

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP

HUD PROJECT NO. KY08335018

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
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INDEPENDENT AUDITORS' REPORT

To the Partners
Audubon Lincolnshire Apartments, LLLP
Owensboro, Kentucky

Opinion

We have audited the accompanying financial statements of Audubon Lincolnshire Apartments, LLLP (a Kentucky limited liability limited partnership), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, partners' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Lincolnshire Apartments, LLLP as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Audubon Lincolnshire Apartments, LLLP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Lincolnshire Apartments, LLLP's ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Audubon Lincolnshire Apartments, LLLP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Lincolnshire Apartments, LLLP's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 19 is presented for the purposes of additional analysis, and pages 20 to 29 is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements.

The accompanying supplementary 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023 on our consideration of Audubon Lincolnshire Apartments, LLLP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Audubon Lincolnshire Apartments, LLLP's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Audubon Lincolnshire Apartments, LLLP's internal control over financial reporting and compliance.

Respectfully Submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
February 15, 2023

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	DECEMBER 31,	
	2022	2021
ASSETS		
Current Assets		
Cash-Unrestricted	\$ 81,393	\$ 191,476
Interprogram receivable	0	1,772
Prepaid property insurance	29,765	25,397
Prepaid asset management fee	27,000	27,500
TOTAL CURRENT ASSETS	138,158	246,145
Restricted Deposits and Funded Reserves		
Tenants' security deposits escrow	16,638	15,894
Replacement reserve escrow	370,287	342,366
Operating reserve	340,000	340,000
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	726,925	698,260
Rental Property-At cost		
Buildings	10,330,861	10,310,571
Furnishings	177,189	177,189
Site improvements	330,000	330,000
Vehicles	6,750	6,750
Less: Accumulated depreciation	(1,734,120)	(1,383,251)
	9,110,680	9,441,259
Land	265,000	265,000
NET RENTAL PROPERTY	9,375,680	9,706,259
TOTAL ASSETS	\$ 10,240,763	\$ 10,650,664

(CONTINUED)

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
BALANCE SHEETS (CONCLUDED)
DECEMBER 31, 2022 AND 2021

	DECEMBER 31,	
	2022	2021
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable-Trade	\$ 2,062	\$ 14,024
Accounts payable-Other	8,022	9,388
Accrued payroll	6,717	6,492
Accrued payables	6,782	1,928
Development fee payable	296,174	457,592
Tenants' security deposits	16,638	15,894
Current maturities of long-term debt	74,706	71,695
TOTAL CURRENT LIABILITIES	<u>411,101</u>	<u>577,013</u>
Long-term Liabilities		
Loan payable-KHC	1,700,000	1,700,000
Note payable-Audubon Area Community Services	3,551,454	3,551,454
Bond payable-Field & Main Bank	1,749,921	1,815,306
Accrued interest payable	518,816	414,465
Less: Current maturities	(74,706)	(71,695)
TOTAL LONG-TERM LIABILITIES	<u>7,445,485</u>	<u>7,409,530</u>
TOTAL LIABILITIES	<u>7,856,586</u>	<u>7,986,543</u>
Partners' Equity (Deficit)	2,384,177	2,664,121
TOTAL PARTNERS' EQUITY (DEFICIT)	<u>2,384,177</u>	<u>2,664,121</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)	<u><u>\$ 10,240,763</u></u>	<u><u>\$ 10,650,664</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		FOR THE YEARS ENDED DECEMBER 31,	
		2022	2021
REVENUE			
Rent revenue-Gross potential		\$ 909,102	\$ 887,036
Vacancies and concessions		(48,487)	(39,565)
Other operating income		9,142	99,388
TOTAL REVENUES		<u>869,757</u>	<u>946,859</u>
OPERATING EXPENSES			
Administrative and personnel		248,957	231,697
Asset management fees		500	500
Property insurance		34,652	33,719
Maintenance and repairs		62,583	55,734
Management fees		106,476	97,157
Utilities		159,987	162,639
TOTAL OPERATING EXPENSES		<u>613,155</u>	<u>581,446</u>
NET OPERATING INCOME		<u>256,602</u>	<u>365,413</u>
OTHER INCOME (EXPENSE)			
Interest expense		(185,676)	(186,194)
Depreciation		(350,870)	(349,944)
TOTAL OTHER INCOME (EXPENSE)		<u>(536,546)</u>	<u>(536,138)</u>
NET INCOME (LOSS)		<u><u>\$ (279,944)</u></u>	<u><u>\$ (170,725)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Investment Limited Partner	Special Limited Partner	General Partners		
	Boston Capital Corporate Tax Credit Fund XLIV, LLC	BCCC, Inc.	Lincolnshire Development, LLC	Wabuck Development Company, Inc.	Total
BALANCE JANUARY 01, 2021	\$ 2,755,285	\$ 10	\$ 89,170	\$ (43)	\$ 2,844,422
Other increases/decreases 2021	(9,576)	0	0	0	(9,576)
Contributions, 2021	0	0	0	0	0
Distributions, 2021	0	0	0	0	0
Net income (loss), 2021	(170,691)	0	(17)	(17)	(170,725)
BALANCE DECEMBER 31, 2021	2,575,018	10	89,153	(60)	2,664,121
Contributions, 2022	0	0	0	0	0
Distributions, 2022	0	0	0	0	0
Net income (loss), 2022	(279,888)	0	(28)	(28)	(279,944)
BALANCE DECEMBER 31, 2022	<u>\$ 2,295,130</u>	<u>\$ 10</u>	<u>\$ 89,125</u>	<u>\$ (88)</u>	<u>\$ 2,384,177</u>
 PERCENTAGE INTEREST	 <u>99.98%</u>	 <u>0.00%</u>	 <u>0.01%</u>	 <u>0.01%</u>	 <u>100.00%</u>

