10674

VILLA GARDENS LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

VILLA GARDENS LIMITED PARTNERSHIP

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DECEMBER 31, 2011

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Partners
Villa Gardens Limited Partnership
Lafayette, Louisiana

We have audited the accompanying balance sheet of Villa Gardens Limited Partnership (the "Partnership") as of December 31, 2011, and the related statements of operations, partners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Villa Gardens Limited Partnership, as of December 31, 2011, and the results of its operations, changes in partners' equity, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012, on our consideration of Villa Gardens Limited Partnership'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses, the Schedule of Operating Income and Expense Variances – AMEC Model to Actual Comparisons, and the Computation of Surplus Cash, Distributions, and Residual Receipts – LHFA – Tax Credit Assistance Program are presented for purposes of additional analysis and are 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.

Luffey & Associates, LLC

Monroe, Louisiana
March 16, 2012

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEET
DECEMBER 31,

ASSETS

		2011
CURRENT ASSETS		
Cash and Cash Equivalents	$	124,267
Accounts Receivable - Tenants		8,106
Prepaid Expenses		14,348
Total Current Assets		146,721
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenants' Security Deposits		34,100
Total Restricted Deposits and Funded Reserves		34,100
PROPERTY AND EQUIPMENT		
Buildings		7,281,748
Furniture and Equipment		217,314
Site Improvements		382,054
Total		7,881,116
Less: Accumulated Depreciation		(167,158)
Net Depreciable Assets		7,713,958
Land		415,324
Total Property and Equipment		8,129,282
OTHER ASSETS		
Permanent Loan Fees		97,053
Tax Credit Fees		42,250
Less: Accumulated Amortization		(3,521)
Syndication Costs - Non Amortizable		50,000
Utility Deposits		900
Total Other Assets		186,682
Total Assets	$	8,496,785

The accompanying notes are an integral part of these financial statements.

VILLA GARDENS LIMITED PARTNERSHIP
BALANCE SHEET
DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY

		2011
CURRENT LIABILITIES		
Accounts Payable	$	17
Deferred Revenue		2,094
Development Costs Payable		32,076
Developer Fee Payable		654,784
Asset Management Fee Payable		6,000
Construction Loan Payable		1,600,000
Total Current Liabilities		2,294,971
DEPOSITS		
Tenants' Security Deposits		34,100
Total Deposits		34,100
LONG-TERM LIABILITIES		
Note Payable - LPTFA		463,250
Note Payable - LHFA TCAP		833,528
Accrued Interest Payable - LHFA TCAP		34,299
Accrued Partnership Management Fees Payable		10,000
Deferred Developer Fee Payable		180,140
Total Long-Term Liabilities		1,521,217
Total Liabilities		3,850,288
PARTNERS' EQUITY		
Parners' Equity		4,646,497
Total Partners' Equity		4,646,497
Total Liabilities and Partners' Equity	$	8,496,785

The accompanying notes are an integral part of these financial statements.

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,

		2011
REVENUE		
Rents	$	299,777
Vacancies		(52,846)
Late Fees, Deposits Forfeitures, etc.		6,525
Total Revenue		253,456
EXPENSES		
Maintenance and Repairs		30,358
Utilities		2,784
Administrative		54,858
Management Fees		20,838
Taxes		10,455
Insurance		44,315
Interest		286,660
Depreciation and Amortization		170,679
Total Expenses		620,947
Net Income (Loss) from Operations		(367,491)
OTHER INCOME (EXPENSE)		
Asset Management Fees		(6,000)
TCAP Asset Management Fees		(27,500)
Partnership Management Fees		(10,000)
Total Other Income (Expense)		(43,500)
Net Income (Loss)	$	(410,991)

The accompanying notes are an integral part of these financial statements.

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total	General Partner Villa Gardens Housing Corporation	Special Limited Partner Hudson VG SLP, LLC/Hudson SLP, LLC	Investment Partner Hudson Villa Gardens, LLC
Partners' Equity, January 1, 2011	$ 119,988	$ -	$ -	$ 119,988
Contributions	4,937,500	-	-	4,937,500
Net Loss	(410,991)	(41)	(41)	(410,909)
Partners' Equity, December 31, 2011	$ 4,646,497	$ (41)	$ (41)	$ 4,646,579
Profit and Loss Percentages	100.00%	0.01%	0.01%	99.98%

The accompanying notes are an integral part of these financial statements.

