VILLA GARDENS LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

VILLA GARDENS LIMITED PARTNERSHIP

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DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Villa Gardens Limited Partnership (a Louisiana Limited Partnership), which comprise the balance sheets as of December 31, 2023 and 2022 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 present fairly, in all material respects, the financial position of Villa Gardens Limited Partnership as of December 31, 2023 and 2022, and the results of its operations, changes in partners' equity (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Villa Gardens Limited Partnership 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, and for 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 Villa Gardens Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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. 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 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.

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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 Villa Gardens Limited Partnership'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 Villa Gardens Limited Partnership'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 accompanying supplementary information including the Schedule of Expenses, the Schedule of Operating Income and Expense Variances – AMEC Model to Actual Comparisons, the Computation of Surplus Cash, Distributions, and Residual Receipts – LHC – Tax Credit Assistance Program, the TCAP Computation of Surplus Cash, and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of Villa Gardens Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Villa Gardens Limited Partnership'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 Villa Gardens Limited Partnership's internal control over financial reporting and compliance.

Monroe, Louisiana
March 26, 2024

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31,

ASSETS

	2023	2022
CURRENT ASSETS		
Cash-Operating	$ 137,641	$ 29,668
Accounts Receivable - Tenants (Net)	5,015	42,350
Accounts Receivable - Agency Subsidy	-	4,280
Prepaid Expenses	32,311	53,146
Total Current Assets	174,967	129,444
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Operating Reserve	182,802	180,664
Replacement Reserve	87,347	86,325
Tax and Insurance Escrow	87,409	152,665
Tenants' Security Deposits	29,770	33,985
Total Restricted Deposits and Funded Reserves	387,328	453,639
PROPERTY AND EQUIPMENT		
Buildings	5,993,368	5,993,368
Furniture and Equipment	557,374	557,374
Site Improvements	1,355,582	1,355,582
Total	7,906,324	7,906,324
Less: Accumulated Depreciation	(3,280,546)	(3,062,933)
Net Depreciable Assets	4,625,778	4,843,391
Land	415,324	415,324
Total Property and Equipment	5,041,102	5,258,715
OTHER ASSETS		
Utility Deposits	900	900
Total Other Assets	900	900
Total Assets	$ 5,604,297	$ 5,842,698

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

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY

	2023	2022
CURRENT LIABILITIES		
Accounts Payable	$ 10,700	$ 340,016
Deferred Revenue	2,859	6,445
Due To Related Party	294,524	-
Asset Management Fee Payable	24,923	16,369
Accrued Interest Payable - Capital One	82,111	8,337
Current Portion of Long-Term Debt	33,827	33,214
Total Current Liabilities	448,944	404,381
DEPOSITS		
Tenants' Security Deposits	29,770	34,900
Total Deposits	29,770	34,900
LONG-TERM LIABILITIES		
Note Payable - Capital One, Net of Unamortized Debt Issuance Costs	1,280,360	1,288,312
Note Payable - LPTFA	457,614	457,614
Note Payable - LHC TCAP	833,528	833,528
Accrued Interest Payable - LHC TCAP	385,779	351,975
Accrued Partnership Management Fees Payable	117,163	103,383
Total Long-Term Liabilities	3,074,444	3,034,812
Total Liabilities	3,553,158	3,474,093
PARTNERS' EQUITY		
Parners' Equity	2,051,139	2,368,605
Total Partners' Equity	2,051,139	2,368,605
Total Liabilities and Partners' Equity	$ 5,604,297	$ 5,842,698

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

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

	2023	2022
REVENUE		
Rents	$ 422,968	$ 452,906
Vacancies	(20,829)	(13,613)
Concessions	-	(6,835)
Bad Debts	(20,882)	(5,355)
Late Fees, Deposits Forfeitures, etc.	10,940	15,279
Total Revenue	392,197	442,382
EXPENSES		
Maintenance and Repairs	88,404	120,529
Utilities	7,571	4,135
Administrative	55,735	56,006
Management Fees	24,923	23,953
Taxes	18,573	27,472
Insurance	144,393	193,012
Interest	132,539	134,721
Depreciation and Amortization	218,351	227,391
Total Expenses	690,489	787,219
Net Income (Loss) from Operations	(298,292)	(344,837)
OTHER INCOME (EXPENSE)		
Interest Income	3,160	1,119
Asset Management Fees	(8,554)	(8,305)
Partnership Management Fees	(13,780)	(13,333)
Total Other Income (Expense)	(19,174)	(20,519)
Net Income (Loss)	$ (317,466)	$ (365,356)

