AGENDA
ANN ARBOR HOUSING DEVELOPMENT CORPORATION
REGULAR MEETING
May 16, 2018

Meeting Time and Location: **approximately 7 pm after AAHC meeting**
Miller Manor 727 Miller, Ann Arbor, MI

I. APPROVAL OF AGENDA

II. APPROVAL OF MINUTES

A. Regular Board Meeting Minutes of January 17, 2018

III. NEW BUSINESS

A. Annual Meeting
B. Resolution 18-1 Annual Officer Elections of Board
C. Review April 2018 Financials
D. Resolution 18-2 Adopt Annual Budget
E. Resolution 18-3 Approve the 2017 Maple Tower audit
F. Resolution 18-4 Approve the 2017 River Run audit
G. Resolution 18-5 Approve the 2017 West Arbor audit

IV. ADJOURNMENT

MINUTES
ANN ARBOR HOUSING DEVELOPMENT COMMISSION
ANNUAL BOARD MEETING
January 17, 2018

Meeting Time and Location: **7 p.m.**
West Arbor, 717 N. Maple, Ann Arbor, MI

President Colenback convened the meeting at 7:11 p.m.

Board Members present: Tim Colenback, Lee Meadows, Audrey Wojtkowiak, Daniel Lee Jennifer Hall
Board Members absent: Mary Jo Callan, Gwenyth Hayes

I. Approval of Agenda

Lee moved and *Meadows* seconded.

Motion approved 5 – 0 (Colenback, Meadows, Wojtkowiak, Lee, Hall - yes, 0 – no)

II. Approval of Minutes Regular Board Meeting Minutes of October 25, 2017

Lee moved and *Wojtkowiak* seconded.

Motion approved 5 – 0 (Colenback, Meadows, Wojtkowiak, Lee, Hall - yes, 0 – no)

III. NEW Business

A. Review and Approval of FY2017 990

Lee moved and *Meadows* seconded.

Motion approved 5 – 0 (Colenback, Meadows, Wojtkowiak, Lee, Hall - yes, 0 – no)

B. Review Financials

IV. Adjournment

Wojtkowiak moved and *Meadows* seconded. Meeting adjourned 7:40 PM

RESOLUTION FY18-1 AAHDC

Resolution to Elect the Board Officers of President, Vice President and Secretary-Treasurer

The Ann Arbor Housing Development Corporation will hold a regular annual meeting of the Board in May or as soon as feasible thereafter, for the purpose of electing officers, passing upon reports of the previous fiscal year, and transacting such other business as may be properly brought before the meeting. The Board must elect 3 officers: President, Vice President, and Secretary-Treasurer. The President and Vice President must be members of the Board but the Secretary-Treasurer does not.

Section 6. President. The President:
(a) Shall be the principal executive officer of the Corporation, shall supervise and control all of the business and affairs of the Corporation, and unless otherwise determined by the Board, shall preside at all meetings of the Board;
(b) May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed on behalf of the Corporation, except in cases in which the signing and execution thereof shall be expressly delegated by the Board, or by these Bylaws, to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and
(c) Shall in general perform all duties incident to the office of the president and such other duties as may be prescribed by the Board from time to time.

Section 7. Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him or her by the Board.

Section 8. Secretary-Treasurer. The Secretary-Treasurer shall:
(a) Keep the minutes of the meetings of the Member and the Board in one or more books provided for that purpose;
(b) See that all notices are duly given in accordance with these Bylaws or as required by law;
(c) Be custodian of the corporate records and have general charge of the books of the Corporation;
(d) Keep a register of the names and mailing addresses of all directors and officers;
(e) Keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copies shall always be open to the inspection of the Member and any director), and at the expense of the Corporation, forward a copy of the Bylaws and of all amendments thereto to each director;
(f) Have charge and custody of and be responsible for all funds of the Corporation;
(g) Be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks, trust companies or other depositories, as shall be selected in accordance with the provisions of these Bylaws; and
(h) In general, perform all the duties incident to the office of Secretary and the office of Treasurer, and such other duties as from time to time may be assigned to him or her by the Board.

WHEREAS, The Ann Arbor Housing Development Corporation at its annual meeting must elect the positions of President, Vice President and Secretary-Treasurer; and

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Housing Development Corporation Board appoints the following Board member positions.

Motion by __________________________ seconded by _______________________

to appoint _________________________ for Board President

Motion by __________________________ seconded by _______________________

to appoint _________________________ for Board Vice President

Motion by __________________________ seconded by _______________________

to appoint _________________________ for Board Secretary/Treaurer

RESOLUTION 18-2 AAHDC

Resolution to Adopt the FY19 Budget

The Ann Arbor Housing Development Corporation has a July 1 to June 30 fiscal year.

The primary source of revenue in FY19 is from developer fees. HUD does not allow Housing Authorities to be both the RAD voucher administrator and the recipient of the voucher HAP funds (rent subsidies). Consequently, HUD required the AAHC to use an affiliated non-profit entity (AAHDC) to be the developer and general partner of these developments. The developer fees for Maple Tower, West Arbor, and River Run are restricted to an operating reserve account until 5 years after the properties are fully operational and have maintained a debt-coverage ratio (DCR) of 1.15. These funds will be invested and are expected to generate approximately $30,000/year in interest revenue that can be expended annually.

The AAHDC originally budgeted its remaining River Run developer fees in FY18 and if they are not received in FY18 then they will be received in FY19 instead. MSHDA is still reviewing the final cost certifications and construction documentation. West Arbor's remaining developer fees are also budgeted to be received in FY 19, after MSHDA has approved the cost certifications and construction documentation. These developer fees are not budgeted for FY19. Colonial Oaks developer fee was also budgeted for FY18 but the development is not complete. Colonial Oaks will be completed in FY18 and the remaining developer fee will be paid in FY19. The budget revenue is totally dependent on the timing of developer fee payments, which the AAHDC has very little control over.

Projected expenditures include administrative costs such as audit fees, and miscellaneous board and staffing expenses. The budget also includes two tenant supportive service contracts. The first contract is with SOS, to provide eviction prevention and housing stabilization service for Housing Choice Voucher tenants in the amount of $21,436/year. FY19 is year 3 of this program.

In addition, Avalon has a 3-year contract to provide support services to homeless tenants at West Arbor. FY19 is year 3 of this contract in the amount of $56,719. This budget also includes $25,000 for the Baker Lunch program.

WHEREAS, The Ann Arbor Housing Development Corporation at its annual meeting must adopt a budget for FY19; and

NOW THEREFORE BE IT RESOLVED THAT, that the Ann Arbor Housing Development Corporation Board adopts the proposed budget.

