

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP

HUD PROJECT NO. KY08335020

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
TABLE OF CONTENTS
DECEMBER 31, 2022 AND 2021

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Balance Sheets	4-5
Statements of Operations	6
Statements of Partners' Equity (Deficit)	7
Statements of Cash Flows	8
Notes to the Financial Statements	9-16
SUPPLEMENTARY INFORMATION	
Supplementary Schedules of Certain Income and Expenses	17-18
Supplementary Schedules of Replacement Reserve Escrow	19
Supplementary Data Required by HUD	20-29
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 <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	30-31
CERTIFICATION OF PARTNERS	32
MANAGEMENT AGENT'S CERTIFICATION	33

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INDEPENDENT AUDITORS' REPORT

To the Partners
Audubon Lincolnshire North Apartments, LLLP
Owensboro, Kentucky

Opinion

We have audited the accompanying financial statements of Audubon Lincolnshire North Apartments, LLLP (a Kentucky limited liability limited partnership) HUD Project No. KY08335020, 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 present fairly, in all material respects, the financial position of Audubon Lincolnshire North 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 North 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 North

Apartments, LLLP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 North 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 North 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17-19 and 20 -29 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 on our consideration of Audubon Lincolnshire North 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 North 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 North Apartments, LLLP's internal control over financial reporting and compliance.

Respectfully Submitted,

Buckles, Travis & Hart

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
February 14, 2023

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	DECEMBER 31,	
	2022	2021
ASSETS		
Current Assets		
Cash-Unrestricted	\$ 198,872	\$ 388,044
Capital contributions receivable	0	0
Interprogram receivable	828	2,096
Prepaid insurance	31,832	27,185
Prepaid asset management fee	27,000	27,500
TOTAL CURRENT ASSETS	<u>258,532</u>	<u>444,825</u>
Restricted Deposits and Funded Reserves		
Tenants' security deposits escrow	24,984	22,102
Replacement reserve escrow	428,978	401,447
Operating reserve	440,000	440,000
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	<u>893,962</u>	<u>863,549</u>
Rental Property-At cost		
Buildings	12,834,314	12,809,517
Furniture and equipment	148,786	148,786
Site improvements	360,000	360,000
Vehicles	8,249	8,249
Less: Accumulated depreciation	<u>(2,021,779)</u>	<u>(1,601,026)</u>
	11,329,570	11,725,526
Land	300,000	300,000
NET RENTAL PROPERTY	<u>11,629,570</u>	<u>12,025,526</u>
TOTAL ASSETS	<u><u>\$ 12,782,064</u></u>	<u><u>\$ 13,333,900</u></u>

(CONTINUED)

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
BALANCE SHEETS (CONCLUDED)
DECEMBER 31, 2022 AND 2021

	DECEMBER 31,	
	2022	2021
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable-Trade	\$ 1,984	\$ 17,353
Accrued payroll	8,173	7,900
Construction payable	0	0
Accrued payables	8,478	1,940
Due to related parties	9,759	13,663
Current maturities of long term-debt	93,735	89,618
Tenants' security deposits	22,973	19,162
TOTAL CURRENT LIABILITIES	145,102	149,636
Long-term Liabilities		
Loan payable-KHC	1,400,000	1,400,000
Note payable-Audubon Area Community Services	4,824,162	4,824,162
Bond payable-Field & Main Bank	2,187,404	2,269,134
Development fee payable	0	278,150
Accrued interest payable	821,799	655,141
Less: Current maturities	(93,735)	(89,618)
TOTAL LONG-TERM LIABILITIES	9,139,630	9,336,969
TOTAL LIABILITIES	9,284,732	9,486,605
Partners' Equity (Deficit)	3,497,332	3,847,295
TOTAL PARTNERS' EQUITY (DEFICIT)	3,497,332	3,847,295
TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)	\$ 12,782,064	\$ 13,333,900