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

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

		General Partner	Special Limited Partner	Investment Partner
	Total	Lafayette Housing Authority	Hudson SLP, LLC	Hudson Villa Gardens, LP
Partners' Equity (Deficit), December 31, 2021	$ 2,733,961	$ (320)	$ (50,320)	$ 2,784,601
Net Loss	(365,356)	(37)	(37)	(365,282)
Partners' Equity (Deficit), December 31, 2022	2,368,605	(357)	(50,357)	2,419,319
Net Loss	(317,466)	(32)	(32)	(317,402)
Partners' Equity (Deficit), December 31, 2023	$ 2,051,139	$ (389)	$ (50,389)	$ 2,101,917
Profit and Loss Percentages	100.00%	0.01%	0.01%	99.98%

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

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (317,466)	$ (365,356)
Adjustments to Reconcile Net Income (Loss) to Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	218,351	227,391
(Increase)Decrease in Accounts Receivable - Tenants (Net)	37,335	(34,685)
(Increase)Decrease in Accounts Receivable - Agency Subsidy	4,280	(4,280)
(Increase)Decrease in Accounts Receivable - Other	-	1,626
(Increase)Decrease in Prepaid Expenses	20,835	(36,511)
Increase(Decrease) in Accounts Payable	(329,316)	292,770
Increase(Decrease) in Deferred Revenue	(3,586)	(6,218)
Increase(Decrease) in Asset Management Fee Payable	8,554	8,305
Increase(Decrease) in Partnership Management Fee Payable	13,780	13,333
Increase(Decrease) in Accrued Interest Payable	107,578	33,440
Increase(Decrease) in Security Deposit Liability	(5,130)	940
Total Adjustments	72,681	496,111
Net Cash Provided by (Used in) Operating Activities	(244,785)	130,755
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on Long-Term Debt	(8,077)	(30,870)
Net Change in Due To Related Party	294,524	-
Net Cash Provided by (Used in) Financing Activities	286,447	(30,870)
Net Increase (Decrease) in Cash and Cash Equivalents	41,662	99,885
Cash and Cash Equivalents at Beginning of Year	483,307	383,422
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 524,969	$ 483,307

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

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

	2023	2022
Supplemental Disclosures of Cash Flow Information:		
Cash and Cash Equivalents		
Cash-Operating	$ 137,641	$ 29,668
Operating Reserve	182,802	180,664
Replacement Reserve	87,347	86,325
Tax and Insurance Escrow	87,409	152,665
Tenants' Security Deposits	29,770	33,985
Total Cash and Equivalents	$ 524,969	$ 483,307
Cash Paid During the Year for:		
Interest	$ 24,961	$ 101,281

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

NOTE A – REPORTING ENTITY AND OPERATIONS

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

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

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

NOTE B – PARTNERSHIP AND PARTNERS

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

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

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

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

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

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

NOTE B – PARTNERSHIP AND PARTNERS (CONTINUED)

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

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Estimates

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

Cash and Cash Equivalents

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

Cash and Other Deposits

The Partnership has various checking, escrow, and other deposits at various financial institutions. Noninterest-bearing and interest-bearing accounts, in the aggregate, are insured up to $250,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023, there were uninsured deposits of $185,395.

Collateralization Policy for Financial Instruments

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation

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

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

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

Amortization

Organization costs are expensed as incurred. Tax credit costs are amortized over the ten year tax credit period using the straight-line method.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the apartment complex. At December 31, 2023, the tenants' security deposit was funded in an amount equal to the security deposit liability.

Rental Income and Deferred Rents

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

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

Tenant receivables are reported net of an allowance for doubtful accounts. As of December 31, 2023 and 2022, the allowance for doubtful accounts was $0 and $1,295, respectively. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually. The time limit for taxing authorities to examine the Partnership's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit. The Partnership files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The Partnership is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020.

FASB ASC 360, *Property, Plant, and Equipment*

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

NOTE D – NOTE PAYABLE

Permanent Loan – Capital One

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

As of December 31, 2023 and 2022, the Permanent Loan had a balance of $1,354,875 and $1,329,738, with interest accrued of $82,111 and $8,337, respectively.