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2011
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss)	$ (410,991)
Adjustments to Reconcile Net Income (Loss) to Cash	
Provided by (Used in) Operating Activities:	
Depreciation and Amortization	170,679
(Increase)Decrease in Accounts Receivable - Tenants	(8,106)
(Increase)Decrease in Prepaid Insurance	(14,348)
(Increase)Decrease in Utility Deposits	(900)
Increase(Decrease) in Accounts Payable	17
Increase(Decrease) in Advanced Revenue Payable	2,094
Increase(Decrease) in Asset Management Fee Payable	6,000
Increase(Decrease) in Accrued Interest Payable	34,299
Total Adjustments	189,735
Net Cash Provided by (Used in) Operating Activities	(221,256)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition/Construction of Property and Equipment	(3,605,118)
Net Cash Provided by (Used in) Investing Activities	(3,605,118)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Construction Loan	3,272,680
Payments on Construction Debt	(4,937,500)
Proceeds from Long-Term Debt	864,939
Advance from Related Party	-
Receipt of Capital Contributions	4,937,500
Payment of Mortgage Costs	(97,053)
Payment of Tax Credit Fees	(42,250)
Payment of Syndication Costs	(50,000)
Net Cash Provided by (Used in) Financing Activities	3,948,316
Net Increase (Decrease) in Cash and Cash Equivalents	121,942
Cash and Cash Equivalents at Beginning of Year	2,325
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 124,267

The accompanying notes are an integral part of these financial statements.

VILLA GARDENS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2011
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for	
Interest (net of amount capitalized in 2011 of $72,057)	$ 252,361
Noncash Investing/Financing Activities:	
Property and Equipment acquired through the incurrence of Development Costs Payable	$ 32,076
Property and Equipment acquired through the incurrence of Development Fee Payable	$ 834,924

The accompanying notes are an integral part of these financial statements.

NOTE A – REPORTING ENTITY AND OPERATIONS

Villa Gardens, Limited Partnership, (the Partnership) was formed as a limited partnership under the laws of the State of Louisiana on November 5, 2009, for the purpose to acquire, construct, own, finance, lease, and operate a qualified low income housing project (the Property) within the meaning of Section 42 of the Internal Revenue Code.

The Property consists of a 43 unit, single-family home rental complex, located in Lafayette, Louisiana and was placed in service on March 23, 2011. The Property is eligible for Low-Income Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code (low-income housing tax credit) which regulates the use of the Property with respect to occupant eligibility and unit rent levels, among other requirements.

The major activities and operations of the Partnership are governed by the Amended and Restated Articles of Partnership (the Partnership Agreement) and are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the Louisiana Housing Finance Agency (LHFA). Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

NOTE B – PARTNERSHIP AND PARTNERS

Pursuant to the Partnership Agreement, the Partnership is comprised of three partners (collectively, the Partners). The Partnership's general partner, Villa Gardens Housing Corporation, a not-for-profit instrumentality of the Housing Authority of the City of Lafayette, Louisiana (the General Partner); a limited partner, Hudson Villa Gardens LP (the Limited Partner); and, a special limited partner, Hudson SLP LLC (the Special Limited Partner).

The Housing Authority of the City of Lafayette, Louisiana (the Housing Authority) is obligated to guarantee the obligations of the General Partner, pursuant to an Unconditional Guaranty executed by the Housing Authority.

On September 21, 2011, the Special Limited Partner assigned its interest in the Partnership to Hudson VG SLP LLC, which now acts as the Partnership's Special Limited Partner.

As the result of certain circumstances precluding the General Partner from meeting its obligations under the Partnership Agreement, on September 26, 2011, the Special Limited Partner exercised certain of its rights under the Partnership Agreement to cause the authority of the General Partner to be restricted and to require that the Special Limited Partner provide consent to any and all actions of the General Partner.

The restriction upon the authority of the General Partner imposed by the Special Limited Partner continued from September 21, 2011 through the date of these financial statements.