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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		\$ 1,123,093	\$ 1,096,032
Vacancies and concessions		(79,439)	(53,708)
Other operating income		15,313	209,879
TOTAL REVENUES		1,058,967	1,252,203
OPERATING EXPENSES			
Administrative and personnel		297,608	280,890
Asset management fees		500	500
Property insurance		39,925	32,586
Maintenance and repairs		81,652	64,384
Management fees		110,469	102,036
Utilities		189,710	168,135
TOTAL OPERATING EXPENSES		719,864	648,531
NET OPERATING INCOME		339,103	603,672
OTHER INCOME (EXPENSE)			
Interest expense		(268,313)	(267,388)
Depreciation		(420,753)	(419,621)
TOTAL OTHER INCOME (EXPENSE)		(689,066)	(687,009)
NET INCOME (LOSS)		\$ (349,963)	\$ (83,337)

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Investment Limited Partner	Special Limited Partner	General Partners		
	BF Garden Corporate Tax Credit Fund XLIV, LLC	BCCC, Inc.	Lincolnshire Development, LLC	Wabuck Development Company, Inc.	Total
BALANCE JANUARY 01, 2021	\$ 3,748,476	\$ 10	\$ 104,665	\$ (50)	\$ 3,853,101
Distributions, 2021	0	0	0	0	0
Other increases (decreases), 2021	77,531	0	0	0	77,531
Net income (loss), 2021	<u>(83,321)</u>	<u>0</u>	<u>(8)</u>	<u>(8)</u>	<u>(83,337)</u>
BALANCE DECEMBER 31, 2021	3,742,686	10	104,657	(58)	3,847,295
Distributions, 2022	0	0	0	0	0
Other increases (decreases), 2022	0	0	0	0	0
Net income (loss), 2022	<u>(349,893)</u>	<u>0</u>	<u>(35)</u>	<u>(35)</u>	<u>(349,963)</u>
BALANCE DECEMBER 31, 2022	<u>\$ 3,392,793</u>	<u>\$ 10</u>	<u>\$ 104,622</u>	<u>\$ (93)</u>	<u>\$ 3,497,332</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 NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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)	\$ (349,963)	\$ (83,337)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	420,753	419,621
Changes in assets and liabilities		
Due from related parties	1,268	312
Prepaid expenses	(4,647)	(3,757)
Accounts payable-Trade	(15,369)	(3,919)
Accrued payroll	273	1,452
Asset management fee	500	500
Construction payable	0	(558,334)
Development fee	(278,150)	(379,196)
Accrued payables	6,538	1,456
Due to related parties	(3,904)	4,658
Accrued interest payable	166,658	161,739
Tenants' security deposits	3,811	(2,045)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(52,232)	(440,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(24,797)	(8,786)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(24,797)	(8,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long-term debt	(81,730)	(85,160)
Capital contributions	0	1,109,234
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(81,730)	1,024,074
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(158,759)	574,438
CASH, CASH EQUIVALENTS AND RESTRICTED CASH-BEGINNING BALANCE	1,251,593	677,155
CASH, CASH EQUIVALENTS AND RESTRICTED CASH-ENDING BALANCE	\$ 1,092,834	\$ 1,251,593
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 101,655	\$ 105,649
Interest capitalized into cost of fixed assets	\$ 0	\$ 0

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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 North Apartments, LLLP was organized in 2017 as a limited liability limited partnership to acquire, rehabilitate, construct, own, finance, lease and operate a 108 unit apartment complex for low-income families. The project is located in the city of Owensboro, Kentucky and is currently known as Audubon Lincolnshire North. 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 (30-40 years for buildings, 12 years for furnishings, and 20 years for site improvements) using the straight-line method. Depreciation expense amounted to \$420,753 and \$419,621 for the years ended December 31, 2022 and 2021, respectively. 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 NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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 the 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 year that remains subject to examination by federal tax jurisdictions is 2019 through 2022 and by state tax jurisdictions is 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 \$893,962. Of this total, \$428,978 may be expended only for building improvements, new equipment and similar items, \$24,984, representing security deposits collected from tenants, may only be used to return security deposits to tenants, and \$440,000 in operating reserve required by the partnership agreement to ensure operating obligations can be met. The balance of these restricted funds at December 31, 2021 was \$863,549. 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 statements of cash flows.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 198,872	\$ 388,044
Restricted cash	893,962	863,549
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 1,092,834</u>	<u>\$ 1,251,593</u>

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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 North 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 \$1,399 and \$2,353, respectively.

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.

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, BF Garden Corporate Tax Credit Fund XLIV. As of December 31, 2022, the total capital contributions from all sources were \$4,780,355 reduced to \$4,422,885, with \$0 and \$1,109,234, respectively, received at December 31, 2022 and 2021, and no amount remaining due.