	2023	2022
Note Payable – Capital One	$ 1,354,875	$ 1,329,738
Less: Unamortized Debt Issuance Costs	(40,688)	(41,426)
Note Payable – Capital One, Net	$ 1,314,187	$ 1,288,312

Note Payable – LPTFA

The Partnership entered into a permanent loan agreement with Lafayette Public Trust Financing Authority on July 16, 2010 (the LPTFA Loan). The maximum loan amount that can be drawn is $463,250. The LPTFA Loan bears no interest and is payable solely from 75% of net cash flow of the Partnership commencing on January 2011. The LPTFA Loan matures on June 30, 2025. The LPTFA Loan is primarily collateralized by a mortgage on real property and a security agreement. As of December 31, 2023 and 2022, the total note payable was $457,614 and $457,614, respectively.

NOTE D – NOTE PAYABLE (CONTINUED)

Note Payable – LHC TCAP

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

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

The balance at December 31, 2023 and 2022 was $833,528 and $833,528, with interest accrued of $385,779 and $351,975, respectively.

Maturities of Long-Term Debt

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

Year Ending December 31	Amount
2024	$ 33,827
2025	$ 494,009
2026	$ 39,158
2027	$ 1,245,495
2028	$ -
Thereafter	$ 833,528

The Partnership's LPTFA loan and LHC TCAP loan are to be repaid from surplus cash. As a result, the aggregate maturities of these loans for the next five years cannot be reasonably estimated.

NOTE E – RELATED PARTY TRANSACTIONS

Asset Management Fee

The Partnership shall pay the Asset Management Fee annually to the Special Limited Partner for property management oversight, tax credit compliance monitoring, and related services. The Asset Management Fee is an annual fee in the amount of $6,000, to be increased annually by three percent (3%) and accrues on a cumulative basis. For the years ended December 31, 2023 and 2022, Asset Management Fees incurred totaled $8,554 and $8,305, respectively. At December 31, 2023 and 2022, Asset Management Fees were owed in the amount of $24,923 and $16,369, respectively.

NOTE E – RELATED PARTY TRANSACTIONS (CONTINUED)

Partnership Management Fees

The Partnership shall pay to the General Partner a cumulative Partnership Management Fee to be increased annually in the amount and priority specified in section 8.10 of the Partnership Agreement to compensate the General Partner for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports. The Partnership Management Fee shall equal $10,000 per year, increasing annually by the CPI percentage. Any unpaid Partnership Management Fee in a given fiscal year shall accrue and be payable from net cash flow available in future years. For the years ended December 31, 2023 and 2022, Partnership Management Fees incurred totaled $13,780 and $13,333, respectively. At December 31, 2023 and 2022, Partnership Management Fees payable totaled $117,163 and $103,383, respectively.

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES

Operating Reserve

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

As of December 31, 2023 and 2022, the Operating Reserve had a balance of $182,802 and $180,664, respectively.

Replacement Reserve

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

Monthly funding of the Replacement Reserve is to commence as of the month following substantial completion of the apartment complex, as defined in the Partnership Agreement. The Partnership shall utilize amounts in the Replacement Reserve to fund major repair, capital expenditures and replacement of capital items for the property, subject to consent of the Special Limited Partner. In the event that the reserve minimum payment to the Replacement Reserve required under the terms of the Partnership Agreement exceeds the amount required by the Construction/Permanent Lender, the Special Limited Partner shall establish a separate account called the SLP Replacement Reserve Account, into which the General Partner shall deposit any such excess. Interest earned on either account shall become part of that account.

In accordance with the TCAP Replacement Reserve Agreement, upon execution and delivery of the TCAP loan documents, the Partnership is required to establish a Replacement Reserve Fund. Commencing on the date the first scheduled monthly payment is due under the TCAP Reserve For Replacement Agreement after

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES (CONTINUED)

Replacement Reserve (Continued)

the conversion and continuing on the same day of each successive month until the end of the Review Period of 60 months after the first scheduled monthly payment date, the Partnership shall pay to LHC or the Permanent Lender of the TCAP Loan $1,075 per month for deposit into the Replacement Reserve Fund, together with any regular monthly payments as required by the TCAP mortgage.

For the year ended December 31, 2023, $18,392 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2023 was $0, which resulted in the account being underfunded by $18,392 for the year ended December 31, 2023. For the year ended December 31, 2022, $17,857 was required to be funded to the Replacement Reserve account. The actual amount funded during the year ended December 31, 2022 was $6,111, which resulted in the account being underfunded by $11,746 for the year ended December 31, 2022. As of December 31, 2023, the account was underfunded by a total amount of $34,076. As of December 31, 2023 and 2022, the Replacement Reserve had a balance of $87,347 and $86,325, respectively.

