Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

(a Michigan limited partnership)

Financial Report
with Additional Information
December 31, 2020

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Contents

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Independent Auditor's Report

To the Partners
Woodbridge ILF Associates Limited Dividend
Housing Association Limited Partnership

We have audited the accompanying financial statements of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2020 and 2019 and the related statements of operations, partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 3, 2021

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Balance Sheet

December 31, 2020 and 2019

	2020	2019
Assets		
Cash	$ 468	$ 250
Accounts receivable:		
Trade - HUD	19,771	11,745
Tenant	6,097	7,463
Other	5,944	17,330
Funded reserves: (Note 3)		
Operating reserve	172,554	172,489
Replacement reserve	77,453	121,879
Insurance reserve	18,632	18,656
Tax reserve	28,378	28,413
PHA reserve	205,446	206,480
Supplemental reserve	312,219	312,052
Tenant security deposits (Note 5)	26,288	30,481
Prepaid expenses and other current assets	3,296	-
Investment in rental property - At cost:		
Land	291,667	291,667
Land improvements	1,217,292	1,217,292
Buildings	11,420,338	11,420,338
Machinery and equipment	143,658	127,952
Furniture and fixtures	997,720	909,291
Construction in progress	-	53,745
Total land, building, and equipment - At cost	14,070,675	14,020,285
Less accumulated depreciation	6,028,183	5,636,760
Net land, building, and equipment	8,042,492	8,383,525
Total assets	**$ 8,919,038**	**$ 9,310,763**
Liabilities and Partners' Equity		
Liabilities		
Accounts payable:		
Trade	$ 54,334	$ 72,230
Related parties (Note 4)	112,220	32,864
Prepaid rent	2,290	3,968
Accrued liabilities:		
Accrued compensation (Note 4)	4,506	929
Accrued interest (Note 6)	3,995,899	3,614,850
Accrued payment in lieu of taxes	31,800	11,025
Accrued insurance	-	7,317
Mortgage note payable - Net of deferred financing costs (Note 6)	3,683,357	3,682,369
Tenant security deposits (Note 5)	26,205	26,459
Total liabilities	7,910,611	7,452,011
Partners' Equity	1,008,427	1,858,752
Total liabilities and partners' equity	**$ 8,919,038**	**$ 9,310,763**

See notes to financial statements.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Statement of Operations

Years Ended December 31, 2020 and 2019

	2020	2019
Revenue		
Rental income	$ 746,631	$ 698,162
Vacancy loss	(61,457)	(46,575)
Other income	37,317	52,008
Net revenue	722,491	703,595
Operating Expenses		
Bad debt expense	3,338	4,245
Insurance	73,108	61,522
Management fees (Note 4)	36,321	34,342
Office expenses	10,797	5,571
Repairs and maintenance	79,791	57,886
Salaries and employee benefits (Note 4)	78,510	110,737
Security	101,596	56,910
Supplies	24,577	9,065
Taxes - Payroll	10,578	8,121
Payments in lieu of taxes	31,557	22,557
Utilities (Note 7)	188,656	143,665
Administrative	155,420	155,182
Total operating expenses	794,249	669,803
Operating (Loss) Income - Before depreciation and nonoperating expense	(71,758)	33,792
Depreciation	391,423	380,331
Nonoperating Expense		
Partnership asset management fee (Note 4)	(5,000)	(5,000)
Interest expense	(382,144)	(363,278)
Total nonoperating expense	(387,144)	(368,278)
Net Loss	**$ (850,325)**	**$ (714,817)**

Statement of Partners' Equity (Deficit)

Years Ended December 31, 2020 and 2019

	General Partner	Limited Partner	Total
Balance - January 1, 2019	$ (8,546)	$ 2,582,115	$ 2,573,569
Net loss	(714)	(714,103)	(714,817)
Balance - December 31, 2019	(9,260)	1,868,012	1,858,752
Net loss	(850)	(849,475)	(850,325)
Balance - December 31, 2020	**$ (10,110)**	**$ 1,018,537**	**$ 1,008,427**

