>  | <u>\$ (27)</u>   | <u>\$ (841,739)</u>                                 |
| Profit and Loss Percentages                   | <u>100.00%</u>      | <u>0.01%</u>   | <u>0.001%</u>    | <u>99.989%</u>                                      |

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

EAGLE POINTE DEVELOPMENT III, L.P.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|   | <u>2021</u>       | <u>2020</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                   |                   |
| Net Income (Loss)   | \$ (207,526)      | \$ (180,452)      |
| Adjustments to Reconcile Net Income (Loss) to Net Cash    |                   |                   |
| Provided (Used) by Operating Activities:                  |                   |                   |
| Depreciation and Amortization                             | 123,105           | 122,215           |
| (Increase) Decrease in:                                   |                   |                   |
| Accounts Receivable - Tenants                             | 7,159             | 812               |
| Prepaid Expense   | (2,137)           | 1,742             |
| Increase (Decrease) in:                                   |                   |                   |
| Accounts Payable  | (3,748)           | 10,955            |
| Prepaid Rent  | (206)             | (12,701)          |
| Accrued Interest Payable                                  | (2,500)           | (867)             |
| Base Management Fee Payable                               | 25,294            | 24,013            |
| Subordinate Management Fee Payable                        | 15,177            | 14,408            |
| Asset Management Fee Payable                              | 1,758             | -                 |
| Tenants' Security Deposits                                | (1,249)           | 957               |
| Net Cash Provided (Used) by Operating Activities          | <u>(44,873)</u>   | <u>(18,918)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                   |                   |
| Purchase of Fixed Assets                                  | (23,601)          | -                 |
| Net Cash Provided (Used) by Investing Activities          | <u>(23,601)</u>   | <u>-</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |                   |                   |
| Payments on Mortgage Payable                              | (59,021)          | (54,268)          |
| Interest on Loan Fees                                     | 2,559             | 2,559             |
| Increase (Decrease) in Due to Related Parties             | 26,876            | 16,224            |
| Increase (Decrease) in Accrued Interest - Home Loan       | 18,248            | 19,998            |
| Increase (Decrease) in Accrued Interest - Bridge Loan     | 217               | 217               |
| Increase (Decrease) in Accrued Interest - HABC (AHP) Loan | 9,500             | 9,500             |
| Net Cash Provided (Used) by Financing Activities          | <u>(1,621)</u>    | <u>(5,770)</u>    |
| Net Increase (Decrease) in Cash and Restricted Cash       | (70,095)          | (24,688)          |
| Cash and Restricted Cash, Beginning of Year               | <u>215,370</u>    | <u>240,058</u>    |
| Cash and Restricted Cash, End of Year                     | <u>\$ 145,275</u> | <u>\$ 215,370</u> |

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

EAGLE POINTE DEVELOPMENT III, L.P.  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|   | <u>2021</u>           | <u>2020</u>           |
|---|-----------------------|-----------------------|
| Reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows. |                       |                       |
| Cash and Cash Equivalents   | \$ 555                | \$ 22,025             |
| Replacement Reserve Escrow  | 20,566                | 68,460                |
| Tenants' Security Deposits  | 33,647                | 34,219                |
| Operating Deficit Reserve   | 85,983                | 85,983                |
| Real Estate Tax and Insurance Escrow  | <u>4,524</u>          | <u>4,683</u>          |
| <br>Total Cash and Restricted Cash  | <br><u>\$ 145,275</u> | <br><u>\$ 215,370</u> |

Supplemental Disclosures of Cash Flow Information:

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Cash Paid During the Year for: |                   |                   |
| Interest                       | <u>\$ 135,193</u> | <u>\$ 139,944</u> |

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

EAGLE POINTE DEVELOPMENT III, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION

Eagle Pointe Development III, L.P. (the Partnership) is a limited partnership organized under the laws of the State of Louisiana. The Partnership was organized in 2004 to develop, construct, own, maintain and operate a sixty-unit apartment complex intended for rental to persons of low and moderate income. The apartment complex, The Villages at Eagle Pointe III, is located in Bossier City, Louisiana. 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 Partnership Agreement (Partnership Agreement) and are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the Louisiana Housing Corporation. 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.

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.

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 per institution. At December 31, 2021, 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.

EAGLE POINTE DEVELOPMENT III, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, accounts receivable is presented net of an allowance for doubtful accounts of \$4,785 and \$7,719, 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.

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.