The circumstances surrounding subsequent resolution of these matters is more fully disclosed in Note M, hereto.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents represents unrestricted cash and all highly liquid and unrestricted debt instruments purchased with a maturity of three months or less.

Cash and Other Deposits

The Partnership has various checking, escrow, and other deposits at various financial institutions. The interest-bearing accounts, in total, at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. All noninterest-bearing transaction accounts are insured in full by the Federal Deposit Insurance Corporation.

Collateralization Policy for Financial Instruments

The Partnership does not require collateral to support financial instruments subject to credit risk.

Capitalization and Depreciation

Land, buildings, improvements, and equipment are recorded at cost. 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. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

Amortization

Upon commencement of permanent financing, mortgage costs will be amortized over the term of the mortgage loan using the straight-line method. Tax Credit Costs are amortized over the ten year tax credit period using the straight-line method.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the apartment complex. At December 31, 2011, the tenants' security deposit was funded in amount equal to the security deposit liability.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Income and Deferred Rents

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.

Tenant rent charges for the current month are due on the first of each month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant accounts receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. The Partnership does not accrue interest on the tenant receivable balances.

The Partnership used the direct write-off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually. The time limit for taxing authorities to examine the Partnership's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit.

FASB ASC 360, *Property, Plant, and Equipment*

FASB ASC 360, *Property, Plant, and Equipment* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of the impairment provisions of FASB ASC 360, *Property, Plant, and Equipment* has not materially affected the partnership's reported earnings, financial condition or cash flows.

NOTE D – NOTE PAYABLE

Construction Loan – Capital One

The Partnership entered into a construction loan agreement with Capital One, National Association (the Construction/Permanent Lender) on July 16, 2010 (the Construction Loan). The maximum loan amount that can be drawn is $6,550,000. Interest on the Construction Loan is based on a fixed rate of 7.34% per annum. The Partnership is to make monthly payments of interest only and the Construction Loan matures on January 16, 2012 unless extended in accordance with Section 2.13 of the agreement. The Construction Loan is primarily collateralized by a mortgage on real property and a security agreement.

In September 2011, the Special Limited Partner caused a principal payment to be made on the Construction Loan utilizing a Limited Partner equity contribution, reducing the principal balance of the Construction Loan to $1,600,000.

On December 22, 2011, the Construction/Permanent Lender issued notice to the Partnership that it had become aware of certain technical defaults under the terms of the underlying construction loan agreement. The notice advised the Partnership that the Construction/Permanent Lender reserved all of its rights under the construction loan agreement.

NOTE D – NOTE PAYABLE (CONTINUED)

Construction Loan – Capital One (Continued)

The circumstances surrounding subsequent resolution of matters associated with the Construction Loan are more fully disclosed in Note M hereto.

As of December 31, 2011, the total construction loan payable was $1,600,000.

Commitment Permanent Loan – Capital One

The Partnership is expected to receive funds up to the amount of $1,600,000 from Capital One, National Association. This permanent loan (the Permanent Loan) will be payable in monthly installments of principal and interest until its maturity in fifteen years, at which time any remaining principal and interest shall be due and payable. The Permanent Loan will bear interest at a fixed rate of 7.34% per annum and will be collateralized primarily by the Partnership's land and improvements, thereon.

As of December 31, 2011, the Permanent Loan had not been funded.

Note Payable – LPTFA

The Partnership entered into a permanent loan agreement with Lafayette Public Trust Financing Authority on July 16, 2010 (the LPTFA Loan). The maximum loan amount that can be drawn is $463,250. The LPTFA Loan bears no interest and is payable solely from 75% of net cash flow of the Partnership commencing on January 2011. The LPTFA Loan matures on June 30, 2025. The LPTFA Loan is primarily collateralized by a mortgage on real property and a security agreement. As of December 31, 2011, the total note payable was $463,250.