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net loss	$ (850,325)	$ (714,817)
Adjustments to reconcile net loss to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation	391,423	380,331
Bad debt expense	3,338	4,245
Interest expense from deferred financing costs	988	988
Deferred interest	381,049	362,214
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Accounts receivable	1,388	(14,911)
Prepaid expenses	(3,296)	-
Accounts payable	(17,896)	61,430
Accrued payment in lieu of taxes (PILOT)	20,775	(9,874)
Tenant security deposits liability	(254)	(1,405)
Other accrued liabilities	(8,995)	1,280
Accrued payroll	3,577	(6,368)
Net cash, cash equivalents, and restricted cash (used in) provided by operating activities	(78,228)	63,113
Cash Flows Used in Investing Activities - Purchase of property and equipment	(50,390)	(120,138)
Cash Flows Provided by Financing Activities - Advances from affiliates	79,356	15,996
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(49,262)	(41,029)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	890,700	931,729
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 841,438**	**$ 890,700**
Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash	$ 468	$ 250
Funded reserves:		
Operating reserve	172,554	172,489
Replacement reserve	77,453	121,879
Insurance reserve	18,632	18,656
Tax reserve	28,378	28,413
PHA reserve	205,446	206,480
Supplemental reserve	312,219	312,052
Tenant security deposits	26,288	30,481
Total cash, cash equivalents, and restricted cash	**$ 841,438**	**$ 890,700**

Note 1 - Nature of Business

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed on June 30, 2004 under the Michigan Uniform Limited Partnership Act for the purpose of acquiring, owning, constructing, and operating a rental housing project under the HOPE VI Implementation Grant Agreement (HOPE VI) regulated by the Detroit Housing Commission (DHC) and the U.S. Department of Housing and Urban Development (HUD). The project consists of 100 units located in Detroit, Michigan and is currently operating under the name The Village of Woodbridge Manor (the "Project"). The Project was completed in January 2006.

Agreements with the DHC and HUD provide for the regulation of rental charges, restrictions on disposition of property, and limitations on annual cash distributions to partners.

The Partnership has qualified for and was allocated annual low-income housing tax credit of $1,324,550 on June 5, 2003 pursuant to Internal Revenue Code Section 42, which regulates the use of the Project's units as to occupant eligibility and unit gross rent, among other requirements. The Project's units must meet the provisions of these regulations during each of 15 consecutive years in order for the Partnership to remain qualified to receive the credit. The Partnership has also executed a Regulatory Agreement, which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if disposition of the Project by the Partnership occurs.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Partnership maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America.

Classification of Assets and Liabilities

The financial affairs of the Partnership do not generally involve a business cycle. Accordingly, the classification of assets and liabilities between current and long term is not used.

Cash Equivalents

The Partnership considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Tenant Accounts Receivable

Tenant accounts receivable are stated at net rent amounts. An allowance for doubtful accounts is established based on specific assessments of all invoices that remain unpaid following normal resident payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. There was no allowance for doubtful accounts at December 31, 2020 and 2019. Bad debt expense was $3,338 and $4,245 for the years ended December 31, 2020 and 2019.

Trade Accounts Receivable

HUD subsidies receivable are recorded as trade accounts receivable. The HUD subsidies receivable recorded as of December 31, 2020 and 2019 of $19,771 and $11,745, respectively, are expected to be fully collectible.

Note 2 - Significant Accounting Policies (Continued)

Rental Property

Land, buildings, and other depreciable assets are recorded at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful lives ranging from 10 to 40 years. Depreciation expense was $391,423 and $380,331 for the years ended December 31, 2020 and 2019, respectively. For income tax purposes, accelerated lives and methods are used. Maintenance, repairs, and renewals that do not involve any substantial betterments are charged to expense when incurred. Expenditures that increase the useful life of the property are capitalized.

Impairment of Assets

The Partnership recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment of the Company's rental property has occurred.

Partner Contributions and Distributions

The Partnership has one general partner, PVM Jeffries, LLC, which has a 0.1 percent interest, and one limited partner, SunAmerica Housing Fund 1185, which has a 99.9 percent interest. There were no contributions or distributions made by the partners for the years ended December 31, 2020 and 2019.

Partner Allocation of Profits and Losses

Profits or losses from operations of the Partnership are allocated annually between the general partner and limited partner in the ratio of 0.1 percent and 99.9 percent, respectively. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Partnership's assets will be specially allocated as prioritized in the partnership agreement. Additionally, the partnership agreement provides for other instances in which special allocation of profits, losses, and distributions may be required.