EAGLE POINTE DEVELOPMENT III, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

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.

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, 2021 and 2020.

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 18, 2022 (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 Deficit Reserve

The General Partner shall establish and at all times maintain an operating deficit reserve in the amount of \$84,623, which shall be a development cost funded from the closing of the permanent financing or from the capital contribution of the Limited Partner made pursuant to the Partnership Agreement. The General Partner shall be permitted to make withdrawals from this account in an amount up to \$3,000 per occurrences (not to exceed a cumulative total of \$25,000). Any withdrawals from this account which exceeds those maximum amounts will need approval from the Special Limited Partner. At December 31, 2021 and 2020, the balance in this account was \$85,983 and \$85,983, respectively.

Debt Service Reserve

In accordance with the Partnership Agreement, the General Partners will establish a Debt Service Reserve account in the amount of \$50,000 from proceeds from the fourth equity installment. Any withdrawals from this account will need approval from the Special Limited Partner. As of December 31, 2021 this account had not been funded.

EAGLE POINTE DEVELOPMENT III, L.P.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2021 AND 2020

NOTE C - RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

Replacement Reserve Escrow

The Partnership shall set aside, in a separate Partnership bank account, a repair and replacement reserve (the "Replacement Reserve Account"), to be funded on a monthly basis at an annual rate equal to \$300 (Increased as of January 1 of each year by the then applicable CPI Adjustment) per residential unit per year. Withdrawals from the Replacement Reserve Account are available only for specified purpose, with prior written consent of the Special Limited Partner and is governed by the Partnership Agreement. Funding amounted to \$26,680 in 2021 and \$24,797 in 2020. Withdrawals amounted to \$74,574 in 2021 and \$62,457 in 2020. At December 31, 2021 and 2020, the balance in this account was \$20,565 and \$68,460, respectively. For the year ended December 31, 2021, \$23,854 was required to be funded to the Replacement Reserve Account. The actual amount funded during 2021 resulted in the account being adequately funded.

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|                                |    |                 |
|--------------------------------|----|-----------------|
| Balance, December 31, 2020     | \$ | 68,460          |
| Deposits:                      |    |                 |
| Monthly Deposits: \$2,050 x 13 |    | 26,650          |
| Interest Earned                |    | 30              |
| Withdrawals:                   |    |                 |
| Repairs                        |    | <u>(74,574)</u> |
| Balance, December 31, 2021     | \$ | <u>20,566</u>   |

Tenant Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the project. At December 31, 2021, this account was funded in an amount greater than the security deposit liability.

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 \$25,239 in 2021 and \$24,894 in 2020. Withdrawals amounted to \$25,398 in 2021 and \$22,539 in 2020. At December 31, 2021 and 2020, the balance in this account was \$4,524 and \$4,683, respectively.

NOTE D - LONG-TERM DEBT

Mortgage Payable

Permanent financing was provided by Home Federal Bank in March 2006 in the original amount of \$2,312,083. The term of the loan is thirty years with a thirty year amortization period. The loan bears interest at 7.5% with monthly principal and interest installments of \$16,166 until March 31, 2036 at which time the note matures and all unpaid balances on the note are due and payable. The non-recourse note is collateralized by the first mortgage on the Partnership's land and buildings.

EAGLE POINTE DEVELOPMENT III, L.P.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2021 AND 2020

NOTE D - LONG-TERM DEBT (CONTINUED)

For the years ended December 31, 2021 and 2020, the partnership maintained a debt service coverage ratio of 35% and 56%, respectively. At December 31, 2021, the loan had an outstanding balance of \$1,743,050 and accrued interest was \$8,238.

Debt issuance costs, net of accumulated amortization, of \$21,901 and \$24,381 as of December 31, 2021 and 2020, respectively, are amortized using an imputed interest rate of 1.67%.

Notes Payable – HOME Funds

The Partnership was approved by the Louisiana Housing Corporation for a HOME Funds loan in the amount of \$422,785 of which the Partnership received \$420,285. The loan bears interest of 4.68%. Monthly principal and interest payments begin on the earlier of payment of the first mortgage or April 1, 2037. The loan is payable over a fifteen-year period and matures on April 1, 2051. At December 31, 2021, the balance of the loan was \$420,285 and accrued interest was \$306,295.