Note Payable – LHFA TCAP

The LHFA has committed loan proceeds of $833,528 to the Partnership (the TCAP Loan), of which $833,528 has been received by the Partnership. The TCAP Loan bears interest at a fixed rate of 4.00% per annum, which accrues on the outstanding principal balance and is payable in annual installments solely from 75% of surplus cash, due on the first day of April commencing April 1, 2012. The TCAP Loan will mature on August 1, 2045, which is the date all unpaid sums under the note are due and payable. The TCAP Loan also details that payments shall be made only out of and to the extent of the cash flow of the Partnership after payment of all operating expenses approved by the LHFA. As a condition to obtaining this financing, the Partnership has entered into a regulatory agreement with the LHFA Rentals be restricted to low-income tenants rents charged are restricted

Should the LHFA issue a written notice to the Partnership of an instance of noncompliance with the regulatory agreement, the Partnership shall have thirty days from the issuance of such notice to correct the noncompliance. Should the noncompliance not be corrected within the thirty days, the LHFA has the right to declare the entire amount of mortgage immediately due and payable.

The balance at December 31, 2011 was $833,528, with interest accrued of $34,299, respectively..

Maturities of Long-Term Debt

Maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2012	$ 1,600,000
2013	$ -
2014	$ -
2015	$ -
2016	$ -
Thereafter	$ 1,296,778

NOTE E – RELATED PARTY TRANSACTIONS

Developer Fee

The Partnership incurred a developer fee of $1,124,924 to the General Partner, as the Developer, for services rendered to the Partnership for overseeing the construction and development of the Property. The developer fee has been capitalized into the basis of the building. As of December 31, 2011, the Partnership owed $834,924 in developer fees. Deferred Developer fees of $180,140 were included in the amount above.

Asset Management Fee

The Partnership shall pay the Asset Management Fee annually to the Special Limited Partner for property management oversight, tax credit compliance monitoring, and related services. The Asset Management Fee is an annual fee in the amount of $6,000, to be increased annually by three percent (3%) and accrues on a cumulative basis. At December 31, 2011, Asset Management Fees payable totaled $6,000.

Partnership Management Fees

The Partnership shall pay to the General Partner a cumulative Partnership Management Fee to be increased annually in the amount and priority specified in section 8.10 of the Partnership Agreement to compensate the General Partner for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports. The Partnership Management Fee shall equal $10,000 per year, increasing annually by the CPI percentage. Any unpaid Partnership Management Fee in a given fiscal year shall accrue and be payable from net cash flow available in future years. At December 31, 2011, Partnership Management Fees payable totaled $10,000.

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES

Operating Reserve

The General Partner shall establish an operating reserve account (the Operating Reserve) which is to be funded at the time of the funding of the Third Capital Contribution by the Limited Partner in the amount of $175,000. The operating reserve account shall be maintained for the duration of the Compliance Period (after which, funds on deposit may be released and distributed as net cash flow in accordance with section

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES (CONTINUED)

Operating Reserve (Continued)

7.03 of the Partnership Agreement) and shall be used exclusively to pay for Operating Deficits incurred by the Partnership with the consent of the Special Limited Partner. Subsequent to the initial period, any amounts on deposit in the operating reserve account in excess of $175,000 may be released to the General Partner. Should the balance in the operating reserve account fall below $175,000, distributions shall be made from net cash flow to maintain a minimum balance of $175,000.

As of December 31, 2011, the Operating Reserve had not been funded.

Please refer to Note M hereto for additional information regarding the funding of the Operating Reserve.

Replacement Reserve

The General Partner shall establish a replacement reserve account (the Replacement Reserve), to be funded each month (on an annualized basis) the greater of (i) the amount required by the Construction/Permanent Lender and (ii) $300 per unit per month, to be increased annually by 3%.

Monthly funding of the Replacement Reserve is to commence as of the month following substantial completion of the apartment complex, as defined in the Partnership Agreement. The Partnership shall utilize amounts in the Replacement Reserve to fund major repair, capital expenditures and replacement of capital items for the property, subject to consent of the Special Limited Partner. In the event that the reserve minimum payment to the Replacement Reserve required under the terms of the Partnership Agreement exceeds the amount required by the Construction/Permanent Lender, the Special Limited Partner shall establish a separate account called the SLP Replacement Reserve Account, into which the General Partner shall deposit any such excess. Interest earned on either account shall become part of that account.