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

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 \$7,050,000, consisting of \$2,500,000 Series 2017A bonds and \$4,550,000 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 \$4,550,000, plus interest, were paid as construction completed. Beginning in April 2019, monthly installments of \$15,900.70, which include 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, in the amount of \$1,242,151. The 3% 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, in the amount of \$3,548,567. The 3% 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 \$1,400,000 from Kentucky Housing Corporation. The loan has 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	\$	93,735
2024		98,041
2025		102,545
2026		107,256
2027		112,184
Thereafter		7,897,805
	\$	<u>8,411,566</u>

NOTE 4 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Development Fee and Other Construction Costs

The partnership entered into a development services agreement which will accrue to a payable of \$2,352,000, 50% due to Wabuck Development Company, Inc. (Wabuck) and 50% due to Audubon Area Community Services (Audubon) for services rendered to the partnership for overseeing the construction of the project. The development fee will be earned as the project completes phases as described in the development services agreement. The development fee has been capitalized into the cost of the building. During 2021, \$379,196 was paid on the developer fee, with \$189,598 paid to Wabuck and Audubon each. At December 31, 2021, \$278,150 remained payable. During 2022, \$278,150 was paid on the developer fee, with \$139,075 paid to Wabuck and Audubon each. At December 31, 2022, \$0 remained payable.

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 4 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (CONCLUDED)

Management Fee

In accordance with the management agreement, the partnership incurred management fees of \$96,037 and \$93,036 in 2022 and 2021, respectively, to Audubon Area Community Services. The fee for services is 8.8% 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 (BCAML), 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 60 years as this service will be expensed during this period of time. At December 31, 2022 and 2021, \$27,000 and \$27,500, respectively, was classified as prepaid asset management fees.

Other Related Party Transactions

The partnership paid Homeland, Inc., an affiliate of the class B limited partner \$14,432 and \$9,000 during 2022 and 2021, respectively, for consulting services.

At December 31, 2022 and 2021 the partnership owed \$3,548,567 plus accrued interest of \$604,501 and \$481,910, respectively to Lincolnshire North Apartments, Inc. for a loan and also owed Lincolnshire North Apartments, Inc. \$1,275,595 plus accrued interest of \$217,298 and \$173,231, respectively for another loan.

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, 0.01% to the general partner, and 0.01% to the class B limited partner.

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, 1% to the class B limited partner, and 49% to the general partner.

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

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:

	2022	2021
Financial statement net income (loss)	\$ (349,963)	\$ (83,337)
Adjustments		
Difference in depreciation expense	(7,992)	(7,907)
Taxable income (loss) as shown on tax return	(357,955)	(91,244)
Federal low income housing credits	\$ 493,567	\$ 493,567

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.

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 asset.

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 8 – FAIR VALUE MEASUREMENTS (CONCLUDED)

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.
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NOTE 9 – UNINSURED DEPOSITS

At December 31, 2022, the carrying amount of the Partnership's cash and cash equivalents was \$1,092,834. Of the total bank balance of \$1,092,834, \$250,000 was covered by federal depository insurance and the remaining \$842,834 was considered uninsured.

At December 31, 2021, the carrying amount of the Partnership's cash and cash equivalents was \$1,251,593. Of the total bank balance of \$1,251,588, \$250,000 was covered by federal depository insurance and the remaining \$1,001,588 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 \$204,493 with proceeds that were received from the Investment Limited partner's second installment of capital contribution in 2020, and then with \$43,200 per year, increasing 3% annually, beginning at the completion of construction. At December 31, 2022 and 2021, the replacement reserve was adequately funded.

NOTE 12 – 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 14, 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.