ANN ARBOR HOUSING DEVELOPMENT CORP (aahdc)

Budget Comparison

Period = Apr 2018

Book = Accrual ; Tree = ysi_is

		PTD Actual	PTD Budget	Variance	% Var	YTD Actual	YTD Budget	Variance	% Var	Annual
3610-00-000	Investment Income - Unrestricted	-	-	-	N/A	186	-	186	N/A	-
3650-00-000	Miscellaneous Other Income	-	3	(3)	(100)	233	25	208	834	29
3670-01-000	Donations	200	-	200	N/A	200	-	200	N/A	-
3680-00-000	Developer Fees	-	30,000	(30,000)	(100)	354,332	300,000	54,332	18	360,000
3699-00-000	**TOTAL OTHER INCOME**	**200**	**30,000**	**(29,800)**	**(99)**	**354,532**	**300,000**	**54,532**	**18**	**360,000**
3999-00-000	***TOTAL INCOME***	***200***	***30,003***	***(29,803)***	***(99)***	***354,951***	***300,025***	***54,926***	***18***	***360,029***
4000-00-000	**EXPENSES**									
4100-00-000	ADMINISTRATIVE									
4130-00-000	Legal Expense									
4130-04-000	General Legal Expense	-	-	-	N/A	339	-	(339)	N/A	-
4131-00-000	Total Legal Expense	-	-	-	N/A	339	-	(339)	N/A	-
4139-00-000	Other Admin Expenses									
4140-00-000	Staff Training	-	-	-	N/A	359	-	(359)	N/A	-
4150-00-000	Travel	-	-	-	N/A	13	-	(13)	N/A	-
4171-00-000	Auditing Fees	-	-	-	N/A	760	4,000	3,240	81	4,000
4180-00-000	Office Rent	-	42	42	100	-	420	420	100	500
4182-00-000	Consultants	-	167	167	100	750	1,670	920	55	2,000
4189-00-000	Total Other Admin Expenses	-	209	209	100	1,882	6,090	4,208	69	6,500
4190-00-000	Miscellaneous Admin Expenses									
4190-01-000	Membership and Fees	-	-	-	N/A	-	20	20	100	20
4190-04-000	Office Supplies	-	-	-	N/A	7,675	-	(7,675)	N/A	-
4190-08-000	Postage	-	5	5	100	-	50	50	100	60
4190-13-000	Printing Expenses	-	26	26	100	-	260	260	100	313
4190-19-000	Late Fees/Lost Discounts	-	-	-	N/A	39	-	(39)	N/A	-
4190-22-000	Other Misc Admin Expenses	80	333	253	76	3,235	3,330	95	3	4,000
4191-00-000	Total Miscellaneous Admin Expenses	80	364	284	78	10,949	3,660	(7,289)	(199)	4,393

4199-00-000	TOTAL ADMINISTRATIVE EXPENSES	80	573	493	86	13,170	9,750	(3,420)	(35)	10,893
4200-00-000	TENANT SERVICES									
4220-01-000	Other Tenant Svcs.	55	-	(55)	N/A	5,634	-	(5,634)	N/A	-
4220-02-000	Tenant Services Support	4,258	6,146	1,888	31	54,412	61,460	7,048	11	73,750
4220-02-001	Tenant Support Services-FSS	-	288	288	100	-	2,880	2,880	100	3,450
4230-15-000	Sr Nutrition Program Expenses	1,714	-	(1,714)	N/A	5,947	-	(5,947)	N/A	-
4299-00-000	TOTAL TENANT SERVICES EXPENSES	6,027	6,434	407	6	65,993	64,340	(1,653)	(3)	77,200
4430-00-000	Contract Costs									
4430-31-000	Asbestos Abatement/Monitoring/Remov	-	-	-	N/A	16,200	-	(16,200)	N/A	-
4439-00-000	Total Contract Costs	-	-	-	N/A	16,200	-	(16,200)	N/A	-
4499-00-000	TOTAL MAINTENANCE EXPENSES	-	-	-	N/A	16,200	-	(16,200)	N/A	-
4500-00-000	GENERAL EXPENSES									
4510-20-000	Liability Insurance	7	-	(7)	N/A	73	-	(73)	N/A	-
4599-00-000	TOTAL GENERAL EXPENSES	7	-	(7)	N/A	73	-	(73)	N/A	-
4800-00-000	FINANCING EXPENSE									
4852-00-500	Interest Expense	-	-	-	N/A	33	-	(33)	N/A	-
4899-00-000	TOTAL FINANCING EXPENSES	-	-	-	N/A	33	-	(33)	N/A	-
8000-00-000	TOTAL EXPENSES	6,115	7,007	892	13	95,469	74,090	(21,379)	(29)	88,093
9000-00-000	NET INCOME	(5,915)	22,996	(28,911)	(126)	259,482	225,935	33,547	15	271,936

RESOLUTION 18-3 AAHDC

Resolution to Accept the FY17 Audit for Maple Tower Ann Arbor LDHA, LP from January 1, 2017 to December 31, 2017

WHEREAS, The Ann Arbor Housing Development Corporation (AAHDC) is the sole owner of the Maple Tower, LLC, which is the .01% General Partner of the Maple Tower Ann Arbor Limited Dividend Housing Association, Limited Partnership; and

WHEREAS, Yeo and Yeo completed the FY17 audit for Maple Tower LDHA, LP from January 1, 2017 to December 31, 2017; and

WHEREAS, the Maple Tower, LLC and the Maple Tower LDHA, LP 2017 tax returns were filed;

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Housing Development Corporation Board has reviewed the audit for the Maple Tower Ann Arbor Limited Dividend Housing Association, Limited Partnership and acknowledges the document is complete and accurate and grant staff the authority to certify and issue them.

Maple Tower Ann Arbor
Limited Dividend Housing
Association Limited Partnership

Financial Report

December 31, 2017

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS

800.968.0010 | yeoandyeo.com

Independent Auditors' Report

To the Partners of
Maple Tower Ann Arbor Limited Dividend
Housing Association Limited Partnership
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in partners' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership as of December 31, 2017, its results in operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Lansing, Michigan
March 21, 2018

Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership

Balance Sheet

December 31, 2017

Assets		
Cash - operating	$	117,758
Accounts receivable - tenant		11,111
Funded reserves		
Reserve for replacement		67,643
Operating reserve		275,000
Insurance and tax escrow		52,360
Tenant security deposits		26,727
Prepaid expenses		1,080
Tax credit fee and compliance fees		107,463
Investment in rental property, at cost		
Land		360,800
Building and improvements		14,529,070
Furniture and fixtures		922,447
Accumulated depreciation		(1,238,468)
Total assets	$	15,232,991
Liabilities and Partners' Equity		
Accounts payable		
Trade	$	85,114
Related parties		10,364
Prepaid rent		3,536
Accrued liabilities		
Accrued interest		484,974
Accrued asset management fees		5,305
Other accrued liabilities		6,821
Tenant security deposits		26,727
Long-term debt		
Mortgage note payable, net of unamortized debt issuance costs of $126,390		1,451,827
Related party note payable, net of unamortized debt issuance costs of $104,267		2,197,115
Total liabilities		4,271,783
Partners' equity		10,961,208
Total liabilities and partners' equity	$	15,232,991

Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership
Statement of Operations
For the Year Ended December 31, 2017

Revenue		
Rental income, net of rent concessions and vacancy	$	1,065,231
Less: bad debt		(7,279)
Net rental income		1,057,952
Other income		16,552
Total revenue		1,074,504
Expenses		
Grounds maintenance		38,726
Insurance - general		41,581
Janitorial and cleaning		24,472
Management fees		64,885
Miscellaneous		5,126
Office expenses		12,387
Professional fees		41,885
Property administration		161,580
Repairs and maintenance		347,209
Supplies		12,594
Utilities		147,380
Total operating expenses		897,825
Operating income		176,679
Other expenses		
Depreciation		597,963
Amortization		14,654
Asset management fee		5,305
Interest expense		287,996
Total other expenses		905,918
Net loss	$	(729,239)

Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership

Statement of Changes in Partners' Equity
For the Year Ended December 31, 2017

	Total	General Partners	Limited Partners
Partners' equity, January 1, 2017	$ 10,323,068	$ (132)	$ 10,323,200
Net loss - 2017	(729,239)	(73)	(729,166)
Contributions - 2017	1,367,379	-	1,367,379
Partners' equity, December 31, 2017	$ 10,961,208	$ (205)	$ 10,961,413

See Accompanying Notes to the Financial Statements

Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows operating activities		
Net loss	$	(729,239)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization		612,617
Debt issuance costs		11,655
Bad debt		7,279
Changes in operating assets and liabilities:		
Accounts receivable		139
Tenant security deposits funded		(3,202)
Prepaid expenses and other assets		1,735
Trade accounts payable		19,391
Trade payables to related parties		(28,666)
Tenant security deposits liability		2,799
Prepaid rent		910
Accrued interest		150,440
Other accrued liabilities		1,429
Net cash provided by operating activities		47,287
Cash flows from investing activities		
Purchase of property and equipment		(8,360)
Deposits to funded reserves		(84,827)
Net cash used by investing activities		(93,187)
Cash flows from financing activities		
Principal payments on mortgage		(57,386)
Payment on developer fee		(1,371,000)
Contributions of capital		1,367,379
Net cash used by financing activities		(61,007)
Net change in cash		(106,907)
Cash at beginning of year		224,665
Cash at end of year	$	117,758
Supplemental disclosures of cash flow information		
Cash paid for interest	$	137,556

See Accompanying Notes to the Financial Statements

Note 1 – Nature of Business

Maple Tower Ann Arbor Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed as a limited partnership to develop real property located in Ann Arbor, Michigan and to rehabilitate, own, maintain, and operate the property as a 135-unit multifamily apartment complex known as Maple Tower Apartments (the "Project"). Partnership operations commenced on September 1, 2014 in accordance with the amended and restated agreement of limited partnership. The Project is an occupied rehab, and 120 units of the Project have been converted by the Partnership from traditional public housing to project-based voucher units under the HUD Rental Assistance Demonstration (RAD) program; the remaining 15 units are subsidized units under the HUD Veterans Affairs Supportive Housing (HUD-VASH) program. The units were substantially complete and considered placed in service as of December 31, 2015. The Partnership shall continue in existence until December 31, 2113 unless the Partnership is sooner dissolved in accordance with the partnership agreement. The Partnership has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42.

Note 2 – Summary of 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

The financial affairs of the Partnership do not generally involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Partnership's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheet.

Cash Equivalents

For the statement of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents.

Tenant Accounts Receivable

Tenant accounts receivable are stated at net rent amounts. The Partnership considers any tenant accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts are determined to be uncollectible, they are charged to operations at that time.

Funded Reserves

In accordance with the partnership and/or loan agreements, the Partnership has established the following reserves:

A reserve for replacement has been established to be used for capital improvements over the life of the Project. Monthly contributions are made in the amount of $ 300 per unit per year, increasing by 3 percent per year thereafter.

An operating reserves has been established to meet operating expenses and debt service of the Partnership that exceed operating revenues available for payment thereof to the extent provided in the partnership agreement. The reserves were funded during 2016.

Monthly deposits are made with the mortgagor in a separate account to be used for the payment of insurance.

The following summarizes the activity in the funded reserve accounts for the year ended December 31, 2017:

	Beginning Balance	Additions and Interest	Withdrawals	Ending Balance
Reserve for replacement	$ 26,781	$ 40,862	$ -	$ 67,643
Operating reserve	275,000	-	-	275,000
Insurance and tax	8,395	81,453	(37,488)	52,360

Tax Credit Fees and Compliance Fees
Prepaid tax credit fees are amortized over the compliance period beginning in 2015. Amortization expense for the tax credit and compliance fees is $ 14,654 for the year ended December 31, 2017 and accumulated amortization as of December 31, 2017 is $ 39,077.

Property and Equipment
Land, building, and other depreciable assets are recorded at cost, less accumulated depreciation computed as follows:

	Years	Method
Buildings and improvements	15 - 40	Straight line
Furniture and fixtures	5	Straight line

Improvements over $ 5,000 are capitalized, while expenditures for maintenance and repairs are charged to expense when incurred.

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 Partnership's rental property has occurred.

Rental Revenue
The Partnership records apartment rentals at gross potential rent as adjusted for vacancy loss. Rental income is recognized as rentals become due. The Partnership also received rental subsidies under a contract with Ann Arbor Housing Commission. Rental payments and subsidies received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are operating leases.

Income Taxes
The Partnership is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Partnership. Partners are taxed individually on their pro-rata ownership share of the Partnership's earnings. The Partnership's net income or loss is allocated among the members in accordance with the Partnership's operating agreement.

Partner Allocation of Profits and Losses
Profits or losses from operations of the Partnership are allocated annually between the general partners and the limited partners at 0.009 percent and 99.991 percent, respectively.

Low-income Housing Credits
The Partnership has qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (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 credits. 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.

Concentration of Credit Risk
The Partnership is required to disclose concentration of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Partnership to concentration of credit risk consist principally of cash. The Partnership places its cash with FDIC insured financial institutions. Although such balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. At December 31, 2017, the Partnership had deposits with financial institutions of $ 146,083 that were uncollateralized and uninsured by FDIC insurance.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Debt Issuance Costs
Debt issuance costs, net of accumulated amortization are reported as a direct reduction from the face amount of the mortgage and note payables to which such costs related. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Subsequent Events
Management has evaluated subsequent events through March 21, 2018, which is the date the financial statements were available to be issued.