In accordance with the TCAP Replacement Reserve Agreement, upon execution and delivery of the TCAP loan documents, the Partnership is required to establish a Replacement Reserve Fund. Commencing on the date the first scheduled monthly payment is due under the TCAP Reserve For Replacement Agreement after the conversion and continuing on the same day of each successive month until the end of the Review Period of 60 months after the first scheduled monthly payment date, the Partnership shall pay to LHFA or the Permanent Lender of the TCAP Loan $1,075 per month for deposit into the Replacement Reserve Fund, together with any regular monthly payments as required by the TCAP mortgage.

As of December 31, 2011, the Replacement Reserve had not been funded.

Please refer to Note M hereto for additional information regarding the funding of the Replacement Reserve.

NOTE G – PARTNERS AND CONTRIBUTIONS

Article V of the Partnership Agreement sets forth the capital contributions of the Partners. The General Partner's capital contribution is $10. The Special Limited Partner's capital contribution is $10. The Limited Partner's capital contribution is $5,999,400. Each of the Partners' capital contributions are subject to adjustments in accordance with the terms of the Partnership Agreement.

The Partnership records capital contributions as received. As of December 31, 2011, the Investment Partner had contributed capital in the amount of $5,057,488.

NOTE H – PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All Partnership profits, losses, and tax credits are allocated among the Partners according to Section 7.02 of the Partnership Agreement, which dictates that .015 is allocated to the General Partner, .015 is allocated to the Special Limited Partner and the remaining 99.98% is allocated to the Limited Partner. Distributions of cash flow are governed by Sections 7.03 of the Partnership Agreement.

NOTE I – MANAGEMENT FEE

The Partnership pays a property management fee to Latter and Blum Property Management, Inc. equal to six percent (6.0%) of actual rent collections for the preceding month.

NOTE J – ADVERTISING

During 2011, $1,249 of advertising costs was incurred. Advertising costs are expensed as incurred.

NOTE K – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net income to taxable loss of the Partnership for the year ended December 31, 2011, is as follows:

	2011
Financial statement net income (loss)	$ (410,991)
Adjustments:	
Excess of depreciation for income tax purposes over financial reporting purposes	(637,671)
Timing difference in income/expense Recognition	–
Taxable loss shown on tax return	$ (1,046,530)

NOTE L – PROPERTY TAXES

The Partnership is exempt from paying property taxes and therefore did not incur property taxes for the year ended December 31, 2011.

NOTE M – SUBSEQUENT EVENTS

On January 16, 2012, the Construction Loan matured. Following this maturity, the Construction Loan became subject to remedies of the Construction/Permanent Lender, which remedies include acceleration of the Construction Loan, termination of the permanent loan commitment and/or initiation of foreclosure proceedings.

As the result of non-performance by the General Partner under the provisions of the Partnership Agreement and as the result of the technical default of the Partnership under the Construction Loan, the Special limited Partner issued a Notice of Default to the General Partner on February 3, 2012. This Notice of Default allowed for a 30-day cure period as prescribed by the Partnership Agreement.

NOTE M – SUBSEQUENT EVENTS (CONTINUED)

The General Partner failed to respond to the Notice, and failed to cure the cited defaults within the prescribed cure period.

On March 7, 2012, the Special Limited Partner took action to remove Villa Gardens Housing Corporation as the general partner of the Partnership.

Concurrent with the removal of Villa Gardens Housing Corporation as the general partner of the Partnership, the general partner interest was assigned to the Housing Authority. Effective as of March 7, 2012, the Housing Authority assumed responsibility as the General Partner of the Partnership.

On March 7, 2012, the Permanent Loan funded and the Construction Loan was repaid.

Concurrent with the funding of the Permanent Loan, the Operating Reserve was funded in the amount of $175,000.

Concurrent with the funding of the Permanent Loan, the Replacement Reserve was funded in the amount of $12,900.