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2022 AND 2021

NOTE 13 – CASH AVAILABLE FOR DISTRIBUTION

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Operating	\$ 191,476	\$ 294,859
Interprogram receivable	1,772	0
Total	<u>193,248</u>	<u>294,859</u>
Accounts payable	(14,021)	(21,272)
Accrued payables	(1,928)	(484)
Accrued payroll	(6,492)	(6,448)
Interprogram payables	(9,388)	(9,005)
Surplus cash	<u>\$ 161,419</u>	<u>\$ 257,650</u>
Development fee	(161,419)	(257,650)
Cash available for distribution	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

SUPPLEMENTARY INFORMATION

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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	\$	370,007	\$ 301,638
Tenant assistance payments		753,086	794,394
TOTAL RENTS	\$	<u>1,123,093</u>	<u>\$ 1,096,032</u>
VACANCIES AND CONCESSIONS			
Vacancies	\$	(79,439)	\$ (53,708)
TOTAL VACANCIES AND CONCESSIONS	\$	<u>(79,439)</u>	<u>\$ (53,708)</u>
OTHER OPERATING INCOME			
Tenant damages	\$	9,483	\$ 6,271
Laundry and vending		4,422	3,768
Miscellaneous income		115	197,561
NSF fees		465	183
Security deposit forfeitures		828	2,096
TOTAL OTHER OPERATING INCOME	\$	<u>15,313</u>	<u>\$ 209,879</u>
ADMINISTRATIVE AND PERSONNEL			
Bookkeeping	\$	10,240	\$ 10,240
Advertising		1,399	2,353
Contractual services/consultant		1,563	4,289
Legal fees		7,443	6,918
Manager salary		207,296	201,234
Taxes		425	250
Miscellaneous		50,294	37,517
Office supplies		4,728	5,517
Telephone and internet		7,371	7,072
Travel and training		889	0
Audit preparation		5,960	5,500
TOTAL ADMINISTRATIVE AND PERSONNEL	\$	<u>297,608</u>	<u>\$ 280,890</u>

(CONTINUED)

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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
		<hr/>	<hr/>
MAINTENANCE AND DECORATING			
Cleaning	\$	4,993	\$ 0
General maintenance		49,681	39,500
Grounds maintenance		16,635	12,988
Painting		5,024	2,530
Pest control		5,319	9,366
TOTAL MAINTENANCE AND DECORATING	\$	81,652	\$ 64,384
		<hr/>	<hr/>
UTILITIES			
Utilities	\$	165,776	\$ 153,717
Gas		23,934	14,418
TOTAL UTILITIES	\$	189,710	\$ 168,135
		<hr/>	<hr/>

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY SCHEDULES OF REPLACEMENT RESERVE ESCROW
DECEMBER 31, 2022 AND 2021

	DECEMBER 31, 2022	2021
Balance, January 1,	\$ 401,447	\$ 352,826
Deposits	50,081	48,621
Interest earned	0	0
Withdrawals-Capitalized	(22,550)	0
Withdrawals-Expensed	0	0
Balance, December 31,	<u>\$ 428,978</u>	<u>\$ 401,447</u>

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

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
BALANCE SHEET
DECEMBER 31, 2022

Account No.			
	ASSETS		
	Current Assets		
1120	Cash-Operations	\$	198,872
1145	Accounts and notes receivable-Entity		828
1200	Prepaid expenses		58,832
1100T	TOTAL CURRENT ASSETS		<u>258,532</u>
	Deposits Held in Trust		
1191	Tenants deposits held in trust		24,984
	Deposits		
1320	Replacement reserve		428,978
1330	Other reserves-Operating reserve		440,000
1300T	TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES		<u>868,978</u>
	Fixed Assets		
1410	Land		300,000
1420	Buildings		12,834,314
1450	Furniture for project/tenant use		148,786
1480	Motor vehicles		8,249
1490	Site improvements		360,000
1400T	TOTAL FIXED ASSETS		<u>13,651,349</u>
1495	Less: Accumulated depreciation		<u>(2,021,779)</u>
1400N	NET FIXED ASSETS		<u>11,629,570</u>
1000T	TOTAL ASSETS	\$	<u><u>12,782,064</u></u>

(CONTINUED)

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
BALANCE SHEET (CONCLUDED)
DECEMBER 31, 2022

Account No.			
	LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		
	Current Liabilities		
2110	Accounts payable-Operation	\$	1,984
2113	Accounts payable-Entity		9,759
2120	Accrued wages payable		8,173
2170	Mortgage payable-First mortgage		93,735
2190	Accrued payables		8,478
2122T	TOTAL CURRENT LIABILITIES		<u>122,129</u>
2191	Tenants' security deposits		22,973
	Long-Term Liabilities (Net of current portion)		
2320	Mortgage payable-First mortgage		1,400,000
2322	Other mortgages payable		4,824,162
2324	Other loans and notes payable		2,093,669
2332	Accrued interest notes payable		821,799
	TOTAL LONG-TERM LIABILITIES		<u>9,139,630</u>
	TOTAL LIABILITIES		<u>9,284,732</u>
3130	Total Equity		<u>3,497,332</u>
			<u>3,497,332</u>
	TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIT)	\$	<u><u>12,782,064</u></u>

