

EAGLE POINTE DEVELOPMENT II, L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

EAGLE POINTE DEVELOPMENT II, L.P.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Eagle Pointe Development II, L.P., (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 referred to above present fairly, in all material respects, the financial position of Eagle Pointe Development II, L.P. as of December 31, 2023 and 2022, 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 II, 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 II, 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 II, 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 II, 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 March 09, 2024, on our consideration of Eagle Pointe Development II, 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 II, 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 II, L.P.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Bond + Jousignant, LLC".

Monroe, Louisiana
March 09, 2024

EAGLE POINTE DEVELOPMENT II, L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 19,719	\$ 8,083
Accounts Receivable - Tenants	100	766
Prepaid Expenses	26,771	25,808
Total Current Assets	<u>46,590</u>	<u>34,657</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement Reserve Escrow	27,242	71,863
Tenants' Security Deposits	26,872	23,767
Real Estate Tax and Insurance Escrow	741	19,305
Total Restricted Deposits and Funded Reserves	<u>54,855</u>	<u>114,935</u>
PROPERTY AND EQUIPMENT		
Buildings	3,705,584	3,705,584
Land Improvements	437,279	428,290
Furniture and Equipment	208,627	208,627
Total	4,351,490	4,342,501
Less: Accumulated Depreciation	(2,046,096)	(1,931,300)
Net Depreciable Assets	2,305,394	2,411,201
Land	10,500	10,500
Total Property and Equipment	<u>2,315,894</u>	<u>2,421,701</u>
OTHER ASSETS		
Tax Credit Fees	31,523	31,523
Syndication Cost	47,000	47,000
Less: Accumulated Depreciation	(31,523)	(31,523)
Net Amortizable Assets	47,000	47,000
Total Other Assets	<u>47,000</u>	<u>47,000</u>
TOTAL ASSETS	<u>\$ 2,464,339</u>	<u>\$ 2,618,293</u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' EQUITY