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	FOR THE YEARS ENDED DECEMBER 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (279,944)	\$ (170,725)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	350,870	349,944
Interprogram receivable	1,772	209
Prepaid expenses	(4,370)	362
Accounts payable-Trade	(11,965)	(2,580)
Accounts payable-Other	(1,366)	655
Accrued payroll	225	1,192
Accounts payable-Construction	0	(416,499)
Asset management fee	500	500
Development fee	(161,418)	(266,437)
Accrued payables	4,855	1,552
Accrued interest payable	104,352	101,676
Tenants' security deposits	744	(598)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,255	(400,749)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(20,289)	(7,189)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(20,289)	(7,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long-term debt	(65,384)	(68,130)
Capital contributions	0	827,804
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(65,384)	759,674
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(81,418)	351,736
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH- BEGINNING BALANCE	889,736	538,000
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH- ENDING BALANCE	\$ 808,318	\$ 889,736
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 81,324	\$ 84,517

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization

Audubon Lincolnshire Apartments, LLLP was organized in 2017 as a limited liability limited partnership to acquire, rehabilitate, construct, own, finance, lease and operate a 100 unit apartment complex for low-income families. The project is located in the city of Owensboro, Kentucky and is currently known as Audubon Lincolnshire. The major activities of the partnership are governed by the partnership agreement and the Internal Revenue Code Section 42. Each building of the project has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements.

Each building of the project must meet the provisions of these requirements in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

Basis of Accounting

The financial statements of the partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Capitalization and Depreciation – Rental Property

Land, buildings and improvements, and furnishings are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (40-30 years for buildings, 12 years for furnishings, and 20 years for site improvements) using the straight-line method. Depreciation expense amounted to \$350,870 and \$349,944 for the years ended December 31, 2022 and 2021. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2022 and 2021.