Replacement Reserve Account activity for the years ended December 31, 2023 and 2022 is as follows:

Replacement Reserve	
Beginning Balance 12/31/2022	$ 102,584
Deposits	6,111
Interest	83
Withdrawals	(22,453)
Ending Balance 12/31/2022	86,325
Deposits	–
Interest	1,022
Withdrawals	(–)
Ending Balance 12/31/2023	$ 87,347

NOTE G – PARTNERS AND CONTRIBUTIONS

Article V of the Partnership Agreement sets forth the capital contributions of the Partners. The General Partner’s, Lafayette Housing Authority, capital contribution is $10. The Special Limited Partner’s, Hudson SLP LLC, capital contribution is $10. The Limited Partner’s, Hudson Villa Gardens LP, capital contribution is $5,999,400. Each of the Partners’ capital contributions are subject to adjustments in accordance with the terms of the Partnership Agreement. The Partnership records capital contributions as received and distributions as paid. During the years ended December 31, 2023 and 2022, there were no capital contributions received. During the years ended December 31, 2023 and 2022, no distributions were paid to the Partners.

NOTE H – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

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

NOTE I – MANAGEMENT FEE

The Partnership pays a property management fee to Latter and Blum Property Management, Inc. equal to six percent (6.0%) of actual rent collections for the preceding month. For the years ended December 31, 2023 and 2022, Management Fees incurred and paid totaled $24,923 and $23,953, respectively. At December 31, 2023 and 2022, Management Fees were owed in the amount of $0 and $0, respectively.

NOTE J – ADVERTISING

During the years ended December 31, 2023 and 2022, advertising costs were incurred in the amount of $244 and $645, respectively. Advertising costs are expensed as incurred.

NOTE K – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income (loss) to taxable loss of the Partnership for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Financial statement net income (loss)	$ (317,466)	$ (365,356)
Adjustments:		
Excess of depreciation for income tax purposes over financial reporting purposes	14,919	23,959
Timing difference in income/expense Recognition	–	–
Taxable loss shown on tax return	$ (302,547)	$ (341,397)

NOTE L – PROPERTY TAXES

The Partnership is exempt from paying property taxes and therefore did not incur property taxes for the years ended December 31, 2023 and 2022.

NOTE M – CONTINGENCY

The Partnership's Low Income Housing Tax Credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with the 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 N – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Villa Gardens. The Partnership's operations are concentrated in the low-income 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 and state regulatory agencies, including but not limited to, the state housing financing agency. Such administrative directives, rules and regulations are subject to change by federal and state agencies. Such changes may occur with little notice or inadequate funding to pay for related cost, including the additional administrative burden, to comply with a change.

NOTE O – SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through March 26, 2024, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

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

	2023	2022
MAINTENANCE AND REPAIRS		
Salaries	$ 35,530	$ 62,241
Repairs Contract	9,206	8,831
Supplies	16,151	16,409
Painting & Decorating	111	226
Cleaning	1,449	136
Grounds	20,640	20,284
Garbage and Trash Removal	4,421	4,591
Services	665	7,811
Miscellaneous	231	-
Total Maintenance and Repairs	$ 88,404	$ 120,529
UTILITIES		
Electricity	$ 6,250	$ 3,409
Water and Sewer	1,321	726
Total Utilities	$ 7,571	$ 4,135
ADMINISTRATIVE		
Manager Salaries	$ 26,379	$ 29,331
Advertising	244	645
Bank Charges	1,792	681
Office Expense	4,224	2,928
Telephone	2,080	2,259
Travel	51	1,980
Bookkeeping/Accounting	2,681	1,347
Legal and Professional Fees	14,923	13,571
Other Administrative Expenses	3,361	3,264
Total Administrative	$ 55,735	$ 56,006
TAXES		
Payroll Taxes	$ 18,573	$ 27,472
Total Taxes	$ 18,573	$ 27,472
INSURANCE		
Property and Liability Insurance	$ 144,268	$ 189,270
Employee Benfits	125	3,742
Total Insurance	$ 144,393	$ 193,012
INTEREST EXPENSE		
Interest on Mortgage	$ 98,735	$ 100,917
Interest on Mortgage - LHC TCAP	33,804	33,804
Total Interest Expense	$ 132,539	$ 134,721

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Project Name: VILLA GARDENS

3.00% **Inflation Rate for Income/Expenses**
2.50% **Inflation Rate for Replacement Reserve**