The Partnership has evaluated subsequent events through March 16, 2012, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31,

		2011
MAINTENANCE AND REPAIRS		
Repairs Contract	$	3,760
Supplies		729
Grounds		7,051
Garbage and Trash Removal		628
Services		9,688
Miscellaneous		8,502
Total Maintenance and Repairs	$	30,358
UTILITIES		
Electricity	$	2,542
Water and Sewer		242
Total Utilities	$	2,784
ADMINISTRATIVE		
Manager Salaries	$	25,237
Advertising		1,249
Bank Charges		552
Office Expense		2,640
Organization Expense		1,263
Telephone		1,396
Travel		3,843
Bookkeeping/Accounting		9,059
Legal and Professional Fees		5,051
Other Administrative Expenses		4,568
Total Administrative	$	54,858
TAXES		
Payroll Taxes	$	10,455
Total Taxes	$	10,455
INSURANCE		
Property and Liability Insurance	$	41,619
Employee Benfits		2,696
Total Insurance	$	44,315
INTEREST EXPENSE		
Interest on Construction	$	260,450
Interest on Mortgage		26,210
Total Interest Expense	$	286,660

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2011

Project Name: VILLA GARDENS

3.00% **Inflation Rate for Income/Expenses**
2.50% **Inflation Rate for Replacement Reserve**

			2011 Year 1 AMEC Model	2011 Year 1 Actual	Explanation of Variances Exceeding 5.00%
Income Statement					
Rental Income			*-20%*		Partial Year of Operations: PIS Date 3/23/11
	Residential-				
5121		Rental Income GROSS VACANCY	$ 377,940	$ 303,985	
5121		Rental Income NET VACANCY	-	-	
5190		Other	-	-	
5140	Stores & Commercial-		-	-	
Total Rental Income:			377,940	303,985	
Vacancies: Enter as Negative			*105%*		Partial Year of Operations; PIS Date 3/23/11
5220	Apartments-		(26,456)	(52,846)	
5240	Stores & Commercial-		-	-	
5270	Garage & Parking Spaces-		-	-	
5290	Miscellaneous Concessions-		-	(1,389)	
Total Vacancies:			(26,456)	(54,235)	
Net Rental Income:			351,484	249,750	
Other Income & Bad Debt			*44%*		Partial Year of Operations; PIS Date 3/23/11
5910	Laundry & Vending-		-	-	
6370	Apartment Bad Debt- Enter as Neg.		-	(2,819)	
6370	Commercial Bad Debt- Enter as Neg.		-	-	
5920	NSF, Damages & Late Charges, Other-		2,580	6,525	
Total Other Income:			2,580	3,706	
EFFECTIVE GROSS INCOME			354,064	253,456	
Admin. Exps			*12%*		Partial Year of Operations; PIS Date 3/23/11
6210	Advertising-		1,230	1,249	
6250	Admin. Exps.-		-	12,671	
6310	Office Salaries-		23,760	-	
6311	Office Supplies-		-	989	
6320	Management Fee-		21,233	20,838	
6330	Management or Super. Sal.-		32,780	25,237	
6331	Mgmt. or Super. Free Rent Unit-		-	-	
6340	Legal Expenses (Project)-		-	5,051	
6350	Auditing Exps. (Project)-		7,500	-	
6351	Bookkeeping Fees/Acct. Services-		-	9,059	
6390	LHFA Asset Management Fee		5,000	27,500	
Total Admin. Less Management Fee			70,270	81,756	
Total Admin. Exps.:			91,503	102,594	
Utilities Expense			*-43%*		Partial Year of Operations; PIS Date 3/23/11
6420	Fuel Oil/Coal-		-	-	
6420	Fuel for Domestic Hot Water-		-	-	
6450	Electricity (Light & Misc. Power)-		3,500	2,542	
6451	Water-		-	68	
6452	Gas-		1,400	-	
6453	Sewer-		-	174	
Total Utilities Exps.:			4,900	2,784	

VILLA GARDENS LIMITED PARTNERSHIP
SCHEDULE OF OPERATING INCOME AND EXPENSE VARIANCES -
AMEC MODEL PROFORMA TO ACTUAL COMPARISONS
FOR THE YEAR ENDED DECEMBER 31, 2011

Project Name: VILLA GARDENS

3.00% Inflation Rate for Income/Expenses
2.50% Inflation Rate for Replacement Reserve