Note 3 – Mortgage Note Payable

The Partnership has a note payable to Cinnaire Investment Corporation in the original amount of $ 1,600,000. Interest shall accrue on this note at a rate of 6.3 percent with monthly principal and interest installments in the amount of $ 9,904 and a term of 18 years. A balloon payment of approximately $ 1,009,000 is due on October 1, 2034. The note is collateralized by the property.

Debt issuance costs related to the above note, net of accumulated amortized interest, totaled $ 126,390 and is being amortized over the term of the related mortgage using an effective interest rate of 7.2 percent.

Aggregate maturities of the note payable for the years ending December 31, are as follows:

December 31, 2018	$	19,986
December 31, 2019		21,282
December 31, 2020		22,662
December 31, 2021		24,132
December 31, 2022		25,696
Thereafter		1,464,459
Unamortzed debt issuance costs		(126,390)
	$	1,451,827

Note 4 – Capital Leases

The Partnership leases the land and buildings of the Project under a long-term lease arrangement that is classified as a capital lease. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreement, $ 1,640,000 was due within the partial first year and payments of $ 1 are due annually through December 31, 2113.

At December 31, 2017, property under capital lease consists of land and buildings with a gross cost of $ 360,800 and $ 1,279,200, respectively. Accumulated depreciation on the property under the capital lease was $ 106,600 for the year ended December 31, 2017.

Note 5 – Related Party Transactions

Related Party Payable
Related party payables primarily consist of amounts owed to Ann Arbor Housing Commission, an affiliate of the general partner, for management fees and reimbursements of operating expenses. The amount outstanding at December 31, 2017 is $ 10,364, all of which is due on demand and noninterest bearing.

Note Payable
The Partnership has a note payable to Ann Arbor Housing Commission, an affiliate of the general partner, in the original amount of $ 200,000. Interest shall accrue on the note at a rate of 1 percent. Payments on the note are fully deferred until maturity. The note matures on September 25, 2044. The note are secured by the property, subordinate to the note payable. For the year ended December 31, 2017, interest expense is $ 2,000 and accrued interest as of December 31, 2017 is $ 4,000.

The Partnership has entered into another note with Ann Arbor Housing Commission in the original amount of $ 500,000 and payable to Chase Bank USA, National Association per an allonge dated April 30, 2015. Interest shall accrue on this note at a rate of 1 percent. Payments on the note are fully deferred until maturity. The notes mature on April 30, 2065. The note is secured by the property, subordinate to the note payable. The note is subject to and must comply with the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program's retention period as described in the mortgage. The total amount outstanding December 31, 2017 is $ 500,000. For the year ended December 31, 2017, interest expense is $ 13,333 and accrued interest as of December 31, 2017 is $ 13,333.

The Partnership entered into a promissory note payable with Ann Arbor Housing Commission, an affiliate of a general partner in the amount of $ 1,640,000. The note bears interest at 8 percent compounding annually. The note shall be paid from available cash flows and matures on September 25, 2044. The note is secured by the property, subordinate to the note payable. For the year ended December 31, 2017, interest expensed on the note is $ 152,647. The accrued interest as of December 31, 2017 is $ 459,355 and included in the related party accrued interest. During the year, a payment from surplus cash in the amount of $ 38,618 was made on the note. The balance at December 31, 2017 amounted to $ 1,601,382.

Debt issuance costs related to the above notes, net of accumulated amortization, totaled $ 104,267 and are being amortized over the term of the related mortgages using an effective interest rate of 8.6%.

Developer Fees
Developer fees are payable to affiliates of the general partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for construction of the Project. The development agreement specifies total payment of $ 1,800,000. Developer fees of $ 1,800,000 have been earned and are capitalized as part of the building. The developer fee balance, including accrued interest totaling $ 1,396,826 was paid off during the year ended December 31, 2017 from capital contributions and surplus cash.

Management Fees
The Partnership has contracted with a management agent, which is an affiliate of a general partner, for conducting the rental operations of the Partnership. Management fees are calculated at 6 percent of gross operating revenue. Management fees expense for 2017 totaled $ 64,885, of which $ 5,482 remains payable at December 31, 2017 and is included in related party payables.

Asset Management Fee
Beginning in January 2015, the Partnership will incur a cumulative annual asset management fee of $ 5,000 payable to an affiliate of one of the limited partners for an annual review of the operations of the Partnership and the apartment complex. This fee will increase by 3 percent each year and be payable from available cash flow from operations as detailed in the partnership agreement. The asset management fee expense incurred in 2017 is $5,305 and the fee remains payable at December 31, 2017.

Operating Deficit Guaranty
As provided for in the partnership agreement, the general partner will provide loans to the Partnership up to but not to exceed $ 412,500 for operating deficits incurred in the five years after stabilized operations has occurred and until debt service coverage ratio of 1.15:1 for each two consecutive six-month periods at the end of such five-year period and the operating reserve has a minimum balance of at least $ 206,000. The loans are unsecured, noninterest bearing, and will be repaid from future excess cash flows of the Partnership. There has been no advance of this loan as of December 31, 2017.

Note 6 – Current Vulnerability Due to Certain Concentrations

The Partnership’s sole asset is a 135-unit apartment project. The Partnership’s operations are concentrated in the multifamily 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 regulatory agencies, including, but not limited to, the Internal Revenue Code. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the Internal Revenue Service. 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.

RESOLUTION 18-4 AAHDC

Resolution to Accept the FY17 Audit for River Run Ann Arbor LDHA, LP from January 1, 2017 to December 31, 2017

WHEREAS, The Ann Arbor Housing Development Corporation (AAHDC) is the sole owner of the River Run, LLC, which is the .01% General Partner of the River Run Ann Arbor Limited Dividend Housing Association, Limited Partnership; and

WHEREAS, Yeo and Yeo completed the FY17 audit for River Run LDHA, LP from January 1, 2017 to December 31, 2017; and

WHEREAS, the River Run, LLC and the River Run LDHA, LP FY17 tax returns were completed;

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Housing Development Corporation Board has reviewed the FY17 audit for the River Run Ann Arbor Limited Dividend Housing Association, Limited Partnership and acknowledges the document is complete and accurate and grant staff the authority to certify and issue them.