Note Payable – HABC (AHP Loan)

The Partnership entered into a loan agreement with the Housing Authority of the City of Bossier City on December 17, 2017 in the amount of \$190,000. The loan bears interest at a rate of 5.00 % which accrues on the outstanding principal. Amortization of the note and payment of accrued interest shall be made only after payment of Borrower’s operating expenses, the funding of adequate reserves, and the payment of any payments due or outstanding under any Construction or Permanent Financing from an institutional lender and as set forth in the Partnership Agreement. The entire balance of principal and all accrued and unpaid interest shall be due and payable on December 31, 2044. As of December 31, 2021, the balance of the loan was \$190,000 and accrued interest amounted to \$159,917.

Note Payable – HABC (Bridge Loan)

The Partnership entered into a loan agreement with the Housing Authority of the City of Bossier City (HABC), an affiliate of the General Partner, on December 17, 2004 in the amount of \$412,785. The loan bears interest at the Long-Term Applicable Federal Rate which accrues on the outstanding principal. Amortization of the note and payment of accrued interest shall be made only after payment of all Borrower’s operating expenses and the funding of adequate reserves, and the payment of any payments due or outstanding under any Construction or Permanent Financing from an institutional lender and as set forth in the Partnership Agreement. The entire balance of principal and all accrued and unpaid interest shall be due and payable on December 31, 2044. At December 31, 2021, the balance of this loan was \$8,291 and accrued interest was \$2,024.

Principal payments due over the next five years and thereafter are as follows:

| <u>Year Ending</u><br><u>December 31,</u> | <u>Amount</u> |
|---|---------------|
| 2022                                      | \$ 65,489     |
| 2023                                      | 70,573        |
| 2024                                      | 76,052        |
| 2025                                      | 81,956        |
| 2026                                      | 88,318        |
| Thereafter                                | \$ 1,979,239  |



EAGLE POINTE DEVELOPMENT III, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

NOTE E - PARTNERS' CAPITAL

The Partnership has one General Partner – Bossier Housing Corporation, Inc. and two Limited Partners – SCDC, LLC (Special Limited Partner) and Nationwide Affordable Housing Fund 16, LLC (Investor Limited Partner). The Partnership records capital contributions as received.

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Due to Related Parties

During 2013, the Housing Authority of the City of Bossier City (HABC) an affiliate of the General Partner, advanced funds in the amount of \$10,000 for the payment of certain operating expenses. At December 31, 2021 and 2020 the Partnership owed the HABC \$11,050 and \$9,500 respectively. These amounts are included in the financial statements under the caption “Due to Related Parties”.

The Housing Authority of Bossier City paid for operating expenses on behalf of the Partnership. As of December 31, 2021 and 2020 the Partnership owed the HABC \$83,433 and \$58,107, respectively, for reimbursable operating expenses. These amounts are included in the financial statements under the caption “Due to Related Parties”.

Management Agent Fee

The General Partner (Bossier Housing Corporation, Inc.) is under common control with the Housing Authority of the City of Bossier City, a Louisiana Public Housing Authority, the managing agent for the apartment complex. The Management Agent shall be paid a management fee, which consists of (1) a base management fee in the amount not to exceed five (5%) percent of operating revenues, which shall accrue if unpaid (the “Base Management Fee”) and (2) a subordinate management fee in an amount not to exceed three (3%) percent of operating revenues, which shall accrue if not paid (the “Subordinate Management Fee”). The Partnership incurred base management fees of \$25,294 in 2021 and \$24,014 in 2020 and subordinate management fees of \$15,177 in 2021 and \$14,408 in 2020, for services rendered in connection with the leasing, management, and operations of the apartment complex. At December 31, 2021 and 2020, there were accrued Base Management Fees Payable of \$220,959 and \$195,665, respectively, and Subordinate Management Fees Payable of \$137,619 and \$122,442, respectively.

Developer Fee Payable

The Partnership entered into a development services agreement in the amount of \$700,000 with the Bossier Housing Corporation, Inc., the General Partner, to render services for overseeing the construction and development of the complex. The development fee has been capitalized in the basis of the building. The deferred portion of the developer fee bears interest at the Long-Term Applicable Federal Rate for January of each year. For the year end December 31, 2021 and 2020, the Deferred Developer Fee portion totaled \$423,973. At December 31, 2021 and 2020, accrued interest payable on the Deferred Developer Fee totaled \$171,453 and \$171,453, respectively. As of December 31, 2021 and 2020, total developer fee payable was \$468,126 and \$468,126, respectively.