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 204,905	\$ 109,729
Prepaid Rent	890	1,922
Accrued Interest Payable	4,501	5,101
Asset Management Fees Payable	1,839	1,716
Current Portion of Long-Term Debt	49,267	46,017
Total Current Assets	<u>261,402</u>	<u>164,485</u>
DEPOSITS		
Tenants' Security Deposits	<u>9,662</u>	<u>9,414</u>
Total Deposits	<u>9,662</u>	<u>9,414</u>
LONG-TERM LIABILITIES		
Mortgage Payable	912,238	958,559
Notes Payable - HABC (AHP Loan)	252,548	252,548
Accrued Interest - HABC	77,796	71,785
Total Long-Term Liabilities	<u>1,242,582</u>	<u>1,282,892</u>
Total Liabilities	<u>1,513,646</u>	<u>1,456,791</u>
PARTNERS' EQUITY		
Partners' Equity (Deficit)	<u>950,693</u>	<u>1,161,502</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u><u>\$ 2,464,339</u></u>	<u><u>\$ 2,618,293</u></u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUE		
Tenant Rents	\$ 392,763	\$ 372,973
Late Fees, Deposit Forfeitures, Etc.	14,069	11,926
Total Revenue	<u>406,832</u>	<u>384,899</u>
EXPENSES		
Maintenance and Repairs	188,435	98,660
Utilities	63,723	71,456
Administrative	86,425	83,267
Management Fees	40,305	37,915
Insurance	38,160	23,805
Interest	78,503	82,233
Depreciation and Amortization	114,796	114,048
Total Expenses	<u>610,347</u>	<u>511,384</u>
Income (Loss) from Rental Operations	<u>(203,515)</u>	<u>(126,485)</u>
OTHER INCOME AND (EXPENSES)		
Interest Income	60	82
Asset Management Fee	(7,354)	(6,866)
Total Other Income (Expense)	<u>(7,294)</u>	<u>(6,784)</u>
Net Income (Loss)	<u>\$ (210,809)</u>	<u>\$ (133,269)</u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>Total</u>	<u>GENERAL PARTNER</u>	<u>LIMITED PARTNERS</u>	
		<u>Bossier Housing Corporation, Inc.</u>	<u>SCDC, LLC</u>	<u>Nationwide Affordable Housing Fund 33, LLC</u>
Partners' Equity (Deficit), January 1, 2022	\$ 1,294,771	\$ (144)	\$ (16)	\$ 1,294,931
Net Income (Loss)	<u>(133,269)</u>	<u>(13)</u>	<u>(1)</u>	<u>(133,255)</u>
Partners' Equity (Deficit), December 31, 2022	\$ 1,161,502	\$ (157)	\$ (17)	\$ 1,161,676
Net Income (Loss)	<u>(210,809)</u>	<u>(21)</u>	<u>(2)</u>	<u>(210,786)</u>
Partners' Equity (Deficit), December 31, 2023	<u>\$ 950,693</u>	<u>\$ (178)</u>	<u>\$ (19)</u>	<u>\$ 950,890</u>
Profit and Loss Percentages	<u>100.00%</u>	<u>0.01%</u>	<u>0.001%</u>	<u>99.989%</u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (210,809)	\$ (133,269)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	114,796	114,048
(Increase) Decrease in:		
Accounts Receivable - Tenants	666	1,041
Prepaid Expense	(963)	(10,574)
Increase (Decrease) in:		
Accounts Payable	95,176	84,192
Prepaid Rent	(1,032)	(780)
Accrued Interest Payable	(600)	(4)
Asset Management Fee Payable	123	109
Tenants' Security Deposits	249	(686)
Net Cash Provided (Used) by Operating Activities	<u>(2,394)</u>	<u>54,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(8,990)	(10,610)
Net Cash Provided (Used) by Investing Activities	<u>(8,990)</u>	<u>(10,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Mortgage Payable	(44,963)	(41,891)
Interest on Loan Fees	1,892	1,957
Increase (Decrease) in Accrued Interest - HABC (AHP) Loan	6,011	6,010
Net Cash Provided (Used) by Financing Activities	<u>(37,060)</u>	<u>(33,924)</u>
Net Increase (Decrease) in Cash and Restricted Cash	(48,444)	9,543
Cash and Restricted Cash, Beginning of Year	<u>123,018</u>	<u>113,475</u>
Cash and Restricted Cash, End of Year	<u>\$ 74,574</u>	<u>\$ 123,018</u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
 STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</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	\$ 19,719	\$ 8,083
Replacement Reserve Escrow	27,242	71,863
Tenants' Security Deposits	26,872	23,767
Real Estate Tax and Insurance Escrow	741	19,305
	<u>74,574</u>	<u>123,018</u>
Total Cash and Restricted Cash	<u>\$ 74,574</u>	<u>\$ 123,018</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 71,200</u>	<u>\$ 74,270</u>

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

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION

Eagle Pointe Development II, L.P. (the Partnership) is a limited partnership organized under the laws of the State of Louisiana. The Partnership was organized in 2001 to develop, construct, own, maintain and operate a forty-eight-unit apartment complex intended for rental to persons of low and moderate income. The apartment complex, The Villages at Eagle Pointe II Apartments, 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 Second 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, 2023, the Partnership had no uninsured deposits.

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or moved out are charged with damages or cleaning fees, if applicable. Tenant receivable consists of amounts due for rental income, security deposit, or the charges for damages and cleaning fees. The Partnership does not accrue interest on the tenant receivable balances. The Partnership provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Partnership's estimate is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that the Partnership's estimate of the allowance for doubtful accounts will change. At December 31, 2023 and 2022, accounts receivable is presented net of an allowance for doubtful accounts of \$0 and \$0, respectively.

Capitalization and Depreciation

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Land Improvements	20 years
Furniture and Equipment	10 years

Amortization

Permanent closing fees resulting from legal costs incurred during closing to permanent financing are amortized over the term of the loan using the straight-line method.

Organization costs are expensed as incurred.

Tax credit monitoring fees are amortized over the fifteen-year Low-Income Tax Credit Compliance period, using the straight-line method.

Debt Issuance Costs

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

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023 and 2022.

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 March 09, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE C - RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement Reserve Escrow

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 (such funding requirement shall be inclusive of any reserve funding requirement set forth in the permanent mortgage for the same purpose as the Replacement Reserve). 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

EAGLE POINTE DEVELOPMENT II, L.P.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE C - RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

\$19,544 in 2023 and \$19,575 in 2022. Withdrawals amounted to \$64,165 in 2023 and \$29,116 in 2022. At December 31, 2023 and 2022, the balance in this account was \$27,242 and \$71,863, respectively. For the year ended December 31, 2023, \$21,162 was required to be funded to the Replacement Reserve Account. The actual amount funded during 2023 resulted in the account not being adequately funded.