Net cash flow (NCF), as defined by the partnership agreement, is distributed as follows:

- First, to the payment of any outstanding excess limited partner loan amounts, then to the payment of any outstanding excess general partner loan amounts, and then to the payment of any remaining limited partner and general partner loans, pro rata, based on their respective outstanding balances
- Second, to the developers to pay any unpaid and deferred development fee payable pursuant to the development agreement in the following percentages: (a) the NCF percentage to the payment of the deferred development fee and (b) 100 percent minus the NCF percentage to be distributed to the partners, pro rata, in accordance with their percentage interests
- Third, to pay any outstanding operating deficit loans, until such operating deficit loans have been paid in full, net cash flow shall be paid and distributed in the following percentages: (a) the NCF percentage to the payment of the outstanding operating deficit loaned and (b) 100 percent minus the NCF percentage to be distributed to the partners, pro rata, in accordance with their percentage interests
- Fourth, if the general partner's capital account is less than or equal to zero, then until the general partner has received payments of the incentive partnership management fee, net cash flow shall be paid and distributed in the following percentages: (a) the NCF percentage to the general partner as payment of the incentive partnership agreement fee and (b) 100 percent minus the NCF percentage to be distributed to the partners, pro rata, in accordance with their percentage interests
- The remainder to the partners as a distribution, pro rata, in accordance with their percentage interests

Note 2 - Significant Accounting Policies (Continued)

Deferred Financing Costs

Debt issuance costs were incurred by the Partnership in connection with obtaining the mortgage. These costs are recorded as a reduction of the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

Rental Income

The Partnership records apartment rentals at gross potential rent, as adjusted for vacancy loss. 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.

The Partnership executed a housing assistance payments (HAP) contract with HUD through the Detroit Housing Commission providing for payments to the Partnership for units leased to eligible lower-income families pursuant to Section 8 of the National Housing Act of 1937. The initial contract was for 10 years, was extended under the terms of the agreement for an additional 15 years, and expires on December 31, 2030. 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, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change. Approximately 50 and 56 percent of rental revenue was received pursuant to the HAP contract for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

No provision for income taxes has been included in the financial statements since the Partnership is required to be reported by the respective partners on their individual income tax returns.

Payments in Lieu of Taxes

The Partnership is a participant in a tax abatement program providing for an assessed service charge in lieu of property taxes. The service charge of 4 percent is assessed based on net shelter rents.

Syndication Costs

Syndication costs of $130,523 were incurred during the marketing of the partnership interests. These costs have been allocated to the limited partner's capital account.

Use of Estimates

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic now known as COVID-19. This outbreak has impacted millions of individuals worldwide and continues to have global impact on businesses and the economy, and the ultimate impact to the Partnership and its operations cannot be predicted. Management immediately responded to the outbreak with personal protective equipment purchases, additional sanitization procedures, limitations on visitors and outside contractors, and the postponing of certain capital projects. The Partnership has been able to maintain reasonably normal operating levels, and no permanent impairments have been recognized at December 31, 2020. The extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 3, 2021, which is the date the financial statements were available to be issued.

Note 3 - Funded Reserves

Real estate taxes and insurance escrows and the replacement reserve are funded and maintained under the terms of the Regulatory Agreement and the partnership and loan agreements. Monthly funding of these accounts was made as required during 2020 and 2019. During operations, the Partnership is required to fund the replacement reserve for five years after the date of substantial completion, $250 per unit per year on a monthly basis. The Partnership shall then fund $300 per unit per year for the next five years, and the required funding shall be increased by $50 per unit per five-year period.

In accordance with the Regulatory Agreement, the Partnership must also fund operating and Public Housing Authority (PHA) reserves. The initial funding amounts of $155,927 in the operating reserve and $194,073 in the PHA reserve have been achieved. The PHA reserve is required by the Detroit Housing Commission. The funds may be drawn on in case of an income shortfall with approval from the escrow agent. At the expiration of the Regulatory Agreement and operating agreement, any remaining funds in this reserve will be disbursed to the Detroit Housing Commission for public housing needs. No liability has been recorded to reflect this obligation for the remaining PHA reserve since the amount that will ultimately be disbursed to the Detroit Housing Commission cannot be reasonably estimated.

Pursuant to the HOPE VI loan agreement, the Partnership must fund a supplemental reserve up to $500,000 through net available cash flow. Allowable disbursements from the reserve are defined in the agreement. As of December 31, 2020 and 2019, a total of $457,048 had been funded, of which $145,247 had been disbursed in prior years for the allowable payment of developer fees.

Note 4 - Related Party Transactions

Related Party Payables

Operating accounts payable are due to Presbyterian Villages of Michigan (PVM) (an affiliate of the general partner), as the management company, for the normal rental operations of the Partnership. The management company utilizes a centralized disbursement subsidiary account to pay operating costs. The amount outstanding was $112,220 and $32,864 as of December 31, 2020 and 2019, respectively, all of which is due upon demand and non-interest bearing.

Note 4 - Related Party Transactions (Continued)

Salaries and Wages

The salaries and wages and the related payroll taxes and benefits for the employees of the Partnership are paid by PVM, as the management agent. The Partnership reimburses PVM for these expenses. During the years ended December 31, 2020 and 2019, the Partnership paid PVM $85,765 and $124,890, respectively, for reimbursable payroll costs. The balance due to PVM is $4,186 and $863 as of December 31, 2020 and 2019, respectively, and is included in accrued compensation liability.