Income Taxes

The partnership has elected to be treated as a pass-through entity for income tax purposes. For federal tax purposes, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. For state tax purposes, limited liability pass-through entities are exempt from limited liability entity tax on gross receipts of \$3,000,000 or less. The likelihood that the partnership will have gross receipts in excess of the limit is minimal; therefore, the partnership takes the same tax position for state purposes as with federal purposes. Accordingly, these financial statements do not reflect a provision for income taxes, there are no unrecognized tax benefits, and the partnership has no other tax positions which must be considered for disclosure. For both jurisdictions, the partnership is required to file and does file tax returns with the Internal Revenue Service and the state of Kentucky. During 2022 and 2021 the partnership did not recognize any interest and penalties on income tax expense. At December 31, 2022, the tax years that remain subject to examination by federal tax jurisdictions are 2019 through 2022 and by state tax jurisdictions are 2018 through 2022.

Cash Equivalents and Restricted Cash

The partnership considers all short-term investments with an original maturity of three months or less to be cash equivalents. Under established regulations, certain funds have been restricted as to future use. At December 31, 2022, the partnership had restricted funds totaling \$726,925. Of this total, \$370,287 may be expended only for building improvements, new equipment and similar items and \$16,638, representing security deposits collected from tenants, may only be used to return security deposits to tenants. An operating reserve account was setup in 2021 as required by the partnership agreement to ensure operating obligations can be met. The operating reserve balance at December 31, 2022 was \$340,000. The balance of these restricted funds at December 31, 2021 was \$698,260. These funds are being held in separate interest-bearing bank accounts. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Cash Equivalents and Restricted Cash (Concluded)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 81,393	\$ 191,476
Restricted cash	<u>726,925</u>	<u>698,260</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 808,318</u>	<u>\$ 889,736</u>

Use of Estimates

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

Advertising Cost

Audubon Lincolnshire Apartments, LLLP uses advertising to promote its services to the community. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$1,145 and \$1,925.

Rental Income

Rental income is recognized as rents 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 project is subject to a Section 8 Housing Assistance Payment agreement with the US Department of Housing and Urban Development (HUD), and a significant portion of the project's rental income is from HUD.

Accounts Receivable and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 2 – PARTNERS’ CAPITAL CONTRIBUTIONS

The partnership has one general partner, Lincolnshire Development, LLC, one class B limited partner, Wabuck Development Company, Inc., one special limited partner, BCCC, Inc., and one investment limited partner, Boston Capital Corporate Tax Credit Fund XLIV. As of December 31, 2022 and 2021, the total capital contributions from all sources were \$3,294,921 reduced from \$3,304,497 in 2021 and reduced from \$3,635,298 in 2019 with \$0 and \$827,804, respectively received at December 31, 2022 and 2021, and no amount remaining due.

NOTE 3 – LONG-TERM DEBT

Financing for the project was provided through Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds, in the total aggregate original amount of \$5,950,000, consisting of \$2,000,000 Series 2017A bonds and \$3,950,000 Series 2017B bonds payable to Field & Main Bank. During construction the Series 2017A bonds had monthly interest payments due through the end of construction. In 2019, the Series 2017B bonds of \$3,950,000, plus interest, were paid as construction completed. Beginning in April 2019, monthly installments of \$12,720.56, which included principal and interest are due. The bonds have a 4.5% interest rate and will be due in 2039.

The project is also financed by a 22-year loan payable to Lincolnshire Apartments, Inc., in the amount of \$1,230,119. The 2.6% mortgage along with accrued interest is to be paid from available cash flow, provided however, the entire unpaid principal and interest will be due September 2039 (see Note 4).

Additionally, the project is financed by a 22-year loan payable to Lincolnshire Apartments, Inc., in the amount of \$2,358,671. The 2.6% mortgage along with accrued interest is to be paid from available cash flow, provided however, the entire unpaid principal and interest will be due September 2039 (see Note 4).

The project also has a 30-year National Housing Trust Fund loan of \$1,300,000 and a 30-year Affordable Housing Trust Fund loan of \$400,000 from Kentucky Housing Corporation. The loans have a zero percent interest per annum with principal payments due at maturity.