Replacement Reserve (Continued)

Balance, December 31, 2022	\$	\$71,863
Deposits:		
Monthly Deposits: \$1,624.80 x 12		19,497
Extra Deposits		-
Interest Earned		47
Withdrawals:		
Maintenance		<u>(64,165)</u>
Balance, December 31, 2023	\$	<u>27,242</u>

Tenant Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the project. At December 31, 2023, 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 \$20,329 in 2023 and \$16,935 in 2022. Withdrawals amounted to \$38,893 in 2023 and \$1,552 in 2022. At December 31, 2023 and 2022, the balance in this account was \$741 and \$19,305, respectively.

NOTE D - LONG-TERM DEBT

Mortgage Payable

Permanent financing was provided by Home Federal Bank in February 2008 in the original amount of \$1,455,000. The term of the loan is eighteen years with a thirty year amortization period. The loan bears interest at 7.00% with monthly principal and interest installments of \$9,680, and one irregular last payment in the year 2026. The non-recourse note is collateralized by the first mortgage on the Partnership's land and buildings. For the years ended December 31, 2023 and 2022, the partnership maintained a debt service coverage ratio of 9% and 47%, respectively. At December 31, 2023, the loan had an outstanding balance of \$977,937 and accrued interest was \$4,501.

Debt issuance costs, net of accumulated amortization, of \$16,432 and \$18,324 as of December 31, 2023 and 2022, respectively, are amortized using an imputed interest rate of 2.06%.

EAGLE POINTE DEVELOPMENT II, L.P.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE D - LONG-TERM DEBT (CONTINUED)

Note Payable – HABC (AHP Loan)

The Partnership entered into a loan agreement with the Housing Authority of the City of Bossier City (an affiliate of the General Partner) in the principal amount of \$264,000 bearing interest at a rate equal to the Applicable Federal Rate (2.38% at December 31, 2012) per annum. Interest on the AHP loan shall begin accruing on the date of the first disbursement of funds and compounded semi-annually on the last day of June and December each year. Interest and principal shall be deferred and shall be due and payable as the income and cash flow permits, as set forth in the Amended and Restated Limited Partnership Agreement.

The entire balance of principal and all accrued and unpaid interest shall be due and payable on December 31, 2046. The note is secured by an Open-End Mortgage granting to lender a security interest in Borrower’s interest in the property. At December 31, 2023, the balance of this loan was \$252,548 and accrued interest was \$77,796.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2024	\$ 49,267
2025	52,828
2026	875,842
2027	-
2028	-
Thereafter	\$ 252,548

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 33, LLC. (Investor Limited Partner) The Partnership records capital contributions as received.

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fees

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

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

(1) a base management fee in the amount not to exceed six (6%) 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 four (4%) percent of operating revenues, which shall accrue if not paid (the “Subordinate Management Fee”). The Partnership incurred base management fees of \$24,183 in 2023 and \$22,749 in 2022 and subordinate management fees of \$16,122 in 2023 and \$15,166 in 2022, for services rendered in connection with the leasing, management, and operations of the apartment complex. At December 31, 2023 and 2022, there were accrued Base Management Fees Payable of \$0 and \$0, respectively, and Subordinate Management Fees Payable of \$0 and \$0, respectively.

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 \$7,354 and \$6,866, during the years ended December 31, 2023 and 2022, respectively.

NOTE G - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses, other than from capital transactions detailed in the Amended and Restated Partnership Agreement, are allocated .01% to the General Partner and 99.99% to the Limited Partners. 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 Adjustment 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 Development Costs due and payable, until paid in full;
- G) To the payment of any unpaid Subordinate Management Fee;

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE G - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS (CONTINUED)

- H) To the payment of Secondary Loans;
- I) To the repayment of any outstanding General Partner Loans;
- J) To the repayment of any outstanding Operating Deficit Loans
- K) All remaining Cash Flow shall be distributed 0.01% to the General Partner and 99.99% to the Limited Partners.