		2023 Year 13 AMEC Model	2023 Year 13 Actual	Explanation of Variances Exceeding 5.00%
Income Statement				
Rental Income		*-22%*		
	Residential-			
5121	Rental Income GROSS VACANCY	$ 538,852	$ 422,968	
5121	Rental Income NET VACANCY	-	-	
5190	Other	-	-	
5140	Stores & Commercial-	-	-	
Total Rental Income:		**538,852**	**422,968**	
Vacancies: Enter as Negative		*-45%*		
5220	Apartments-	(37,720)	(20,829)	
5240	Stores & Commercial-	-	-	
5270	Garage & Parking Spaces-	-	-	
5290	Miscellaneous Concessions-	-	-	
Total Vacancies:		(37,720)	(20,829)	
Net Rental Income:		**501,132**	**402,139**	
Other Income & Bad Debt		*-370%*		
5910	Laundry & Vending-	-	-	
6370	Apartment Bad Debt- Enter as Neg.	-	(20,882)	
6370	Commercial Bad Debt- Enter as Neg.	-	-	
5920	NSF, Damages & Late Charges, Other-	3,678	10,940	
Total Other Income:		**3,678**	**(9,942)**	
EFFECTIVE GROSS INCOME		**504,811**	**392,197**	
Admin. Exps		*-32%*		
6210	Advertising-	1,754	244	
6250	Admin. Exps.-	-	7,948	
6310	Office Salaries-	33,876	-	
6311	Office Supplies-	-	3,560	
6320	Management Fee-	30,273	24,923	
6330	Management or Super. Sal.-	46,736	26,379	
6331	Mgmt. or Super. Free Rent Unit-	-	-	
6340	Legal Expenses (Project)-	-	-	
6350	Auditing Exps. (Project)-	10,694	14,923	
6351	Bookkeeping Fees/Acct. Services-	-	2,681	
6390	LHFA Asset Management Fee	7,128	8,554	
Total Admin. Less Management Fee/Asset Management Fee		100,188	55,735	
Total Admin. Exps.:		130,461	89,212	
Utilities Expense		*8%*		
6420	Fuel Oil/Coal-	-	-	
6420	Fuel for Domestic Hot Water-	-	-	
6450	Electricity (Light & Misc. Power)-	4,989	6,250	
6451	Water-	-	438	
6452	Gas-	1,997	-	
6453	Sewer-	-	883	
Total Utilities Exps.:		6,986	7,571	

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Project Name: VILLA GARDENS

3.00% **Inflation Rate for Income/Expenses**
2.50% **Inflation Rate for Replacement Reserve**

		2023 Year 13 AMEC Model	2023 Year 13 Actual	Explanation of Variances Exceeding 5.00%
O & M Expenses		*40%*		
6510	O&M Payroll-	17,339	35,530	
6515	O&M Supplies-	3,565	7,809	
6520	O&M Contract-	8,555	29,154	
6525	Garbage & Trash Removal-	3,620	4,421	
6530	Security Payroll/Contract-	-	-	
6545	Elevator Maintenance/Contract-	-	-	
6546	HVAC R & M-	7,841	11,490	
6570	Other Expenses-	4,989	-	
6590	Misc. O & M Expenses-	-	-	
	Neighborhood Network-	17,110	-	
Total O & M Expenses:		63,019	88,404	
Taxes & Insurance		*141%*		
6710	Real Estate Taxes-	-	-	
6711	Payroll Taxes (FICA)-	3,565	18,573	
6719	Misc. Taxes, Licenses, & Permits-	-	-	
6720	Property & Liability Insurance-	53,466	144,268	
6721	Fidelity Bond Insurance-	-	-	
6722	Workmen's Compensation-	3,565	-	
6723	Health Ins. & Other Emp.Benefits-	6,942	125	
6279	Other Insurance-	-	-	
Total Taxes & Insurance:		67,538	162,966	
		30%		
TOTAL OPERATING EXPENSES:		**268,005**	**348,153**	
NET OPERATING INCOME:		**$ 236,806**	**$ 44,044**	
		-100%		
Replacement Reserves		$ 17,349	$ -	
ADJUSTED NET OPERATING INCOME		**$ 219,457**	**$ 44,044**	

VILLA GARDENS LIMITED PARTNERSHIP
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS -
LHC - TAX CREDIT ASSISTANCE PROGRAM
DECEMBER 31, 2023

