

**Woodbridge ILF Associates Limited Dividend
Housing Association Limited Partnership**

(a Michigan limited partnership)

HUD Project No. 28-URD-000194

**Financial Report
with Additional Information
December 31, 2014**

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership HUD Project No. 28-URD-000194

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Independent Auditor's Report

To the Board of Directors
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, 2014 and 2013 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, 2014 and 2013 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 23, 2015

**Woodbridge ILF Associates Limited Dividend Housing
Association Limited Partnership
HUD Project No. 28-URD-000194**

Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Cash	\$ 111,025	\$ 88,141
Accounts receivable:		
Trade	26,677	32,574
Tenant	11,148	14,159
Other	5,310	3,855
Funded reserves (Note 3):		
Operating reserve	172,049	171,884
Replacement reserve	142,538	137,261
Insurance reserve	18,738	18,729
Tax reserve	28,535	28,522
PHA reserve	205,478	209,055
Supplemental reserve	202,241	202,040
Tenant security deposits (Note 5)	35,550	32,847
Deferred costs - Net	46,732	58,867
Prepaid expenses	17,209	16,491
Rental property - Net (Note 2)	9,922,836	10,338,178
	<u>\$ 10,946,066</u>	<u>\$ 11,352,603</u>
Total assets		
Liabilities and Partners' Equity		
Liabilities		
Accounts payable:		
Trade	\$ 11,952	\$ 17,174
Related parties (Note 4)	40,868	51,371
Prepaid rent	1,472	6,181
Accrued liabilities and other:		
Accrued payroll	7,120	7,172
Accrued interest (Note 6)	1,974,189	1,693,072
Accrued payment in lieu of taxes	29,494	19,881
Accrued other	2,230	1,639
Mortgage note payable (Note 6)	3,713,014	3,713,014
Tenant security deposits (Note 5)	35,456	31,976
	<u>5,815,795</u>	<u>5,541,480</u>
Total liabilities		
Partners' Equity	<u>5,130,271</u>	<u>5,811,123</u>
Total liabilities and partners' equity	<u>\$ 10,946,066</u>	<u>\$ 11,352,603</u>

**Woodbridge ILF Associates Limited Dividend Housing
Association Limited Partnership
HUD Project No. 28-URD-000194**

Statement of Operations

	Year Ended	
	December 31, 2014	December 31, 2013
Revenue		
Rental income	\$ 658,281	\$ 676,090
Vacancy loss	(25,513)	(69,043)
Other income	36,897	41,063
Net revenue	669,665	648,110
Operating Expenses		
Insurance	47,280	55,849
Management fees (Note 4)	33,247	34,038
Office expenses	7,042	6,600
Repairs and maintenance	33,885	27,545
Salaries and employee benefits (Note 4)	133,931	144,646
Security	47,661	47,723
Supplies	23,591	23,518
Taxes - Payroll (Note 4)	8,921	9,038
Payment in lieu of taxes	18,903	17,200
Utilities	157,274	142,522
Administrative	110,292	143,314
Total operating expenses	622,027	651,993
Operating Income (Loss) - Before depreciation and amortization and nonoperating expenses	47,638	(3,883)
Depreciation and Amortization	442,353	439,947
Nonoperating Expenses		
Partnership asset management fee (Note 4)	(5,000)	(5,000)
Interest expense	(281,137)	(267,232)
Total nonoperating expenses	(286,137)	(272,232)
Net Loss	\$ (680,852)	\$ (716,062)

**Woodbridge ILF Associates Limited Dividend Housing
Association Limited Partnership
HUD Project No. 28-URD-000194**

Statement of Partners' Equity (Deficit)

	General Partner	Limited Partner	Total
Balance - January 1, 2013	\$ (4,591)	\$ 6,531,776	\$ 6,527,185
Net loss	(716)	(715,346)	(716,062)
Balance - December 31, 2013	(5,307)	5,816,430	5,811,123
Net loss	(681)	(680,171)	(680,852)
Balance - December 31, 2014	<u>\$ (5,988)</u>	<u>\$ 5,136,259</u>	<u>\$ 5,130,271</u>