		2011 Year 1 AMEC Model	2011 Year 1 Actual	Explanation of Variances Exceeding 5.00%
O & M Expenses		-30%		Partial Year of Operations; PIS Date 3/23/11
6510	O&M Payroll-	12,160	8,408	
6515	O&M Supplies-	2,500	338	
6520	O&M Contract-	6,000	15,931	
6525	Garbage & Trash Removal-	2,540	628	
6530	Security Payroll/Contract-	-	-	
6545	Elevator Maintenance/Contract-	-	-	
6546	HVAC R & M-	5,500	395	
6570	Other Expenses-	3,500	5,149	
6590	Misc. O & M Expenses-	-	111	
	Neighborhood Network-	12,000	-	
Total O & M Expenses:		44,200	30,960	
Taxes & Insurance		16%		Partial Year of Operations; PIS Date 3/23/11
6710	Real Estate Taxes-	-	-	
6711	Payroll Taxes (FICA)-	2,500	10,455	
6719	Misc. Taxes, Licenses, & Permits-	-	-	
6720	Property & Liability Insurance-	37,500	41,619	
6721	Fidelity Bond Insurance-	-	-	
6722	Workmen's Compensation-	2,500	-	
6723	Health Ins. & Other Emp.Benefits-	4,870	2,696	
6279	Other Insurance-	-	-	
Total Taxes & Insurance:		47,370	54,770	
		2%		Partial Year of Operations; PIS Date 3/23/11
TOTAL OPERATING EXPENSES:		187,973	191,108	
NET OPERATING INCOME:		$ 166,091	$ 62,348	
		-25%		Partial Year of Operations; PIS Date 3/23/11
Replacement Reserves		$ 12,900	$ 9,675	
ADJUSTED NET OPERATING INCOME		$ 153,191	$ 52,673	

VILLA GARDENS LIMITED PARTNERSHIP
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS -
LHFA - TAX CREDIT ASSISTANCE PROGRAM
DECEMBER 31, 2011

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Computation of Surplus Cash, Distributions and Residual Receipts

Project Name:	Fiscal Period Ended:	Project Number:
Villa Gardens	12/31/2011	

Part A - Compute Surplus Cash		
Cash		
1. Cash (Accounts 1110, 1120, 1191, 1192)	$ 110,162	
2. Tenant subsidy vouchers due for period covered by financial statement	$ -	
3. Other (describe)	$ -	
(a) Total Cash (Add Lines 1, 2 and 3)		$ 110,162
Current Obligations		
4. Accrued mortgage interest payable	$ -	
5. Delinquent mortgage principal payments	$ -	
6. Delinquent deposits to reserve for replacements	$ 9,675	
7. Accounts payable (due within 30 days)	$ 17	
8. Loans and notes payable (due within 30 days)	$ -	
9. Deficient Tax Insurance or MIP Escrow Deposits	$ -	
10. Accrued expenses (not escrowed)	$ -	
11. Prepaid Rents (Account 2210)	$ 2,094	
12. Tenant security deposits liability (Account 2191)	$ 34,100	
13. Other (Describe)	$ -	
(b) Less Total Current Obligations (Add Lines 4 through 13)		$ 45,886
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))		$ 64,276
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Surplus Cash		$ 64,276
Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	$ -	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	$ -	
2c. Distributions Paid During Fiscal Period Covered by Statement	$ -	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	$ -	
4. Amount Available for Distribution During Next Fiscal Period		$ 64,276
5. Deposit Due Residual Receipts (Must be deposited with mortgagee within 60 days after fiscal period ends)		$ -

Prepared By		Reviewed By	
Loan Technician	**Date**	**Loan Servicer**	**Date**

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

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
Villa Gardens Limited Partnership
Lafayette, Louisiana

We have audited the financial statements of Villa Gardens Limited Partnership as of and for the year ended December 31, 2011, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Villa Gardens Limited Partnership is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Villa Gardens Limited Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Villa Gardens Limited Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Villa Gardens Limited Partnership's internal control over financial reporting.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villa Gardens Limited Partnership's financial statements are free of 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 determination of financial statement amounts. 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.*

This report is intended solely for the information and use of the Partners and the management of Villa Gardens Limited Partnership, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates, LLC

Monroe, Louisiana
March 16, 2012