EAGLE POINTE DEVELOPMENT III, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (CONTINUED)

Asset Management Fee

The Partnership shall pay the Special Limited Partner (or to an affiliate thereof) an Asset Management Fee of \$5,000 (increased each year by the applicable CPI adjustment from and after the Admission Date) per annum for its anticipated costs of oversight, management, and administration of its investments in the Project. The Asset Management Fee is due and payable within fifteen days after the end of each calendar quarter to the extent cash is available as provided in the Partnership Agreement. The Asset Management Fee shall be payable only to the extent sufficient cash flow is available pursuant to the Partnership Agreement, and any portion of the Asset Management Fee which cannot be paid shall accrue without interest until there is sufficient cash flow or sale or refinancing transaction proceeds to pay the outstanding accrued amount. The Partnership paid Asset Management Fees of \$5,275 and \$5,214, during the years ended December 31, 2021 and 2020, respectively.

NOTE G - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from capital transactions detailed in the Second Amended and Restated Partnership Agreement, are allocated .010% to the General Partner and 99.989% to the Investor Limited Partner and .001% to the Special Limited Partner. Distributable cash flow is defined in the Partnership Agreement as the excess of operating revenues over the sum of operating expenses and debt service.

Distributions of distributable cash flow for each fiscal year will be made as follows:

- A) To the payment of any unpaid Adjuster Amount determined in accordance with Section 4.2 of the Partnership Agreement;
- B) To the payment of any unpaid Base Management Fee;
- C) To the payment of any unpaid Asset Management Fee;
- D) To the repayment of any outstanding loan to the Partnership made by the Limited Partner;
- E) To replenishment of the Operating Reserve to the extent of any prior disbursements to cover operating deficits;
- F) To the payment of any Deferred Developer Costs due and payable, until paid in full;
- G) To the payment of any unpaid Subordinate Management Fee;
- H) To the repayment of any outstanding General Partner Loans;
- I) To the repayment of any outstanding Operating Deficit Loans;
- J) To the payment of the Secondary Loans as required by the loan documents thereto; and
- K) All remaining Cash Flow shall be distributed 0.01% to the General Partner and 99.99% to the Limited Partners.

EAGLE POINTE DEVELOPMENT III, L.P.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2021 AND 2020

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Villages at Eagle Pointe III Apartments. 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 I – CONTINGENCY

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

NOTE J - TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income (loss) to taxable income (loss) of the Partnership for the years ended December 31, 2021 and 2020 are as follows:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Financial Statement Net Income (Loss)   | \$ (207,526)        | \$ (180,452)        |
| Adjustments:  |                     |                     |
| Excess of depreciation and amortization for financial reporting purposes over income tax purposes | <u>(54,824)</u>     | <u>(54,971)</u>     |
| Taxable Income (Loss) as Shown on Tax Return  | <u>\$ (262,350)</u> | <u>\$ (235,423)</u> |

NOTE K - ADVERTISING

The Partnership incurred advertising costs of \$999 and \$384 in 2021 and 2020, respectively. Advertising costs are expensed as incurred.

NOTE L - 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 taxes. The Bossier Parish Tax Assessor has concurred with this exemption and therefore no real estate taxes have been assessed.

SUPPLEMENTAL INFORMATION

EAGLE POINTE DEVELOPMENT III, L.P.  
SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|                                | <u>2021</u>       | <u>2020</u>       |
|--------------------------------|-------------------|-------------------|
| <b>MAINTENANCE AND REPAIRS</b> |                   |                   |
| Maintenance Salaries           | 21,711            | 10,506            |
| Maintenance Supplies           | 33,046            | 30,667            |
| Maintenance Contracts          | 61,299            | 65,725            |
| Maintenance Other              | 16,679            | 18,336            |
| Grounds Maintenance            | 9,480             | 22,765            |
| Employee Benefits              | 14,924            | 7,585             |
| Total Maintenance and Repairs  | <u>\$ 157,139</u> | <u>\$ 155,584</u> |
| <b>UTILITIES</b>               |                   |                   |
| Water                          | 22,973            | 22,341            |
| Electricity                    | 10,061            | 8,703             |
| Utilities - Vacant Units       | 992               | 1,528             |
| Sewer                          | 21,426            | 21,341            |
| Utilities - Other Expense      | 7,200             | 7,200             |
| Garbage & Trash Removal        | 18,191            | 14,397            |
| Total Utilities                | <u>\$ 80,843</u>  | <u>\$ 75,510</u>  |
| <b>ADMINISTRATIVE</b>          |                   |                   |
| Salaries - Admin. and Mgt.     | 49,814            | 16,795            |
| Clerical Temporary Serv        | -                 | 2,174             |
| Audit Fees                     | 6,000             | 6,000             |
| Advertising                    | 999               | 384               |
| Employee Benefits - Admin      | 23,220            | 8,708             |
| Office Expenses                | 2,848             | 2,053             |
| Bank Charges                   | 964               | 345               |
| Telephone & Internet           | 3,329             | 1,668             |
| Postage / Freight              | 747               | 799               |
| Background Reviews             | 323               | -                 |
| Tax Credit Compliance          | 10,281            | 11,528            |
| Eviction Fees                  | 3,300             | 1,800             |
| Dues and Subscriptions         | 2,953             | 1,684             |
| Professional Services          | 1,040             | -                 |
| Staff Training                 | 2,003             | 240               |
| Labor Expense                  | 5,383             | 1,343             |
| Total Administrative           | <u>\$ 113,204</u> | <u>\$ 55,521</u>  |