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.			
	REVENUES		
5120	Rent revenue-Gross potential	\$	370,007
5121	Tenant assistance payments		753,086
5100T	TOTAL RENT REVENUE		<u>1,123,093</u>
5220	Vacancies-Apartment		79,439
5200T	TOTAL VACANCIES		<u>79,439</u>
5152N	NET RENTAL REVENUE		1,043,654
5910	Laundry and vending		4,422
5920	Tenant charges		10,776
5990	Miscellaneous revenue		115
5900T	TOTAL OTHER REVENUE		<u>15,313</u>
5000T	TOTAL REVENUE		1,058,967
	EXPENSES		
6210	Advertising and marketing		1,399
6311	Office expenses		12,099
6320	Management fee		110,469
6330	Manager or superintendent salaries		207,296
6340	Legal expense		7,443
6350	Audit expense		5,960
6351	Bookkeeping fees/accounting services		10,240
6390	Miscellaneous administrative expenses		53,246
6263T	TOTAL ADMINISTRATIVE EXPENSE		<u>408,152</u>

(CONTINUED)

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
6450	Electricity	165,776
6452	Gas	23,934
6400T	TOTAL UTILITIES EXPENSE	<u>189,710</u>
6520	Contracts	81,652
6500T	TOTAL OPERATING AND MAINTENANCE EXPENSE	<u>81,652</u>
6720	Property and liability insurance	39,925
6790	Miscellaneous taxes, licenses, and permits	425
6700T	TOTAL TAXES AND INSURANCE	<u>40,350</u>
6830	Interest on notes payable	268,313
	TOTAL FINANCIAL EXPENSE	<u>268,313</u>
6000T	TOTAL COST OF OPERATIONS BEFORE DEPRECIATION	<u>988,177</u>
5060T	PROFIT (LOSS) BEFORE DEPRECIATION	70,790
6600	Depreciation expense	420,753
5060N	OPERATING PROFIT (LOSS)	<u>(349,963)</u>
3250	NET PROFIT (LOSS)	<u><u>\$ (349,963)</u></u>

(CONTINUED)

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
PROFIT AND LOSS DATA (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Account <u>No.</u>		
S1000-010	TOTAL MORTGAGE PRINCIPAL PAYMENTS REQUIRED DURING THE AUDIT YEAR	\$ <u>81,730</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>50,081</u>
S1000-030	REPLACEMENT RESERVE OR RESIDUAL RECEIPTS RELEASES WHICH ARE INCLUDED AS EXPENSE ITEMS ON THIS PROFIT AND LOSS STATEMENT	\$ <u>0</u>
S1000-040	PROJECT IMPROVEMENT RESERVE RELEASES UNDER THE FLEXIBLE SUBSIDY PROGRAM THAT ARE INCLUDED AS EXPENSE ITEMS ON THIS PROFIT AND LOSS STATEMENT	\$ <u>0</u>

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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	\$ 3,847,295
3250	Net Profit (loss)	(349,963)
S1100-020	Other changes in equity	<u>0</u>
3130	End of year balance	<u><u>\$ 3,497,332</u></u>

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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	\$ 1,043,654
S1200-030	Other operating receipts	15,313
S1200-040	TOTAL RECEIPTS	<u>1,058,967</u>
S1200-050	Administrative	(89,119)
S1200-070	Management fees	(110,469)
S1200-090	Utilities	(189,710)
S1200-100	Salaries and wages	(207,296)
S1200-110	Operating and maintenance	(372,264)
S1200-140	Property insurance	(44,072)
S1200-150	Miscellaneous tax and insurance	(425)
S1200-160	Tenant security deposits	929
S1200-190	Interest on loan payable	(101,655)
S1200-230	TOTAL DISBURSEMENTS	<u>(1,114,081)</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES	(55,114)
	CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-250	Net deposits to the reserve for replacement account	(27,531)
S1200-255	Net deposits to other reserves	0
S1200-330	Net purchase of fixed assets	(24,797)
S1200-350	NET CASH USED BY INVESTING ACTIVITIES	<u>(52,328)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-365	Principal payments on loans	(81,730)
S1200-450	Other financing activities-change in contribution receivable	0
S1200-460	NET CASH USED BY FINANCING ACTIVITIES	<u>(81,730)</u>
S1200-470	NET INCREASE IN CASH AND CASH EQUIVALENTS	(189,172)
S1200-480	BEGINNING OF PERIOD CASH	<u>388,044</u>
S1200T	END OF PERIOD CASH	<u><u>\$ 198,872</u></u>