Aggregate maturities of long-term debt for the next five years are as follows:

December 31, 2023	\$	74,706
2024		78,140
2025		81,730
2026		85,484
2027		89,412
Thereafter		6,591,903
	\$	<u>7,001,375</u>

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 4 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Development Fee and Other Construction Costs

The partnership entered into a development services agreement which incurred a payable of \$1,943,000 to Wabuck Development Company, Inc. (Wabuck) and Audubon Area Community Services (Audubon) for services rendered to the partnership for overseeing the construction of the project. The development fee has been capitalized into the cost of the building. At December 31, 2022 and 2021, \$80,709 and \$133,218, respectively was paid to both Wabuck and Audubon. At December 31, 2022 and 2021, \$296,174 and \$457,592, respectively was due with 50% due to Audubon and 50% due to Wabuck.

Management Fee

In accordance with the management agreement, the partnership incurred management fees of \$83,236 and \$88,157 in 2022 and 2021, respectively, to Audubon Area Community Services. The fee for services is 10.31% of the project's gross rental income.

Asset Management Fee

The Limited Partnership Agreement provides that an investment asset management fee be paid to Boston Capital Asset Management Limited Partnership (BCAMLP), an affiliate of the investment limited partner. The fee is a one-time payment of \$30,000 that was paid in the first installment of the limited partner's capital contribution in 2017. The fee will be amortized over a period of 15 years as this service will be expensed during this period of time. At December 31, 2022 and 2021, respectively, \$27,000 and \$27,500 was classified as prepaid asset management fees.

Other Related Party Transactions

The partnership paid Homeland, Inc., an affiliate of the class B limited partner \$23,240 and \$9,000 during 2022 and 2021, respectively, for consulting services.

At December 31, 2022 and 2021, the partnership owed \$2,358,671 plus accrued interest of \$344,568 and \$275,264, respectively to Lincolnshire Apartments, Inc. for one loan and also owed Lincolnshire Apartments, Inc. \$1,192,783 plus accrued interest of \$174,248 and \$139,201, respectively for a second loan (see Note 3).

NOTE 5 – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses generated by the partnership in the ordinary course of its business is allocated 99.98% to the investment limited partner, and 0.01% to the general partner, and 0.01% to the class B limited partner.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 5 – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS (CONCLUDED)

Distributable cash flow is defined in the partnership agreement as gross cash receipts increased by any amount released from replacement reserves less principal and interest payments on any loans, any amount owed under the development agreement, cash expenditures incurred for operating activities including capital expenditures, and replacement reserve funding.

After all applicable credit reduction payments, loan payments, deferred asset management fees, deferred development fees, and replacement reserve requirements have been paid, distributable cash flow is payable annually as follows:

1. Any remaining balance is to be paid 50% to the limited partner, and 1% to the class B limited partner, and 49% to the general partner.

During 2022 and 2021, no distributions were made to the partners.

NOTE 6 – CONCENTRATION OF CREDIT RISKS

The Partnership extends credit to individuals with whom it conducts business. Credit losses may be minimal and are generally within management's expectations.

NOTE 7 – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income (loss) to taxable income (loss) of the partnership for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Financial statement net income (loss)	\$ (279,944)	\$ (170,725)
Adjustments		
Difference in depreciation expense	<u>5,951</u>	<u>5,917</u>
Taxable income (loss) as shown on tax return	<u>\$ (273,993)</u>	<u>\$ (164,808)</u>
Federal low income housing credits	<u>\$ 378,695</u>	<u>\$ 378,695</u>

NOTE 8 – FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those financial instruments. The carrying amount and fair value are approximately the same at December 31, 2022 and 2021.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 8 – FAIR VALUE MEASUREMENTS (CONCLUDED)

SFAS 157, *Fair Value Measurements* (ASC Topic 820-10) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are as follows:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

NOTE 9 – UNINSURED DEPOSITS

At December 31, 2022, the carrying amount of the Partnership's cash and cash equivalents was \$808,318. Of the total bank balance of \$808,317, \$250,000 was covered by federal depository insurance and the remaining \$558,317 was considered uninsured.