**Woodbridge ILF Associates Limited Dividend Housing
Association Limited Partnership
HUD Project No. 28-URD-000194**

Statement of Cash Flows

	Year Ended	
	December 31, 2014	December 31, 2013
Cash Flows from Operating Activities		
Net loss	\$ (680,852)	\$ (716,062)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	430,218	427,812
Amortization	12,135	12,135
Deferred interest	281,117	267,221
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	7,453	(2,681)
Tenant security deposits	(2,703)	6,269
Prepaid expenses and other current assets	(718)	(409)
Accounts payable	(5,222)	(13,199)
Accrued payment in lieu of taxes (PILOT)	9,613	(2,102)
Tenant security deposits liability	3,480	2,572
Other accrued liabilities	(4,118)	5,598
Accrued payroll	(52)	333
Net cash provided by (used in) operating activities	50,351	(12,513)
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,876)	(28,561)
Net deposits to replacement reserve	(5,277)	(15,006)
Net withdrawal from (deposits to) other reserves	3,189	(13,935)
Net cash used in investing activities	(16,964)	(57,502)
Cash Flows from Financing Activities - (Payments to) advances from affiliates	(10,503)	4,273
Net Increase (Decrease) in Cash	22,884	(65,742)
Cash - Beginning of year	88,141	153,883
Cash - End of year	<u>\$ 111,025</u>	<u>\$ 88,141</u>

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies

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.

Significant accounting policies are as follows:

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, 2014 and 2013.

Trade Accounts Receivable - Trade accounts receivable are stated at net rent amounts and represent HUD subsidies. As the amounts are expected to be fully collectible, there was no allowance for doubtful accounts for the years ended December 31, 2014 and 2013.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Rental Property - Land, buildings, and other depreciable assets are recorded at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful lives ranging from 10 to 40 years. Depreciation expense was \$430,218 and \$427,812 for the years ended December 31, 2014 and 2013, respectively. For income tax purposes, accelerated lives and methods are used. Maintenance, repairs, and renewals that do not involve any substantial betterments are charged to expense when incurred. Expenditures that increase the useful life of the property are capitalized.

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

Deferred Costs - Mortgage costs of \$44,483 are amortized over the term of the mortgage loan using the straight-line method. Total accumulated amortization related to these costs was \$8,897 and \$7,906 at December 31, 2014 and 2013, respectively.

Tax credit monitoring fees of \$111,466 are amortized over 15 years using the straight-line method. Total accumulated amortization related to these costs was \$100,320 and \$89,176 at December 31, 2014 and 2013, respectively.

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.

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:

1. 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

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

2. 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 interest
3. 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 interest
4. 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
5. Remaining, to the partners as a distribution, pro rata, in accordance with their percentage interest

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.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 contract is for 10 years and expires on December 15, 2015. The Partnership expects the HAP contract to be extended for approximately three to five years and will be extended prior to the expiration of the current contract. The operations of the Partnership are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change. Approximately 50 percent of rental revenue was received pursuant to the HAP contract for the years ended December 31, 2014 and 2013, respectively.

Income Taxes - No income tax provision has been recorded in the financial statements since income or loss of the Partnership is required to be reported by the respective partners on their individual income tax returns.

Payment 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 23, 2015, which is the date the financial statements were available to be issued.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 2 - Rental Property

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

	2014	2013	Depreciable Life - Years
Land	\$ 291,667	\$ 291,667	-
Land improvements	1,128,584	1,128,584	10-15
Buildings	11,436,430	11,436,430	7-40
Machinery and equipment	111,601	99,394	2-10
Furniture and fixtures	770,371	767,702	3-5
Total cost	13,738,653	13,723,777	
Less accumulated depreciation	(3,815,817)	(3,385,599)	
Net property and equipment	<u>\$ 9,922,836</u>	<u>\$ 10,338,178</u>	

Depreciation expense was \$430,218 for 2014 and \$427,812 for 2013.