(CONTINUED)

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
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)	\$ (349,963)
	Adjustments to reconcile net profit (loss) to net cash provided by operating activities	
6600	Depreciation	420,753
S1200-500	Decrease (increase) in accounts receivable-Other	1,268
S1200-520	Decrease (increase) in prepaid expenses	(4,147)
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	(2,882)
S1200-540	Increase (decrease) in accounts payable	(15,369)
S1200-560	Increase (decrease) in accrued liabilities	(275,243)
S1200-570	Increase (decrease) in accrued interest payable	166,658
S1200-580	Increase (decrease) in tenant security deposits held in trust	3,811
S1200-610	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (55,114)

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
ACCOUNT DETAIL
FOR THE YEAR ENDED DECEMBER 31, 2022

Account No.		
6390	MISCELLANEOUS ADMINISTRATIVE EXPENSE	
	Travel and training	\$ 889
	Asset management fee	500
	Contractual services and consultant	1,563
	Other miscellaneous expenses and meals	50,294
	TOTAL MISCELLANEOUS ADMINISTRATIVE EXPENSE	\$ 53,246

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
SUPPLEMENTARY DATA REQUIRED BY HUD
SUPPLEMENTAL COMPLIANCE DATA
DECEMBER 31, 2022

COMPUTATION OF SURPLUS CASH

S1300-010	Cash		\$ 223,856
S1300-040		TOTAL CASH	223,856
	Current Obligations		
S1300-075	Accounts payable-30 days		1,984
2191	Tenant security deposits liability		22,973
S1300-140		TOTAL CURRENT OBLIGATIONS	24,957
		SURPLUS CASH	<u>\$ 198,899</u>

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 300,000	\$ 0	\$ 0	\$ 300,000
1420	Buildings	12,809,517	24,797	0	12,834,314
1450	Furniture for project/tenant use	148,786	0	0	148,786
1480	Motor vehicles	8,249	0	0	8,249
1490	Site improvements	360,000	0	0	360,000
	Total	<u>\$ 13,626,552</u>	<u>\$ 24,797</u>	<u>\$ 0</u>	13,651,349
1495	Accumulated Depreciation	<u>\$ 1,601,026</u>	<u>\$ 420,753</u>	<u>\$ 0</u>	<u>2,021,779</u>
1400N	Net Book Value				<u>\$ 11,629,570</u>

RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$ 401,447
1320DT	Total monthly deposits	50,081
1320INT	Interest on replacement reserve accounts	0
1320WT	Approved withdrawals	(22,550)
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 428,978</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

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BRAD K. TRAVIS, CPA/PFS
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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 North 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 North 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 North Apartments, LLLP's basic financial statements, and have issued our report thereon dated February 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audubon Lincolnshire North 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 North Apartments, LLLP's internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon Lincolnshire North 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 North 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

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
February 14, 2023

AUDUBON LINCOLNSHIRE NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
CERTIFICATION OF PARTNERS*

I hereby certify that I have examined the accompanying financial statements and supplemental data of Audubon Lincolnshire North Apartments, LLLP, HUD Project No. KY08335020 and, to the best of my knowledge and belief, the same are accurate and complete.



Robert Jones
President of the General Partner

February 14, 2023

Employer Identification No. 82-1329766

*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 NORTH APARTMENTS, LLLP
HUD PROJECT NO. KY08335020
MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental data of Audubon Lincolnshire North Apartments, LLLP, HUD Project No. KY08335020 and, to the best of my knowledge and belief, the same are accurate and complete.



Robert Jones
President
Audubon Area Community Services, Inc.

February 14, 2023

Employer Identification No. 23-7364935