At December 31, 2021, the carrying amount of the Partnership's cash and cash equivalents was \$889,736. Of the total bank balance of \$889,752, \$250,000 was covered by federal depository insurance and the remaining \$639,752 was considered uninsured.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The Partnership is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance.

NOTE 11 – REPLACEMENT RESERVE

In accordance with the partnership agreement, a reserve fund for replacements is to be funded in the initial amount of \$160,000 with proceeds of the Investment Limited partner's second installment of capital contribution, and then with \$40,000 per year beginning at the completion of construction. At December 31, 2022 and 2021, the replacement reserve was adequately funded.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2022 AND 2021

NOTE 12 – CASH AVAILABLE FOR DISTRIBUTION

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Operating	\$ 193,247	\$ 212,433
Total	193,247	212,433
Accounts payable	(14,021)	(16,604)
Accounts payable-Other	(1,927)	(376)
Accrued payroll	(6,492)	(5,300)
Interprogram payables	(9,388)	(8,733)
Surplus cash	\$ 161,419	\$ 181,420
Development fee	(161,419)	(181,420)
Cash available for distribution	<u>\$ 0</u>	<u>\$ 0</u>

Cash available for distribution for December 31, 2022 will not be available until the subsequent fiscal year.

NOTE 13 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the partnership through February 15, 2023 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY SCHEDULES OF CERTAIN INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		FOR THE YEARS ENDED	
		DECEMBER 31,	
		2022	2021
		<u></u>	<u></u>
RENTS			
Rent revenue-Gross potential	\$	296,786	\$ 271,007
Tenant assistance payments		612,316	616,029
TOTAL RENTS	\$	<u>909,102</u>	<u>\$ 887,036</u>
VACANCIES AND CONCESSIONS			
Vacancies	\$	(48,487)	\$ (39,565)
TOTAL VACANCIES AND CONCESSIONS	\$	<u>(48,487)</u>	<u>\$ (39,565)</u>
OTHER OPERATING INCOME			
Tenant damages	\$	4,712	\$ 5,263
Laundry and vending		3,618	3,083
Miscellaneous income		296	938
Unrestricted contribution		0	88,033
NSF fees		516	299
Security deposit forfeitures		0	1,772
TOTAL OTHER OPERATING INCOME	\$	<u>9,142</u>	<u>\$ 99,388</u>
ADMINISTRATIVE AND PERSONNEL			
Bookkeeping	\$	8,100	\$ 8,100
Advertising		1,145	1,925
Contractual services/consultant		1,278	3,509
Legal fees		7,805	5,731
Manager salary		170,519	165,369
Miscellaneous		4,909	3,221
Office supplies		3,861	4,579
Telephone and internet		5,948	5,716
Travel and training		727	0
Security expense		29,216	22,493
Criminal records check		5,634	5,515
Meeting expense		1,222	39
Vehicle expense		2,633	0
Audit		5,960	5,500
TOTAL ADMINISTRATIVE AND PERSONNEL	\$	<u>248,957</u>	<u>\$ 231,697</u>

(CONTINUED)

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY SCHEDULES OF CERTAIN INCOME AND EXPENSES (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	FOR THE YEARS ENDED	
	DECEMBER 31,	
	2022	2021
MAINTENANCE AND DECORATING		
Cleaning	\$ 4,086	\$ 0
General maintenance	39,602	36,363
Grounds maintenance	8,079	11,947
Painting	4,110	2,070
Pest control	6,706	5,354
TOTAL MAINTENANCE AND DECORATING	\$ 62,583	\$ 55,734
UTILITIES		
Utilities	\$ 139,790	\$ 148,963
Gas	20,197	13,676
TOTAL UTILITIES	\$ 159,987	\$ 162,639

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY SCHEDULES OF REPLACEMENT RESERVE ESCROW
DECEMBER 31, 2022 AND 2021

	DECEMBER 31,	
	2022	2021
Balance, January 1,	\$ 342,366	\$ 297,345
Deposits	46,371	45,021
Interest earned	0	0
Withdrawals-Capitalized	0	0
Withdrawals-Expensed	(18,450)	0
Balance, December 31,	<u>\$ 370,287</u>	<u>\$ 342,366</u>

The accompanying notes to the financial statements are an integral part of this statement.