EAGLE POINTE DEVELOPMENT III, L.P.  
SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|                                | <u>2021</u>       | <u>2020</u>       |
|--------------------------------|-------------------|-------------------|
| <b>MANAGEMENT FEES</b>         |                   |                   |
| Management Fees                | 25,294            | 24,014            |
| Subordinate Mgmt Fees          | 15,177            | 14,408            |
| Total Management Fees          | <u>\$ 40,471</u>  | <u>\$ 38,422</u>  |
| <b>INSURANCE</b>               |                   |                   |
| Insurance                      | 59                | -                 |
| Gen. Liability Insurance       | 3,155             | 3,155             |
| Property Insurance             | 17,773            | 19,598            |
| Umbrella Policy Insurance      | 2,324             | 2,324             |
| Total Insurance                | <u>\$ 23,311</u>  | <u>\$ 25,077</u>  |
| <b>INTEREST</b>                |                   |                   |
| Interest Expense - Bridge Loan | 217               | 217               |
| Interest on Mortgage Loan      | 132,555           | 138,861           |
| Interest Expense - AHP Grant   | 9,500             | 9,500             |
| Interest Expense - Home Loan   | 18,249            | 19,997            |
| Interest on Loan Fees          | 2,479             | 2,559             |
| Total Interest                 | <u>\$ 163,000</u> | <u>\$ 171,134</u> |
| <b>DEPRECIATION</b>            |                   |                   |
| Depreciation Expense           | 123,105           | 122,215           |
| Total Depreciation             | <u>\$ 123,105</u> | <u>\$ 122,215</u> |

EAGLE POINTE DEVELOPMENT III, L.P.  
SCHEDULES OF SURPLUS CASH  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

|  | <u>2021</u>             | <u>2020</u>             |
|--|-------------------------|-------------------------|
| Tenant Rents                               | 480,717                 | 462,657                 |
| Late Fees, Deposit Forfeitures ,etc.       | <u>19,826</u>           | <u>7,099</u>            |
| <b>Total Operating Revenues</b>            | <b><u>500,543</u></b>   | <b><u>469,756</u></b>   |
| Operating Expenses                         | (701,073)               | (643,463)               |
| Add: Amortization, Depreciation & Interest | 286,105                 | 293,349                 |
| Less Debt Service \$16,166.42 x 12         | (193,997)               | (193,997)               |
| Less Deposits to Replacement Reserve       | (26,650)                | (24,600)                |
| Add: Withdrawals from Replacement Reserve  | <u>74,574</u>           | <u>62,457</u>           |
| <b>Total Expenditures</b>                  | <b><u>(561,041)</u></b> | <b><u>(506,254)</u></b> |
| Surplus Cash                               | <b><u>(60,498)</u></b>  | <b><u>(36,498)</u></b>  |

EAGLE POINTE DEVELOPMENT III, L.P.  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO  
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head Name: Bobby R. Collins, Executive Director of the Housing Authority of the  
City of Bossier City, Louisiana

| <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           |





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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  
Eagle Pointe Development III, 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 Eagle Pointe Development III, L.P., which comprise the balance sheets as of December 31, 2021 and 2020, 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 18, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eagle Pointe Development III, L.P.' 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 Eagle Pointe Development III, L.P.' internal control. Accordingly, we do not express an opinion on the effectiveness Eagle Pointe Development III, L.P.' 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 Eagle Pointe Development III, L.P.' 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 18, 2022