River Run Ann Arbor Limited Dividend Housing Association Limited Partnership

Financial Report

December 31, 2017

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS
800.968.0010 | yeoandyeo.com

Independent Auditors' Report

To the Partners of
River Run Ann Arbor Limited Dividend
Housing Association Limited Partnership
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of River Run Ann Arbor Limited Dividend Housing Association Limited Partnership, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in partners' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Run Ann Arbor Limited Dividend Housing Association Limited Partnership as of December 31, 2017, its results in operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Lansing, Michigan
March 20, 2018

River Run Ann Arbor Limited Dividend Housing Association Limited Partnership
Balance Sheet
December 31, 2017

Assets		
Cash - operating	$	122,681
Accounts receivable - tenant		7,269
Funded reserves		
Replacement reserves		213,858
Operating reserve		215,000
Insurance and tax escrow		40,346
Tenant security deposits		30,123
Prepaid expenses		928
Tax credit and compliance fees		86,146
Investment in rental property, at cost		
Land		728,000
Building and improvements		12,173,531
Furniture and fixtures		718,195
Accumulated depreciation		(921,926)
Total assets	$	13,414,151
Liabilities and Partners' Equity		
Accounts payable		
Trade	$	60,352
Related parties		8,648
Developer fee payable		671,499
Prepaid rent		7,344
Accrued liabilities		
Accrued interest		385,571
Accrued asset management fees		5,305
Other accrued liabilities		4,221
Tenant security deposits		30,023
Long-term debt		
Mortgage note payable, net of unamortized debt issuance costs of $ 42,135		451,061
Related party note payable, net of unamortized debt issuance costs of $ 113,381		3,264,178
Related party promissory note		1,040,000
Total liabilities		5,928,202
Partners' equity		7,485,949
Total liabilities and partners' equity	$	13,414,151

River Run Ann Arbor Limited Dividend
Housing Association Limited Partnership
Statement of Operations
For the Year Ended December 31, 2017

Revenue		
Rental income net of concessions and vacancy loss	$	845,380
Less: bad debt		(2,452)
Net rental income		842,928
Other income		17,428
Total revenue		860,356
Expenses		
Grounds maintenance		48,726
Insurance - general		31,710
Janitorial and cleaning		14,921
Management fees		51,709
Miscellaneous		9,851
Office expenses		18,561
Professional fees		36,839
Property administration		132,659
Repairs and maintenance		279,508
Supplies		11,401
Utilities		112,086
Total operating expenses		747,971
Operating income		112,385
Other expenses		
Depreciation		463,385
Tax credit and compliance fees		11,747
Interest expense		168,369
Asset management fee		5,305
Total other expenses		648,806
Net loss	$	(536,421)

River Run Ann Arbor Limited Dividend
Housing Association Limited Partnership
Statement of Changes in Partners' Equity
For the Year Ended December 31, 2017

	Total	General Partners	Limited Partners
Partners' equity, January 1, 2017	$ 8,022,370	$ (82)	$ 8,022,452
Net loss - 2017	(536,421)	(43)	(536,378)
Partners' equity, December 31, 2017	$ 7,485,949	$ (125)	$ 7,486,074

River Run Ann Arbor Limited Dividend Housing Association Limited Partnership

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash flows operating activities		
Net loss	$	(536,421)
Items not requiring cash		
Depreciation		463,385
Tax credit and compliance fees		11,747
Debt issuance costs		19,597
Bad debt		2,452
Changes in operating assets and liabilities		
Accounts receivable		5,846
Tenant security deposits funded		(3,542)
Prepaid expenses		1,526
Trade accounts payable		18,010
Trade payables to related parties		(14,754)
Trade payables to contractor payable		(15,098)
Tenant security deposits liability		3,059
Prepaid rent		3,227
Accrued interest		117,496
Other accrued liabilities		(721)
Net cash provided by operating activities		75,809
Cash flows from investing activities		
Purchase of property and equipment		(9,950)
Deposits to funded reserves		(72,086)
Net cash used by investing activities		(82,036)
Cash flows from financing activities		
Principal payments on mortgage note payable		(5,863)
Payment on developer fee payable		(68,676)
Net cash used by financing activities		(74,539)
Net change in cash		(80,766)
Cash at beginning of year		203,447
Cash at end of year	$	122,681
Supplemental disclosures of cash flow information		
Cash paid for interest	$	31,306

See Accompanying Notes to the Financial Statements

Note 1 – Nature of Business

River Run Ann Arbor Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed as a limited partnership to develop real property located in Ann Arbor, Michigan and to rehabilitate, own, maintain, and operate the property as a 116-unit multifamily apartment complex known as River Run Apartments (the "Project"). Partnership operations commenced on September 1, 2014 in accordance with the amended and restated agreement of limited partnership. The Project is an occupied rehab, and all units of the Project have been converted by the Partnership from traditional public housing to project-based voucher units under the HUD Rental Assistance Demonstration (RAD) program. The Partnership shall continue in existence until December 31, 2113 unless the Partnership is sooner dissolved in accordance with the partnership agreement. The Partnership has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42.

Note 2 - Summary of 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

The financial affairs of the Partnership do not generally involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Partnership's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheet.

Cash Equivalents

For the statement of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents.

Tenant Accounts Receivable

Tenant accounts receivable are stated at net rent amounts. The Partnership considers any tenant accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts are determined to be uncollectible, they are charged to operations at that time.

Funded Reserve

In accordance with the partnership and/or loan agreements, the Partnership has established the following reserves:

A reserve for replacement has been established to be used for capital improvements over the life of the Project. Commencing upon final closing, monthly contributions are to be in the amount of $ 350 per unit per year, increasing by 3 percent per year thereafter.

An operating reserves has been established to meet operating expenses and debt service of the Partnership that exceed operating revenues available for payment thereof to the extent provided in the partnership agreement. The reserves were funded during 2016.

Monthly deposits are made with the mortgagor in a separate account to be used for the payment of insurance.

The following summarizes the activity in the funded reserve accounts for the year ended December 31, 2017:

	Beginning Balance	Additions and Interest	Withdrawals	Ending Balance
Reserve for replacement	$ 171,881	$ 41,977	$ -	$ 213,858
Operating reserve	215,000	-	-	215,000
Insurance and tax	10,237	58,267	(28,158)	40,346

Tax Credit Fees and Compliance Fees
Prepaid tax credit fees are amortized over the compliance period beginning in 2015. Amortization expense for the tax credit and compliance fees is $ 11,747 for the year ended December 31, 2017 and accumulated amortization as of December 31, 2017 is $ 31,325.

Property and Equipment
Land, building, and other depreciable assets are recorded at cost, less accumulated depreciation computed as follows:

	Years	Method
Buildings and improvements	15 - 40	Straight line
Furniture and fixtures	5	Straight line

Improvements over $ 5,000 are capitalized, while expenditures for maintenance and repairs are charged to expense when incurred.

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 Partnership's rental property has occurred.

