Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

(a Michigan limited partnership)

Financial Report
with Additional Information
December 31, 2016

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Contents

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership (the "Partnership"), which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of operations, partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

February 24, 2017

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Balance Sheet

December 31, 2016 and 2015

	2016	2015
Assets		
Cash	$ 98,154	$ 32,104
Accounts receivable:		
Trade	921	-
Tenant	4,559	5,960
Other	4,622	15,867
Funded reserves: (Note 5)		
Operating reserve	172,227	172,175
Replacement reserve	148,922	126,053
Insurance reserve	18,701	18,731
Tax reserve	28,481	28,526
PHA reserve	204,091	205,542
Supplemental reserve	228,366	228,257
Tenant security deposits (Note 7)	46,129	40,739
Prepaid expenses	19,344	21,406
Investment in rental property - At cost: (Note 4)		
Land	291,667	291,667
Land improvements	1,139,994	1,133,724
Buildings	11,420,338	11,420,338
Machinery and equipment	116,656	116,656
Furniture and fixtures	785,441	770,371
Construction in progress	17,700	17,700
Total investment in rental property - At cost	13,771,796	13,750,456
Less accumulated depreciation	4,523,259	4,167,577
Net investment in rental property - At cost	9,248,537	9,582,879
Total assets	**$ 10,223,054**	**$ 10,478,239**
Liabilities and Partners' Equity		
Liabilities		
Accounts payable:		
Trade	$ 6,006	$ 20,277
Related parties (Note 6)	35,450	35,830
Prepaid rent	4,590	7,060
Accrued liabilities and other:		
Accrued payroll	8,088	4,100
Accrued interest (Note 8)	2,581,036	2,269,923
Accrued payment in lieu of taxes	23,026	18,156
Accrued other	1,635	2,253
Mortgage note payable - Net of deferred financing costs (Note 8)	3,679,405	3,678,417
Tenant security deposits (Note 7)	27,880	26,509
Total liabilities	6,367,116	6,062,525
Partners' Equity	3,855,938	4,415,714
Total liabilities and partners' equity	**$ 10,223,054**	**$ 10,478,239**

See notes to financial statements.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Statement of Operations

Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Rental income	$ 729,044	$ 647,145
Vacancy loss	(33,483)	(72,595)
Other income	38,354	32,891
Net revenue	733,915	607,441
Operating Expenses		
Bad debt expense	189	10,770
Insurance	57,125	54,915
Management fees (Note 6)	36,343	31,356
Office expenses	7,388	7,350
Repairs and maintenance	29,772	30,773
Salaries and employee benefits (Note 6)	142,627	144,894
Security	48,319	48,354
Supplies	13,074	14,135
Taxes - Payroll	9,419	10,349
Payments in lieu of taxes	22,021	16,972
Utilities	152,690	151,103
Administrative	100,175	119,901
Total operating expenses	619,142	640,872
Operating Income (Loss) - Before depreciation and amortization and nonoperating expense	114,773	(33,431)
Depreciation and Amortization	356,939	366,717
Nonoperating Expense		
Loss on property disposal	(380)	(12,281)
Partnership asset management fee (Note 6)	(5,000)	(5,000)
Interest expense	(312,230)	(297,128)
Total nonoperating expense	(317,610)	(314,409)
Net Loss	**$ (559,776)**	**$ (714,557)**

See notes to financial statements.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Statement of Partners' Equity (Deficit)

Years Ended December 31, 2016 and 2015

	General Partner	Limited Partner	Total
Balance - January 1, 2015	$ (5,988)	$ 5,136,259	$ 5,130,271
Net loss	(715)	(713,842)	(714,557)
Balance - December 31, 2015	(6,703)	4,422,417	4,415,714
Net loss	(560)	(559,216)	(559,776)
Balance - December 31, 2016	**$ (7,263)**	**$ 3,863,201**	**$ 3,855,938**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Net loss	$ (559,776)	$ (714,557)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	356,939	355,571
Amortization	-	11,146
Loss on disposal of assets	380	12,281
Bad debt expense	189	10,770
Interest expense from deferred financing costs	988	989
Deferred interest	311,113	295,734
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	11,536	10,538
Tenant security deposits	(5,390)	(5,189)
Prepaid expenses	2,062	(4,197)
Accounts payable	(14,271)	8,325
Accrued payment in lieu of taxes (PILOT)	4,870	(11,338)
Tenant security deposits liability	1,371	(8,947)
Other accrued liabilities	(3,088)	5,611
Accrued payroll	3,988	(3,020)
Net cash provided by (used in) operating activities	110,911	(36,283)
Cash Flows from Investing Activities		
Purchase of property and equipment	(22,977)	(27,895)
Net (withdrawal from) deposits to replacement reserve	(22,869)	16,485
Net (deposits to) withdrawal from other reserves	1,365	(26,190)
Net cash used in investing activities	(44,481)	(37,600)
Cash Flows Used in Financing Activities - Payments to affiliates	(380)	(5,038)
Net Increase (Decrease) in Cash	66,050	(78,921)
Cash - Beginning of year	32,104	111,025
Cash - End of year	**$ 98,154**	**$ 32,104**

See notes to financial statements.