Note 3 - Funded Reserves

Real estate taxes and insurance escrows and the replacement reserve are funded and maintained under the terms of the Regulatory Agreement and the partnership and loan agreements. Monthly funding of these accounts was made as required during 2014 and 2013. 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 Agreement, any remaining funds in this reserve will be disbursed to the Detroit Housing Commission for public housing needs. No liability has been recorded to reflect this obligation for the remaining PHA reserve, since the amount that will ultimately be disbursed to the Detroit Housing Commission cannot be reasonably estimated.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 3 - 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, 2014, a total of \$331,526 had been funded, of which \$130,612 had been disbursed in prior years for the allowable payment of developer fees.

Note 4 - 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 \$40,868 and \$51,371 for the years ended December 31, 2014 and 2013, respectively, all of which is due upon demand and is noninterest-bearing. The Partnership paid PVM \$142,823 and \$153,310 for reimbursable payroll costs during 2014 and 2013, 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 \$33,247 and \$34,038 for the years ended December 31, 2014 and 2013, 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 2014 and 2013, 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 2014 or 2013.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 4 - Related Party Transactions (Continued)

Operating Deficit Guarantee - As provided for in the partnership agreement, the general partner will provide loans to the Partnership for operating deficits incurred during the period commencing on the achievement of stabilization (defined in the partnership agreement as the date on which the apartment complex has attained both an occupancy level of at least 95 percent and an annualized net operating income of \$105,000 for a period of three consecutive calendar months of operations after final completion) and ending on the fourth anniversary of the achievement of stabilization. These loans, not to exceed \$350,000, will be noninterest-bearing and will be repaid from future excess cash flows. As of December 31, 2014 and 2013, no loans had been advanced.

Note 5 - Tenant Security Deposits

Tenant security deposits represent cash restricted solely for the repayment of the security deposits liability. As of December 31, 2014 and 2013, the security deposits were invested in FDIC-insured cash accounts.

Note 6 - Mortgage Payable

The Partnership has a HOPE VI mortgage note with the Detroit Housing Commission in the amount of \$3,713,014 that is held on behalf of the City of Detroit. 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 2014 or 2013 and accrued deferred interest on the note was \$1,974,189 and \$1,693,072 at December 31, 2014 and 2013, respectively.

Note 7 - 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.

Woodbridge ILF Associates Limited Dividend Housing Association Limited Partnership

Notes to Financial Statements December 31, 2014 and 2013

Note 8 - 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, 2014 and 2013, \$11,458,417 and \$10,133,867, respectively, of the tax credits have been claimed by the partners. The expected availability of the remaining credits for the following years are as follows:

2015	\$	1,324,550
2016		<u>462,533</u>
Total	\$	<u>1,787,083</u>

Additional Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors
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, 2014 and 2013 and have issued our report thereon dated February 23, 2015, which contained an unqualified opinion on those financial statements.

Our audit was conducted 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.

February 23, 2015

Plante & Moran, PLLC

**Woodbridge ILF Associates Limited Dividend Housing
Association Limited Partnership
HUD Project No. 28-URD-000194**

**Schedule of Net Operating Cash Flows
Year Ended December 31, 2014**

Loss from operations	\$ (680,852)
Add:	-
Depreciation and amortization	442,353
Developer note interest	-
Deferred interest on debt	281,117
Current year incentive management fee	-
Less:	
Principal payments	-
Cash reserve increase (1312)	-
Cash reserve decrease (Account 1316): PHA reserve	3,577
Cash reserve increase (1317)	-
Cash reserve increase (1320): Replacement reserve	(5,277)
Cash reserve increase (1340): Supplemental reserve	(201)
Fixed cost additions paid from cost savings	-
Fixed asset additions	<u>(14,876)</u>
 Net cash flows available for distribution	 <u>\$ 25,841</u>

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