Rental Revenue
The Partnership records apartment rentals at gross potential rent as adjusted for vacancy loss. Rental income is recognized as rentals become due. The Partnership also received rental subsidies under a contract with Ann Arbor Housing Commission. Rental payments and subsidies received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are operating leases.

Income Taxes
The Partnership is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Partnership. Partners are taxed individually on their pro-rata ownership share of the Partnership's earnings. The Partnership's net income or loss is allocated among the members in accordance with the Partnership's operating agreement.

Partner Allocation of Profits and Losses
Profits or losses from operations of the Partnership are allocated annually between the general partners and the limited partners at 0.009 percent and 99.991 percent, respectively.

Low-income Housing Credits
The Partnership has qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (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 credits. 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.

Concentration of Credit Risk
The Partnership is required to disclose concentration of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Partnership to concentration of credit risk consist principally of cash. The Partnership places its cash with FDIC insured financial institutions. Although such balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. At December 31, 2017, the Partnership had deposits with financial institutions of $ 130,304 that were uncollateralized and uninsured by FDIC insurance.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Debt Issuance Costs
Debt issuance costs, net of accumulated amortization are reported as a direct reduction from the face amount of the mortgage and note payables to which such costs related. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Subsequent Events
Management has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued.

Note 3 – Mortgage Note Payable

The Partnership has a note payable to Cinnaire Investment Corporation in the original amount of $ 500,000. Interest shall accrue on this note at a rate of 6.3 percent with monthly principal and interest installments in the amount of $ 3,095 and a term of 18 years. A balloon payment of approximately $ 314,000 is due on October 1, 2034. The note is collateralized by the property.

Debt issuance costs related to the above note, net of accumulated amortization, totaled $ 42,135 and are amortized over the term of the related mortgage using an effective interest rate of 7.3 percent.

Aggregate maturities of the note payable for the years ending December 31, are as follows:

December 31, 2018	$	6,145
December 31, 2019		6,651
December 31, 2020		7,082
December 31, 2021		7,541
December 31, 2022		8,030
Thereafter		457,747
Unamortized debt issuance costs		(42,135)
	$	451,061

Note 4 – Capital Leases

The Partnership leases the land and buildings of the Project under a long-term lease arrangement that is classified as a capital lease. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreement, $ 1,040,000 was due within the partial first year and payments of $ 1 are due annually through December 31, 2113.

At December 31, 2017, property under capital lease consists of land and buildings with a gross cost of $ 728,000 and $ 312,000, respectively. Accumulated depreciation on the property under the capital lease was $ 26,000 for the year ended December 31, 2017.

Note 5 – Related Party Transactions

Related Party Payable
Related party payables primarily consist of amounts owed to Ann Arbor Housing Commission, an affiliate of the general partner, for management fees and reimbursements of operating expenses. The amount outstanding at December 31, 2017 is $ 8,648, all of which is due on demand and noninterest bearing.

Note Payable
The Partnership has a note payable to Ann Arbor Housing Commission, an affiliate of the general partner. The note, in the amended amount of $ 2,877,559, accrues interest at a rate of 1 percent. Payments on the note are fully deferred until maturity. The note matures on September 17, 2044. The note is secured by the property, subordinate to the mortgage note payable. As of December 31, 2017, the entire balance of $ 2,877,559 has been drawn on the note. For the year ended December 31, 2017, interest expense is $ 28,776. Accrued interest on the note is $ 74,852.

The Partnership has entered into another note with Ann Arbor Housing Commission in the original amount of $ 500,000 and payable to Chase Bank USA, National Association per an allonge dated April 30, 2015. Interest shall accrue on this note at a rate of 1 percent. Payments on the notes are fully deferred until maturity. The note matures on April 30, 2065. The note is secured by the property, subordinate to the mortgage and note payable. The note is subject to and must comply with the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program's retention period as described in the mortgage. The total amount outstanding December 31, 2017 is $ 500,000. For the year ended December 31, 2017, interest expense is $ 13,333 and accrued interest on the note as of December 31, 2017 is $ 13,333.

Debt issuance costs related to the above notes, net of accumulated amortized interest, totaled $ 113,381 and are being amortized over the term of the related mortgages using an effective interest rate of 1.2%.

Developer Fees
Developer fees are payable to affiliates of the general partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for construction of the Project. The development agreement specifies total payment of $ 1,733,629. Developer fees of $ 1,733,629 have been earned and are capitalized as part of the building. At December 31, 2017, $ 671,499 remains payable, of which $ 325,957 is considered deferred and is to be paid from future cash flow. Upon receipt of the final capital contribution, interest will begin accruing on the deferred developer fee at a rate of 8 percent and compound annually.

Management Fees
The Partnership has contracted with a management agent, which is an affiliate of a general partner, for conducting the rental operations of the Partnership. Management fees are calculated at 6 percent of gross operating revenue. Management fees expense for 2017 totaled $ 51,709, of which $ 4,451 remains payable at December 31, 2017 and is included in related party payables.

Asset Management Fee
Beginning in January 2015, the Partnership will incur a cumulative annual asset management fee of $ 5,000 payable to an affiliate of one of the limited partners for an annual review of the operations of the Partnership and the apartment complex. This fee will increase by 3 percent each year and be payable from available cash flow from operations as detailed in the partnership agreement. The asset management fee expense incurred in 2017 is $5,305 and the fee remains payable at December 31, 2017.

Promissory Note
The Partnership entered into a promissory note payable to Ann Arbor Housing Commission, an affiliate of a general partner, in the amount of $ 1,040,000. At December 31, 2017, $ 1,040,000 remains outstanding. The note bears interest at 8 percent. The note and interest shall be paid from available cash flow and mature on September 17, 2044. The note is secured by the Project, subordinate to the note payable. For the year ended December 31, 2017, interest expense on the note is $98,874. The accrued interest as of December 31, 2017 is $ 294,797, which is included in accrued interest.

Operating Deficit Guaranty
As provided for in the partnership agreement, the general partner will provide loans to the Partnership up to but not to exceed $ 330,000 for operating deficits incurred in the five years after stabilized operations has occurred and until debt service coverage ratio of 1.15:1 for each two consecutive six-month periods at the end of such five-year period and the operating reserve has a minimum balance of at least $ 165,000. The loans are unsecured, noninterest bearing, and will be repaid from future excess cash flows of the Partnership. There has been no advance of this loan as of December 31, 2017.

Note 6 - Current Vulnerability Due to Certain Concentrations

The Partnership's sole asset is a 116-unit apartment project. The Partnership's operations are concentrated in the multifamily 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 regulatory agencies, including, but not limited to, the Internal Revenue Code. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the Internal Revenue Service. 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.