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
BALANCE SHEET
DECEMBER 31, 2022

Account No.			
	ASSETS		
	Current Assets		
1120	Cash-Operations	\$	81,393
1121	Construction cash account		0
1130	Tenant accounts receivable		0
1130N	Net tenant accounts receivable		0
1190	Miscellaneous current assets		0
1200	Prepaid expenses		56,765
1100T	TOTAL CURRENT ASSETS		138,158
	Deposits Held in Trust		
1191	Tenants deposits held in trust		16,638
	Deposits		
1320	Replacement reserve		370,287
1330	Other reserves		340,000
1300T	TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES		710,287
	Fixed Assets		
1410	Land		265,000
1420	Buildings		10,330,861
1450	Furniture for project/tenant use		177,189
1480	Motor vehicles		6,750
1490	Site improvements		330,000
1400T	TOTAL FIXED ASSETS		11,109,800
1495	Less: Accumulated depreciation		(1,734,120)
1400N	NET FIXED ASSETS		9,375,680
1000T	TOTAL ASSETS	\$	10,240,763

(CONTINUED)

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
BALANCE SHEET (CONCLUDED)
DECEMBER 31, 2022

Account No.			
	LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		
	Current Liabilities		
2110	Accounts payable-Operation	\$	2,062
2113	Accounts payable-Entity		8,022
2120	Accrued wages payable		6,717
2170	Bonds payable		74,706
	Miscellaneous current liabilities		
2190	Accrued payables		6,782
2190	Development fee payable		296,174
2122T	TOTAL CURRENT LIABILITIES		<u>394,463</u>
2191	Tenants' security deposits		16,638
	Long-Term Liabilities (Net of current portion)		
2310	Note payable		3,551,454
2322	Mortgage payable		1,700,000
2323	Bonds payable		1,675,215
2332	Accrued interest notes payable		518,816
	TOTAL LONG-TERM LIABILITIES		<u>7,445,485</u>
	TOTAL LIABILITIES		<u>7,856,586</u>
3130	Total Equity		<u>2,384,177</u>
			<u>2,384,177</u>
	TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)	\$	<u><u>10,240,763</u></u>

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.			
	REVENUES		
5120	Rent revenue-Gross potential	\$	296,786
5121	Tenant assistance payments		612,316
5100T	TOTAL RENT REVENUE		<u>909,102</u>
5220	Vacancies-Apartment		48,487
5200T	TOTAL VACANCIES		<u>48,487</u>
5152N	NET RENTAL REVENUE		860,615
5910	Laundry and vending		3,618
5920	Tenant charges		5,228
5990	Miscellaneous revenue		295
5900T	TOTAL OTHER REVENUE		<u>9,141</u>
5000T	TOTAL REVENUE		869,756
	EXPENSES		
6210	Advertising and marketing		1,145
6311	Office expenses		9,798
6250	Other renting expenses		0
6320	Management fee		106,476
6330	Manager or superintendent salaries		170,518
6340	Legal expense		7,805
6350	Audit expense		5,960
6351	Bookkeeping fees/accounting services		8,100
6370	Bad debts		0
6390	Miscellaneous administrative expenses		50,217
6263T	TOTAL ADMINISTRATIVE EXPENSE		<u>360,019</u>

(CONTINUED)