Note 1 - Nature of Business

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

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

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Classification of Assets and Liabilities

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

Tenant Accounts Receivable

Tenant accounts receivable are stated at net rent amounts. An allowance for doubtful accounts is established based on specific assessments of all invoices that remain unpaid following normal resident payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. There was no allowance for doubtful accounts for the years ended December 31, 2016 and 2015. Bad debt expense was $189 and $10,770 at December 31, 2016 and 2015, respectively.

Trade Accounts Receivable

HUD subsidies receivable are recorded as trade accounts receivable. There were no amounts due at December 31, 2015. The HUD subsidies receivable of $921 recorded at December 31, 2016 are expected to be fully collectible.

Rental Property

Land, buildings, and other depreciable assets are recorded at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful lives ranging from 10 to 40 years. Depreciation expense was $356,939 and $355,571 for the years ended December 31, 2016 and 2015, respectively. For income tax purposes, accelerated lives and methods are used. Maintenance, repairs, and renewals that do not involve any substantial betterments are charged to expense when incurred. Expenditures that increase the useful life of the property are capitalized.

Note 2 - Significant Accounting Policies (Continued)

Impairment of Assets

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

Partner Contributions and Distributions

The Partnership has one general partner, PVM Jeffries, LLC, which has a 0.1 percent interest, and one limited partner, SunAmerica Housing Fund 1185, which has a 99.9 percent interest. There were no contributions or distributions made by the partners for the years ended December 31, 2016 and 2015.

Partner Allocation of Profits and Losses

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

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

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

Debt Issuance Costs

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

Note 2 - Significant Accounting Policies (Continued)

Rental Income

The Partnership records apartment rentals at gross potential rent as adjusted for vacancy loss. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

The Partnership executed a housing assistance payments (HAP) contract with HUD through the Detroit Housing Commission providing for payments to the Partnership for units leased to eligible lower-income families pursuant to Section 8 of the National Housing Act of 1937. The initial contract was for 10 years and was extended under the terms of the agreement for an additional 15 years and expires on December 31, 2030. The operations of the Partnership are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change. Approximately 53 and 50 percent of rental revenue was received pursuant to the HAP contract for the years ended December 31, 2016 and 2015, respectively.

Income Taxes

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

Payments in Lieu of Taxes

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

Syndication Costs

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

Use of Estimates

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 24, 2017, which is the date the financial statements were available to be issued.

Note 3 - Change in Accounting Principle

As of January 1, 2016, the Partnership adopted new guidance related to the presentation of debt issuance costs in its balance sheet. Under the new guidance, debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. Previously, debt issuance costs were presented as an asset. The new presentation requirements have been applied retrospectively and amounts reported in the 2015 balance sheet have been restated as follows:

Note 3 - Change in Accounting Principle (Continued)

Balance Sheet

	2015		
	As Originally Reported	As Restated	Effect of Change
Assets - Debt issuance costs	$ 34,597	$ -	$ (34,597)
Liabilities - Long-term debt	$ 3,713,014	$ 3,678,417	$ (34,597)

The new guidance does not affect how the debt issuance costs are accounted for after initial recognition, and these amounts continue to be amortized over the term of the related debt. However, the amortization of debt issuance costs is now required to be reported as a component of interest expense; previously, these amounts were reported as part of amortization expenses. The statement of operations for 2015 has been restated to report $988 of amortization of debt issuance costs as a component of interest expense.

Note 4 - Rental Property

Land, building, furniture, and fixtures and depreciable lives are summarized as follows:

	2016	2015	Depreciable Life - Years
Land	$ 291,667	$ 291,667	-
Land improvements	1,139,994	1,133,724	10-15
Buildings	11,420,338	11,420,338	7-40
Machinery and equipment	116,656	116,656	2-10
Furniture and fixtures	785,441	770,371	3-5
Construction in progress	17,700	17,700	-
Total cost	13,771,796	13,750,456	
Accumulated depreciation	4,523,259	4,167,577	
Net property and equipment	$ 9,248,537	$ 9,582,879	

Depreciation expense was $356,939 and $355,571 for 2016 and 2015, respectively.

Note 5 - Funded Reserves

Real estate taxes and insurance escrows and the replacement reserve are funded and maintained under the terms of the Regulatory Agreement and the partnership and loan agreements. Monthly funding of these accounts was made as required during 2016 and 2015. During operations, the Partnership is required to fund the replacement reserve for five years after the date of substantial completion, $250 per unit per year on a monthly basis. The Partnership shall then fund $300 per unit per year for the next five years and the required funding shall be increased by $50 per unit per five-year period.