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership’s sole asset is Villages at Eagle Pointe II 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Financial Statement Net Income (Loss)	\$ (210,809)	\$ (133,269)
Adjustments:		
Excess of depreciation and amortization for income tax purposes over financial reporting purposes	<u>(2,332)</u>	<u>(45,435)</u>
Taxable Income (Loss) as Shown on Tax Return	<u>\$ (213,141)</u>	<u>\$ (178,704)</u>

EAGLE POINTE DEVELOPMENT II, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE K - ADVERTISING

The Partnership incurred advertising costs of \$682 and \$915 in 2023 and 2022, 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 II, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
MAINTENANCE AND REPAIRS		
Maintenance Salaries	26,278	17,594
Maintenance Supplies	43,603	26,691
Maintenance Contracts	64,144	35,410
Maintenance Other	24,870	255
Grounds Maintenance	14,508	8,585
Employee Benefits	15,032	10,125
Total Maintenance and Repairs	<u>\$ 188,435</u>	<u>\$ 98,660</u>
UTILITIES		
Water	16,218	21,383
Electricity	8,371	8,826
Utilities - Vacant Units	1,279	855
Sewer	15,643	20,592
Utilities - Other Expense	5,760	5,786
Garbage & Trash Removal	16,452	14,014
Total Utilities	<u>\$ 63,723</u>	<u>\$ 71,456</u>
ADMINISTRATIVE		
Salaries - Admin. and Mgt.	31,573	32,647
Audit Fees	6,500	6,000
Advertising	682	915
Employee Benefits - Admin	12,993	15,796
Office Expenses	3,686	1,717
Bank Charges	554	95
Telephone & Internet	2,539	2,506
Postage / Freight	511	582
Travel	97	91
Background Reviews	483	333
Tax Credit Compliance	9,654	9,219
Eviction Fees	2,900	2,000
Dues and Subscriptions	513	2,598
Professional Services	-	362
Staff Training	845	232
Software	2,634	-
Labor Expense	2,202	4,957
Collection Losses	8,059	3,217
Total Administrative	<u>\$ 86,425</u>	<u>\$ 83,267</u>

EAGLE POINTE DEVELOPMENT II, L.P.
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
MANAGEMENT FEES		
Management Fees	24,183	22,749
Subordinate Mgmt Fees	16,122	15,166
Total Management Fees	<u>\$ 40,305</u>	<u>\$ 37,915</u>
INSURANCE		
Gen. Liability Insurance	3,014	2,524
Property Insurance	34,836	19,422
Umbrella Policy Insurance	310	1,859
Total Insurance	<u>\$ 38,160</u>	<u>\$ 23,805</u>
INTEREST		
Interest on Mortgage Loan	70,600	74,265
Interest Expense - AHP Grant	6,011	6,011
Interest on Loan Fees	1,892	1,957
Total Interest	<u>\$ 78,503</u>	<u>\$ 82,233</u>
DEPRECIATION		
Depreciation Expense	114,796	114,048
Total Depreciation	<u>\$ 114,796</u>	<u>\$ 114,048</u>

EAGLE POINTE DEVELOPMENT II, L.P.
SCHEDULE OF SURPLUS CASH
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Tenant Rents	392,763	372,973
Late Fees, Deposit Forfeitures ,etc.	<u>14,069</u>	<u>11,926</u>
Total Operating Revenues	<u>406,832</u>	<u>384,899</u>
Operating Expenses	(610,347)	(511,384)
Add: Amortization, Depreciation & Interest	193,299	196,281
Less Debt Service \$9,680.15 x 12	(116,162)	(116,162)
Less Deposits to Replacement Reserve	(19,498)	(19,498)
Add: Withdrawals from Replacement Reserve	<u>64,165</u>	<u>29,116</u>
Total Expenditures	<u>(488,543)</u>	<u>(421,647)</u>
Surplus Cash	<u>(81,711)</u>	<u>(36,748)</u>

EAGLE POINTE DEVELOPMENT II, L.P.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2023

Agency Head Name: Bobby R. Collins, Executive Director of the Housing Authority of the
City of Bossier City, Louisiana for the year ended December 31, 2023.

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

B&T BOND & TOUSIGNANT, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 II, 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 II, L.P., 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, and have issued our report thereon dated March 09, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eagle Pointe Development II, 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 II, L.P.' internal control. Accordingly, we do not express an opinion on the effectiveness Eagle Pointe Development II, 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 II, 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
March 09, 2024