RESOLUTION 18-5 AAHDC

Resolution to Accept the FY17 Audit for West Arbor Ann Arbor LDHA, LP from January 1, 2017 to December 31, 2017

WHEREAS, The Ann Arbor Housing Development Corporation (AAHDC) is the sole owner of the West Arbor, LLC, which is the .01% General Partner of the West Arbor Ann Arbor Limited Dividend Housing Association, Limited Partnership; and

WHEREAS, Yeo and Yeo completed the FY17 audit for West Arbor LDHA, LP from January 1, 2017 to December 31, 2017; and

WHEREAS, the West Arbor, LLC and the West Arbor LDHA, LP FY17 tax returns were completed;

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Housing Development Corporation Board has reviewed the FY17 audit for the West Arbor Ann Arbor Limited Dividend Housing Association, Limited Partnership and acknowledges the document is complete and accurate and grant staff the authority to certify and issue them.

West Arbor Limited
Dividend Housing Association
Limited Partnership

Financial Report

December 31, 2017

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS

800.968.0010 | yeoandyeo.com

Independent Auditors' Report

To the Partners of
West Arbor Limited Dividend
Housing Association Limited Partnership
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of West Arbor Limited Dividend Housing Association Limited Partnership, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in partners' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Arbor Limited Dividend Housing Association Limited Partnership as of December 31, 2017, its results in operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Lansing, Michigan
March 21, 2018

West Arbor Limited Dividend
Housing Association Limited Partnership
Balance Sheet
December 31, 2017

Assets		
Cash - operating	$	205,777
Accounts receivable - tenant		10,873
Funded reserves		
Reserve for replacement		42,415
Operating reserve		210,074
Insurance and tax escrow		20,539
Tenant security deposits		18,775
Prepaid expenses		1,926
Tax credit fee and compliance fees		70,843
Investment in rental property, at cost		
Building and improvements		12,339,346
Furniture and fixtures		476,310
Accumulated depreciation		(341,794)
Total assets	$	13,055,084
Liabilities and partners' equity		
Accounts payable		
Trade	$	34,280
Related parties		31,256
Developer fee payable		79,747
Prepaid rent		898
Accrued liabilities		
Accrued interest		18,184
Accrued asset management fees		4,192
Other accrued liabilities		4,446
Tenant security deposits		18,775
Long-term debt		
Mortgage note payable, net of unamortized debt issuance costs of $68,604		2,276,336
Related party notes payable		2,114,668
Total liabilities		4,582,782
Partners' equity		8,472,302
Total liabilities and partners' equity	$	13,055,084

See Accompanying Notes to the Financial Statements

West Arbor Limited Dividend
Housing Association Limited Partnership
Statement of Operations
For the Year Ended December 31, 2017

Revenue		
Rental income, net of rent concessions and vacancy	$	512,929
Less: bad debt		(10)
Net rental income		512,919
Other income		4,922
Total revenue		517,841
Expenses		
Grounds maintenance		23,005
Insurance - general		17,827
Management fees		31,057
Miscellaneous		9,324
Office expenses		6,829
Professional fees		5,949
Property administration		58,718
Repairs and maintenance		77,320
Supplies		4,933
Utilities		96,903
Total operating expenses		331,865
Operating income		185,976
Other expenses		
Depreciation		341,794
Tax credit and compliance fees		4,167
Asset management fee		4,192
Interest expense		189,336
Organizational costs and other		76,289
Relocation costs		127,394
Total other expenses		743,172
Net loss	$	(557,196)

See Accompanying Notes to the Financial Statements

West Arbor Limited Dividend
Housing Association Limited Partnership
Statement of Changes in Partners' Equity
For the Year Ended December 31, 2017

	Total	General Partners	Limited Partners
Partners' equity, January 1, 2017	$ 1,392,626	$ 1	$ 1,392,625
Net loss - 2017	(557,196)	(56)	(557,140)
Contributions - 2017	7,636,872	-	7,636,872
Partners' equity, December 31, 2017	$ 8,472,302	$ (55)	$ 8,472,357

West Arbor Limited Dividend
Housing Association Limited Partnership
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows operating activities		
Net loss	$	(557,196)
Items not requiring cash		
Depreciation		341,794
Tax credit and compliance fees		4,167
Debt issuance costs		396
Bad debt		10
Changes in operating assets and liabilities:		
Accounts receivable		9,067
Tenant security deposits		(16,775)
Prepaid expenses and other assets		(1,123)
Trade accounts payable		3,492
Payables to related parties		31,256
Tenant security deposits liability		16,775
Prepaid rent		898
Accrued interest		18,184
Other accrued liabilities		5,174
Net cash used by operating activities		(143,881)
Cash flows from investing activities		
Purchase of property and equipment		(3,915,272)
Deposits to funded reserves		(273,028)
Net cash used by investing activities		(4,188,300)
Cash flows from financing activities		
Proceeds from debt		2,752,223
Financing costs paid to obtain debt		(69,000)
Principal payments on mortgage note payable		(5,060)
Payment on developer fee		(1,120,253)
Payment of construction loan		(5,735,948)
Contributions of capital		7,636,872
Net cash provided by financing activities		3,458,834
Net change in cash		(873,347)
Cash at beginning of year		1,079,124
Cash at end of year	$	205,777
Supplemental disclosures of cash flow information		
Cash paid for interest	$	171,152
Capitalized interest	$	36,373

See Accompanying Notes to the Financial Statements

Note 1 – Nature of Business

West Arbor Limited Dividend Housing Association Limited Partnership (the "Partnership") was formed as a limited partnership to develop real property located in Ann Arbor, Michigan and to rehabilitate, own, maintain, and operate the property as a 46-unit multifamily apartment complex known as West Arbor Apartments (the "Project"). Partnership operations commenced on August 27, 2015 in accordance with the amended and restated agreement of limited partnership. The Project participates in the HUD Rental Assistance Demonstration (RAD) program and 31 units of the Project have project-based voucher units under the HUD Rental Assistance Demonstration (RAD) program, while the remaining 15 units of the Project have project-based voucher units under the HUD Section 8 program. The units were substantially complete and considered placed in service between December 21, 2016 and February 28, 2017. The Partnership shall continue in existence until July 1, 2114, unless the Partnership is sooner dissolved in accordance with the partnership agreement. The Partnership has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42.

Note 2 – Summary of 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
The financial affairs of the Partnership do not generally involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Partnership's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheet.

Cash Equivalents
For the statement of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents.

Tenant Accounts Receivable
Tenant accounts receivable are stated at net rent amounts. The Partnership considers any tenant accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts are determined to be uncollectible, they are charged to operations at that time.