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

Note 5 - Funded Reserves (Continued)

According to the HOPE VI loan agreement, the Partnership must fund a supplemental reserve up to $500,000 through net available cash flow. Allowable disbursements from the reserve are defined in the agreement. As of December 31, 2016, a total of $373,613 had been funded, of which $145,247 had been disbursed in prior years for the allowable payment of developer fees.

Note 6 - Related Party Transactions

Related Party Payables

Related party payables consist of advances made by Presbyterian Villages of Michigan (PVM), an affiliate of the general partner, to cover disbursements of the Partnership when the need arises due to lags in cash receipts. The amount outstanding was $35,450 and $35,830 for the years ended December 31, 2016 and 2015, respectively, all of which is due upon demand and is noninterest bearing. The Partnership paid PVM $147,910 and $159,894 for reimbursable payroll costs during 2016 and 2015, respectively.

Management Fees

The Partnership has contracted with Presbyterian Villages of Michigan, an affiliate of the general partner, for conducting the rental operations of the Partnership. The property management fee is based on 5 percent of the monthly gross operating revenue. Management fees expense was $36,343 and $31,356 for the years ended December 31, 2016 and 2015, respectively.

Partnership Asset Management Fee

The Partnership incurs an annual asset management fee of $5,000 payable to SunAmerica Affordable Housing Partners, Inc., an affiliate of the limited partner, for an annual review of the Partnership and the apartment complex. In 2016 and 2015, the fee of $5,000 was incurred and paid in full.

Incentive Partnership Management Fee

The Partnership incurs an annual incentive management fee of up to $300,000 per year, payable to the general partner, from the current year's operating cash flows after the supplemental reserve has been funded and the accrued interest and required payments on the mortgage note are current. In accordance with provisions of the partnership agreement, unpaid incentive management fees at the end of each year may only be paid to the extent funds are available from the current year's cash flow after payment of the annual asset management fee detailed above. No incentive partnership management fee was incurred for 2016 or 2015.

Note 7 - Tenant Security Deposits

Tenant security deposits represent cash restricted solely for the repayment of the security deposits liability. As of December 31, 2016 and 2015, the security deposits were invested in FDIC-insured cash accounts.

Note 8 - Mortgage Payable

The Partnership has a HOPE VI mortgage note with the Detroit Housing Commission in the amount of $3,713,014 that is held on behalf of the City of Detroit. The note bears interest at the long-term applicable federal rate (AFR) of 5.2 percent, compounding annually, with a maturity date of June 30, 2049. The loan is collateralized by real estate held for lease and an assignment of rents and leases. Payments of principal and interest are required from net cash flow, after payment of the deferred development fee and the funding of the supplemental reserve. No principal payments were made in 2016 or 2015 and accrued deferred interest on the note was $2,581,036 and $2,269,923 at December 31, 2016 and 2015, respectively.

Note 8 - Mortgage Payable (Continued)

Mortgage costs of $44,483 are shown net of the mortgage note and amortized over the term of the mortgage loan using the straight-line method. Total accumulated amortization related to these costs was $10,874 and $9,886 at December 31, 2016 and 2015, respectively. Related amortization expense of $989 for the years ended December 31, 2016 and 2015 is included in interest expense on the statement of operations.

Note 9 - Contingencies

The Project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 10 - Low-income Housing Tax Credits (Unaudited)

The Partnership was allocated low-income housing tax credits by the Michigan State Housing Development Authority totaling $13,245,500. The first year of the credit period was 2006. As of December 31, 2016 and 2015, $13,245,500 and $12,782,967, respectively, of the tax credits have been claimed by the partners. As of December 31, 2016, the total tax credit amount has fully been utilized by the partners.

Additional Information

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248.375.7100
Fax: 248.375.7101
plantemoran.com

Independent Auditor's Report on Additional Information

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

We have audited the financial statements of Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership as of and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated February 24, 2017, which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of net operating cash flows is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the Partnership and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

February 24, 2017

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Schedule of Net Operating Cash Flows

		Year Ended December 31, 2016
Loss from operations	$	(559,776)
Add:		
Depreciation and amortization		357,927
Developer note interest		-
Deferred interest on debt		311,113
Current year incentive management fee		-
Less:		
Principal payments		-
Cash reserve increase (1312)		-
Cash reserve decrease (1316): PHA reserve		1,451
Cash reserve increase (1317)		-
Cash reserve increase (1320): Replacement reserve		(22,869)
Cash reserve increase (1340): Supplemental reserve		(109)
Fixed cost additions paid from cost savings		-
Fixed asset additions		(22,977)
Net cash flows available for distribution	**$**	**64,760**

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