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.			
6450	Electricity		139,790
6452	Gas		20,197
6400T		TOTAL UTILITIES EXPENSE	<u>159,987</u>
6510	Payroll		0
6520	Contracts		58,497
6500T		TOTAL OPERATING AND MAINTENANCE EXPENSE	<u>58,497</u>
6720	Property and liability insurance		34,652
6700T		TOTAL TAXES AND INSURANCE	<u>34,652</u>
6820	Interest on mortgage payable		81,324
6830	Interest on notes payable		104,352
		TOTAL FINANCIAL EXPENSE	<u>185,676</u>
6000T		TOTAL COST OF OPERATIONS BEFORE DEPRECIATION	<u>798,831</u>
5060T		PROFIT (LOSS) BEFORE DEPRECIATION	70,925
6600	Depreciation expense		350,869
5060N		OPERATING PROFIT (LOSS)	<u>(279,944)</u>
3250		NET PROFIT (LOSS)	<u><u>\$ (279,944)</u></u>
S1000-010	TOTAL MORTGAGE PRINCIPAL PAYMENTS REQUIRED DURING THE AUDIT YEAR		<u><u>\$ 65,384</u></u>
S1000-020	TOTAL OF 12 MONTHLY DEPOSITS DURING THE AUDIT YEAR INTO THE REPLACEMENT RESERVE ACCOUNT, AS REQUIRED BY THE REGULATORY AGREEMENT EVEN IF PAYMENTS MAY BE TEMPORARILY SUSPENDED OR REDUCED		<u><u>\$ 46,371</u></u>

(CONTINUED)

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Account

No.

S1000-030

**REPLACEMENT RESERVE OR RESIDUAL RECEIPTS
RELEASES WHICH ARE INCLUDED AS EXPENSE
ITEMS ON THIS PROFIT AND LOSS STATEMENT**

\$ 18,450

S1000-040

**PROJECT IMPROVEMENT RESERVE RELEASES UNDER THE
FLEXIBLE SUBSIDY PROGRAM THAT ARE INCLUDED AS
EXPENSE ITEMS ON THIS PROFIT AND LOSS STATEMENT**

\$ 0

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
STATEMENT OF CHANGES IN PARTNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
	EQUITY	
S1100-010	Beginning of year balance	\$ 2,664,121
3250	Net Profit (loss)	(279,944)
S1100-020	Other changes in equity	<u>0</u>
3130	End of year balance	<u><u>\$ 2,384,177</u></u>

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
STATEMENT OF CASH FLOWS DATA
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
	CASH FLOWS FROM OPERATING ACTIVITIES	
S1200-010	Rental receipts	\$ 860,615
S1200-020	Interest receipts	0
S1200-030	Other operating receipts	9,141
S1200-040	TOTAL RECEIPTS	<u>869,756</u>
S1200-050	Administrative	(80,753)
S1200-070	Management fees	(106,476)
S1200-090	Utilities	(159,987)
S1200-100	Salaries and wages	(170,518)
S1200-110	Operating and maintenance	(228,166)
S1200-140	Property insurance	(39,020)
S1200-180	Interest on mortgage	(81,324)
S1200-230	TOTAL DISBURSEMENTS	<u>(866,244)</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES	3,512
	CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-250	Net deposits to the reserve for replacement account	(27,922)
S1200-255	Net deposits to other reserves	0
S1200-330	Net purchase of fixed assets	(20,289)
S1200-350	NET CASH USED BY INVESTING ACTIVITIES	<u>(48,211)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-360	Principal payments on bonds payable	(65,384)
S1200-430	Contributions	0
S1200-460	NET CASH USED BY FINANCING ACTIVITIES	<u>(65,384)</u>
S1200-470	NET INCREASE IN CASH AND CASH EQUIVALENTS	(110,083)
S1200-480	BEGINNING OF PERIOD CASH	<u>191,476</u>
S1200T	END OF PERIOD CASH	<u><u>\$ 81,393</u></u>

(CONTINUED)

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
STATEMENT OF CASH FLOWS DATA (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
	RECONCILIATION OF NET PROFIT (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
3250	Net Profit (Loss)	\$ (279,944)
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities	
6600	Depreciation	350,870
	Amortization	500
S1200-500	Decrease (increase) in accounts receivable-Other	1,772
S1200-520	Decrease (increase) in prepaid expenses	(4,368)
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	(744)
S1200-540	Increase (decrease) in accounts payable	(13,329)
S1200-560	Increase (decrease) in accrued liabilities	(156,340)
S1200-570	Increase (decrease) in accrued interest payable	104,352
S1200-580	Increase (decrease) in tenant security deposits held in trust	744
S1200-610	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,513