Management Fees

The Partnership has contracted with Presbyterian Villages of Michigan, an affiliate of the general partner, for conducting the rental operations of the Partnership. The property management fee is based on 5 percent of the monthly gross operating revenue. Management fees expense was $36,321 and $34,342 for the years ended December 31, 2020 and 2019, respectively.

Partnership Asset Management Fee

The Partnership incurs an annual asset management fee of $5,000 payable to SunAmerica Affordable Housing Partners, Inc., an affiliate of the limited partner, for an annual review of the Partnership and the apartment complex. In 2020 and 2019, the fee of $5,000 was incurred and paid in full.

Incentive Partnership Management Fee

The Partnership incurs an annual incentive management fee of up to $300,000 per year, payable to the general partner, from the current year's operating cash flows after the supplemental reserve has been funded and the accrued interest and required payments on the mortgage note are current. In accordance with provisions of the partnership agreement, unpaid incentive management fees at the end of each year may only be paid to the extent funds are available from the current year's cash flow after payment of the annual asset management fee detailed above. No incentive partnership management fee was incurred for 2020 or 2019.

Note 5 - Tenant Security Deposits

Tenant security deposits represent cash restricted solely for the repayment of the security deposits liability. As of December 31, 2020 and 2019, the security deposits were invested in FDIC-insured cash accounts.

Note 6 - Mortgage Payable

The Partnership has a HOPE VI mortgage note with the Detroit Housing Commission in the amount of $3,713,014 that is held on behalf of the City of Detroit, Michigan. The note bears interest at the long-term applicable federal rate (AFR) of 5.2 percent, compounding annually, with a maturity date of June 30, 2049. The loan is collateralized by real estate held for lease and an assignment of rents and leases. Payments of principal and interest are required from net cash flow, after payment of the deferred development fee and the funding of the supplemental reserve. No principal payments were made in 2020 or 2019, and accrued deferred interest on the note was $3,995,899 and $3,614,850 at December 31, 2020 and 2019, respectively.

Mortgage costs of $44,483 are shown net of the mortgage note and amortized over the term of the mortgage loan using the straight-line method. Total accumulated amortization related to these costs was $14,826 and $13,838 at December 31, 2020 and 2019, respectively. Related amortization expense of $988 for the years ended December 31, 2020 and 2019 is included in interest expense on the statement of operations.

Note 7 - Utilities Expense

Utility expenses for the years ended December 31 are as follows:

	2020	2019
Electricity	$ 51,564	$ 38,045
Water	21,192	12,039
Gas	39,616	40,544
Sewer	44,114	24,102
Telecommunications	32,170	28,935
Total	$ 188,656	$ 143,665

Note 8 - Contingencies

The Project's low-income housing tax credit is contingent on its ability to maintain compliance with applicable sections of Section 42. 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 credit plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 9 - Low-income Housing Tax Credit (Unaudited)

The Partnership received an allocation of low-income housing tax credit in the total amount of $13,245,500 to be claimed over a 10-year period. Prorated credits of $862,017 were claimed from the placed-in-service year of 2006, and 100 percent of the annual credits in the amount of $1,324,550 were claimed from 2007 through 2015. The limited partner investor is expected to exit in 2021. The final prorated year of credits of $462,533 was claimed in 2016.

Additional Information

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Independent Auditor's Report on Additional Information

To the Partners
Woodbridge ILF Associates Limited Dividend
Housing Association Limited Partnership

We have audited the financial statements of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership as of and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated June 3, 2021, which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of net operating cash flows is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the Partnership 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.

Plante & Moran, PLLC

June 3, 2021

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Schedule of Net Operating Cash Flows

Year Ended December 31, 2020

Loss from operations	$	(850,325)
Add:		
Depreciation and amortization		391,423
Developer note interest		-
Deferred interest on debt		381,049
Current year incentive management fee		-
Less:		
Principal payments		-
Cash reserve increase (1315): Operating reserve		(65)
Cash reserve increase (1316): PHA reserve		1,034
Cash reserve decrease (1317): Tax reserve		35
Cash reserve decrease (1320): Replacement reserve		44,426
Cash reserve increase (1340): Supplemental reserve		(167)
Fixed cost additions paid from cost savings		-
Fixed asset additions		(50,390)
Net cash flows available for distribution	**$**	**(82,980)**

The above calculation and final distribution is subject to the interpretation of the partnership agreement.