Funded Reserves
Reserves to be funded include replacement and operating reserves. Replacement reserves are designed for capital improvements over the life of the Project otherwise funded by cash flows. Commencing upon final closing, monthly contributions are to be in the amount of $ 300 per unit per year, increasing by 3 percent per year thereafter. Operating reserves will be used for operation deficits to the extent provided in the partnership agreement. The reserves were funded during 2016. Monthly deposits are made with the mortgagor in a separate account to be used for the payment of insurance.

Tax Credit Fees and Compliance Fees
Prepaid tax credit fees are amortized over the compliance period beginning in 2017. Amortization expense for the tax credit and compliance fees is $ 4,167 for the year ended December 31, 2017 and accumulated amortization as of December 31, 2017 is $ 4,167.

Property and Equipment
Land, building, and other depreciable assets are recorded at cost, less accumulated depreciation computed as follows:

	Years	Method
Buildings and improvements	20 - 40	Straight line
Furniture and fixtures	5 - 10	Straight line

Improvements over $ 5,000 are capitalized, while expenditures for maintenance and repairs are charged to expense when incurred.

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 Partnership's rental property has occurred.

Rental Revenue
The Partnership records apartment rentals at gross potential rent as adjusted for vacancy loss. Rental income is recognized as rentals become due. The Partnership also received rental subsidies under a contract with Ann Arbor Housing Commission. Rental payments and subsidies received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are operating leases.

Income Taxes
The Partnership is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Partnership. Partners are taxed individually on their pro-rata ownership share of the Partnership's earnings. The Partnership's net income or loss is allocated among the members in accordance with the Partnership's operating agreement.

Partner Allocation of Profits and Losses
Profits or losses from operations of the Partnership are allocated annually between the general partners and the limited partners at 0.009 percent and 99.991 percent, respectively.

Low-income Housing Credits
The Partnership has qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (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 credits. 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.

Concentration of Credit Risk
The Partnership is required to disclose concentration of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Partnership to concentration of credit risk consist principally of cash. The Partnership places its cash with FDIC insured financial institutions. Although such balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. At December 31, 2017, the Partnership had deposits with financial institutions of $ 115,488 that were uncollateralized and uninsured by FDIC insurance.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Debt Issuance Costs
Debt issuance costs, net of accumulated amortization are reported as a direct reduction from the face amount of the mortgage and note payables to which such costs related. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Subsequent Events
Management has evaluated subsequent events through March 21, 2018, which is the date the financial statements were available to be issued.

Note 3 – Mortgage Note Payable

The Partnership has a note payable to Cinnaire Investment Corporation in the original amount of $ 2,350,000. Interest shall accrue on this note at a rate of 5.6 percent with monthly principal and interest installments in the amount of $ 13,491 and a term of 30 years. The note is collateralized by the project.

Debt issuance costs related to the above note, net of accumulated amortized interest, totaled $ 68,604 and are being amortized over the term of the related mortgage using an effective interest rate of 5.9 percent.

Aggregate maturities of the note payable for the years ending December 31, are as follows:

December 31, 2018	$ 31,371
December 31, 2019	33,173
December 31, 2020	35,079
December 31, 2021	37,095
December 31, 2022	39,227
Thereafter	2,168,995
Unamortzed debt issuance costs	(68,604)
	$ 2,276,336

Note 4 – Ground Lease

The Partnership leases the land and buildings of the Project under a long-term lease arrangement. Under the terms of the lease agreement payments of $1 are due annually through December 31, 2116.

Note 5 – Related Party Transactions

Related Party Payable

Related party payables primarily consist of amounts owed to Ann Arbor Housing Commission, an affiliate of the general partner, for management fees and reimbursements of operating expenses; additionally amounts are owed to Norstar Development, an affiliate of the other general partner, for reimbursement of construction related costs. The amounts outstanding at December 31, 2017 are $ 31,256, all of which is due on demand and noninterest bearing.

Note Payable

The Partnership entered into a promissory note payable with Ann Arbor Housing Commission, an affiliate of a general partner in the amount of $ 1,839,668 with a stated interest rate of 6 percent compounding annually. The note shall be paid from available cash flows and matures on August 27, 2045. The note is secured by the property, subordinate to the mortgage note payable. As of December 31, 2017, the outstanding balance of the note is $ 1,614,668, which is the amount that has been drawn to date. Payment of the interest is contingent on generating sufficient cash flow, and therefore accrued interest has not been reflected in the financial statements.

The Partnership has another note payable to Ann Arbor Housing Commission in the original amount of $ 500,000. Interest shall accrue on this note at a rate of 1 percent. No payment of principal or interest are due until the notes maturity on July 22, 2036. The note is secured by the property, subordinate to the mortgage note and promissory note payable. The total amount outstanding December 31, 2017 is $ 500,000. For the year ended December 31, 2017, interest expense is $ 7,241 and accrued interest as of December 31, 2017 is $ 7,241.

Developer Fees

Developer fees are payable to affiliates of the general partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for construction of the Project. The development agreement specifies total payment of $ 1,500,000. Developer fees of $ 1,500,000 have been earned and are capitalized as part of the building. The developer fee balance at December 31, 2017 is $ 79,747 and is expected to be paid from the remaining capital contribution.

Management Fees

The Partnership has contracted with a management agent, which is an affiliate of a general partner, for conducting the rental operations of the Partnership. Management fees are calculated at 6 percent of gross operating revenue. Management fees expense for 2017 totaled $ 31,057, of which $ 2,981 remains payable at December 31, 2017 and is included in related party payables.

Asset Management Fee

Beginning in 2017, the Partnership will incur a cumulative annual asset management fee up to $ 5,000 payable to an affiliate of one of the limited partners for an annual review of the operations of the Partnership and the apartment complex. This fee will increase by 3 percent each year and be payable from available cash flow from operations as detailed in the partnership agreement. The asset management fee expense incurred in 2017 is $4,192 and the fee remains payable at December 31, 2017.

Operating Deficit Guaranty
As provided for in the partnership agreement, the general partner will provide loans to the Partnership up to but not to exceed $ 210,000 for operating deficits incurred through the date on which the Partnership has achieved a Debt Service Coverage Ratio of 1.15 or better, measured on an annualized basis, for a period of two consecutive years commencing on or after the second anniversary of achievement of stabilized occupancy (which occurred in 2017) and the operating reserve has a minimum balance of at least $ 210,000. The loans are unsecured, noninterest bearing, and will be repaid from future excess cash flows of the Partnership. There has been no advance of this loan as of December 31, 2017.

Note 6 – Current Vulnerability Due to Certain Concentrations

The Partnership's sole asset is a 46-unit apartment project. The Partnership's operations are concentrated in the multifamily 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 regulatory agencies, including, but not limited to, the Internal Revenue Code. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the Internal Revenue Service. 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.