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
ACCOUNT DETAIL
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
6390	MISCELLANEOUS ADMINISTRATIVE EXPENSE	
	Travel and training	\$ 727
	Asset management fee	500
	Contractual services and consult	1,278
	Janitorial and cleaning	4,086
	Security	29,216
	Criminal records check	5,634
	Other miscellaneous expenses and meals	8,776
	TOTAL MISCELLANEOUS ADMINISTRATIVE EXPENSE	\$ 50,217

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
SUPPLEMENTARY DATA REQUIRED BY HUD
SUPPLEMENTAL COMPLIANCE DATA
FOR THE YEAR ENDED DECEMBER 31, 2022

COMPUTATION OF SURPLUS CASH

S1300-010	Cash		\$ 98,031
S1300-040		TOTAL CASH	98,031
	Current Obligations		
S1300-075	Accounts payable-30 days		2,062
2191	Tenant security deposits liability		16,638
S1300-140		TOTAL CURRENT OBLIGATIONS	18,700
		SURPLUS CASH	<u>\$ 79,331</u>

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 265,000	\$ 0	\$ 0	\$ 265,000
1420	Buildings	10,310,571	20,290	0	10,330,861
1450	Furniture for project/tenant use	177,189	0	0	177,189
1480	Vehicles	6,750	0	0	6,750
1490	Site improvements	330,000	0	0	330,000
	Total	<u>\$ 11,089,510</u>	<u>\$ 20,290</u>	<u>\$ 0</u>	11,109,800
1495	Accumulated Depreciation	<u>\$ 1,383,251</u>	<u>\$ 350,869</u>	<u>\$ 0</u>	<u>1,734,120</u>
1400N	Net Book Value				<u>\$ 9,375,680</u>

RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$ 342,366
1320DT	Total monthly deposits	46,371
1320INT	Interest on replacement reserve accounts	0
1320WT	Approved withdrawals	(18,450)
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 370,287</u>

SCHEDULE OF RESIDUAL RECEIPTS

1340P	Balance at Beginning of Year	\$ 0
1340DT	Total deposits	0
1340	Balance at End of Year	<u>\$ 0</u>

Buckles, Travis & Hart, PLLC

Certified Public Accountants

DENNIS R. BUCKLES, CPA
BRAD K. TRAVIS, CPA/PFS
ROBIN G. HART, CPA

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

To the Partners
Audubon Lincolnshire Apartments, LLLP
Owensboro, Kentucky

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Audubon Lincolnshire Apartments, LLLP which comprise the balance sheet as of December 31, 2022, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Audubon Lincolnshire Apartments, LLLP's basic financial statements, and have issued our report thereon dated February 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon Lincolnshire Apartments, LLLP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

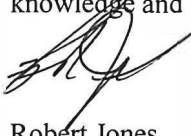
Respectfully Submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
February 15, 2023

AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
CERTIFICATION OF PARTNERS*

I hereby certify that I have examined the accompanying financial statements and supplemental data of Audubon Lincolnshire Apartments, LLLP, HUD Project No. KY08335018 and, to the best of my knowledge and belief, the same are accurate and complete.



Robert Jones
President of the General Partner


February 15, 2023

Employer Identification No. 82-1316859

*Due to the remote locations of the additional general partner, the limited partner and the special limited partner, the required amount of signatures could not be obtained in a timely manner.

**AUDUBON LINCOLNSHIRE APARTMENTS, LLLP
HUD PROJECT NO. KY08335018
MANAGEMENT AGENT'S CERTIFICATION**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Audubon Lincolnshire Apartments, LLLP, HUD Project No. KY08335018 and, to the best of my knowledge and belief, the same are accurate and complete.



Robert Jones
President
Audubon Area Community Services, Inc.

February 15, 2023

Employer Identification No. 23-7364935