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

Computation of Surplus Cash, Distributions and Residual Receipts

Project Name:	Fiscal Period Ended:	Project Number:
Villa Gardens	12/31/2023	

Part A - Compute Surplus Cash		
Cash		
1. Cash (Accounts 1110, 1120, 1191, 1192)	$ 167,411	
2. Tenant subsidy vouchers due for period covered by financial statement	$ -	
3. Other (describe)	$ -	
(a) Total Cash (Add Lines 1, 2 and 3)		$ 167,411
Current Obligations		
4. Accrued mortgage interest payable	$ 82,111	
5. Delinquent mortgage principal payments	$ -	
6. Delinquent deposits to reserve for replacements	$ 34,076	
7. Accounts payable (due within 30 days)	$ 10,700	
8. Loans and notes payable (due within 30 days)	$ 2,725	
9. Deficient Tax Insurance or MIP Escrow Deposits	$ -	
10. Accrued expenses (not escrowed)	$ -	
11. Prepaid Rents (Account 2210)	$ 2,859	
12. Tenant security deposits liability (Account 2191)	$ 29,770	
13. Other (Deferred Insurance Proceeds)	$ -	
(b) Less Total Current Obligations (Add Lines 4 through 13)		$ 162,241
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))		$ 5,170
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Surplus Cash		$ 5,170
Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	$ -	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	$ -	
2c. Distributions Paid During Fiscal Period Covered by Statement	$ -	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	$ -	
4. Amount Available for Distribution During Next Fiscal Period		$ 5,170
5. Deposit Due Residual Receipts (Must be deposited with mortgagee within 60 days after fiscal period ends)		$ -

Prepared By		Reviewed By	
Loan Technician	**Date**	**Loan Servicer**	**Date**

VILLA GARDENS LIMITED PARTNERSHIP
TCAP COMPUTATION OF SURPLUS CASH
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash from FY 2023 Operations:			
FY 2023 Rent Revenues	$	392,197	
FY 2023 Interest Income		3,160	
FY 2023 Other Income		-	
Subtotal A		**395,357**	
Less:			
FY 2023 Operating Expenses		339,599	
Debt Service due in FY 2023		132,156	
FY 2023 Required Replacement Reserves Deposit		18,393	
Payments for Capital Expenditures		-	
Subtotal B		**490,148**	
FY 2023 Surplus Cash (Subtotal A - Subtotal B)	$	(94,791)	See Note (a).
FY 2023 TCAP Payment Due - See Note (b) below. *		**0**	75% of FY 2023 Surplus Cash

NOTES:

(a) As used here, Surplus Cash means all operating revenue earned in FY 2023 in excess of (i) FY 2023 operating expenses (excluding depreciation), (ii) debt service due in FY 2023, (iii) required deposits in FY 2023 to the replacement reserves and (iv) any other required reserve deposits in FY 2023. Foley & Judell, L.L.P., as Asset Manager, will review the audit and adjust the operating budget, if necessary, to eliminate non-operating items such as capital expenditures, distributions, excessive payments to related parties, etc. No TCAP payment is required if a Deferred Developer Fee is shown or if Subtotal B exceeds Subtotal A.

(b) Annual Installments. Payments of interest and principal under the TCAP Note shall be made in annual installments (each, an “Annual Installment”) to be paid to LHFA on or before April 1 of each calendar year of the TCAP Loan Term commencing April 1, 2012 (a “Payment Date”). Each Annual Installment shall equal seventy-five percent (75%) of Surplus to be paid solely from Surplus Cash (as described in the TCAP Loan Agreement) to the extent Surplus Cash is generated from the operation of the Project. Notwithstanding the foregoing to the contrary, all outstanding Indebtedness under the TCAP Note is due on the Maturity Date (TCAP Promissory Note Sec. 3(a)).

* TCAP payment is subordinated to required payment to LPTFA.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Villa Gardens Limited Partnership, which comprise the balance sheet as of December 31, 2023, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villa Gardens Limited Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

OFFICE 318.361.9600 | FAX 1.888.520.9614 | WWW.LITTLEANDASSOC.NET | 805 N. 31ST STREET, MONROE, LA 71201

Purpose of this Report

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

Monroe, Louisiana
March 26, 2024

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VILLA GARDENS LIMITED PARTNERSHIP

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Villa Gardens Limited Partnership
Schedule of Findings and Responses
For the Year Ended December 31, 2023

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statement Audit

Type of auditors' report issued:		Unmodified
Internal Control over financial reporting: Material Weaknesses identified?	___ Yes	_X_ No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	_X_ None Noted
Noncompliance material to financial statements noted?	___ Yes	_X_ None Noted

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None

Schedule 2

Villa Gardens Limited Partnership
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

The status of the prior year audit findings are summarized as follows:

None