LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
(OWNERS OF LAROY FROH)
MSHDA DEVELOPMENT NO. 3968

REPORT ON OWNER'S CERTIFICATION OF FINAL ACTUAL COSTS AND OWNER'S CERTIFICATION OF SYNDICATION OF PROJECT

FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

Maner Costerisan

TABLE OF CONTENTS

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Partners of
LaRoy Froh Limited Dividend Housing Association Limited Partnership

Opinion

We have audited the accompanying financial statements of LaRoy Froh Limited Dividend Housing Association Limited Partnership (the "Partnership") related to the development and rehabilitation of LaRoy Froh, MSHDA Development No. 3968 (the "Project"), which comprises the owner's certification of final actual costs - regulatory basis (Form LIHTC 027) and owner's certification of syndication of project - regulatory basis (Form LIHTC 035) for the period from March 17, 2022 through April 10, 2024, and the related notes to the financial statements. We did not audit the contractor's cost outlined in Note 2, which reflects $11,224,365 of the costs. Those costs were audited by the contractor's auditor whose report was furnished to us. Our opinion, insofar as it relates to the aforementioned amount, is based solely on their report.

In our opinion, the financial statements referred to above present fairly, in all material respects, LaRoy Froh Limited Dividend Housing Association Limited Partnership's final actual costs related to the development and rehabilitation of LaRoy Froh for the period from March 17, 2022 through April 10, 2024 and the syndication of the project, in accordance with accounting methods and reporting practices prescribed by the Michigan State Housing Development Authority's publication *Low Income Housing Tax Credit Program Cost Certification Guidelines* described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We certify that we have no financial interest in LaRoy Froh Limited Dividend Housing Association Limited Partnership other than the practice of our profession.

On the originally issued owner's certification of final actual costs, we issued an unmodified opinion dated June 24, 2024. Subsequent to that date, it has been determined those financial statements were in error because costs reported did not include all applicable project reserves through the end of construction. This reissued owner's certification of final actual costs reflects all project reserves through the end of construction, including those processed after the issuance of our report dated June 24, 2024.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting methods and reporting practices prescribed by the Michigan State Housing Development Authority's publication *Low Income Housing Tax Credit Program Cost Certification Guidelines*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the owner's certification of final actual costs - regulatory basis and owner's certification of syndication of project - regulatory basis in accordance with accounting methods and reporting practices prescribed by the Michigan State Housing Development Authority's publication *Low Income Housing Tax Credit Program Cost Certification Guidelines* described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the owner's certification of final actual costs - regulatory basis and owner's certification of syndication of project - regulatory basis are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

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

Restriction on Use

This report is intended solely for the information and use of the Partners and management of LaRoy Froh Limited Dividend Housing Association Limited Partnership and the Michigan State Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

August 12, 2024

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
OWNER'S CERTIFICATION OF FINAL ACTUAL COSTS - REGULATORY BASIS
FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

To: Low Income Housing Tax Credit Program Director

Development name: LaRoy Froh Location: Lansing, Michigan

The cut-off date used for calculation of interest, taxes, and insurance during the construction is April 10, 2024.

The actual cost to the owner of labor and materials and necessary services for the construction of the physical improvements in connection with the subject development, after deduction of kickbacks, rebates, adjustments, discounts made or to be made to the mortgagor, sponsor, or any corporation, trust, partnership, joint venture, or other legal entity in which they or any of them hold any interest, is as follows:

		Costs to be Included in Eligible Basis	
	Audited Costs	Acquisition	Rehab
LAND			
Line 1 - Land purchase	$ 575,000	$ -	$ -
Line 2 - Closing/title and recording	-	-	-
Line 3 - Real estate expenses	-	-	-
Line 4 - Other land related expenses	-	-	-
BUILDING ACQUISITION			
Line 5 - Existing structure	4,675,000	4,675,000	-
Line 6 - Demolition (exterior)	-	-	-
Line 7 - Other	-	-	-
SITE WORK			
Line 8 - On site	-	-	-
Line 9 - Off site improvements	-	-	-
Line 10 - Other - community building	-	-	-
CONSTRUCTION COSTS			
Line 11 - New structure	-	-	-
Line 12 - Rehabilitation	9,830,584	-	9,830,584
Line 13 - Garages/carports	-	-	-
Line 14 - Laundry facilities	-	-	-
Line 15 - Accessory building	-	-	-
Line 16 - Permits, fees and bonding	90,764	-	90,764
Line 17 - General requirements	481,190	-	481,190
Line 18 - Builder overhead	205,827	-	205,827
Line 19 - Builder profit	616,000	-	616,000
Line 20 - Subtotal - construction costs	11,224,365	-	11,224,365

See notes to certifications.

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
OWNER'S CERTIFICATION OF FINAL ACTUAL COSTS - REGULATORY BASIS
FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

		Costs to be Included in Eligible Basis	
	Audited Costs	Acquisition	Rehab
CONSTRUCTION COSTS (continued)			
Line 21 - Design architect	$ 299,200	$ -	$ 299,200
Line 22 - Supervisory architect	74,800	-	74,800
Line 23 - Real estate attorney	-	-	-
Line 24 - Engineer/survey	18,166	-	18,166
Line 25 - Tap fees/soil borings	-	-	-
Line 26 - Permits and fees	53,687	-	53,687
Line 27 - Other - additional construction from cost savings	-	-	-
INTERIM CONSTRUCTION COSTS			
Line 28 - Hazard insurance	502,980	-	502,980
Line 29 - Liability insurance	-	-	-
Line 30 - Interest	627,984	-	627,984
Line 31 - Loan origination fee	255,044	-	255,044
Line 32 - Loan enhancement fee	-	-	-
Line 33 - Title, recording, and taxes	93,844	-	93,844
Line 34 - Other - legal fees	85,000	-	85,000
PERMANENT FINANCING			
Line 35 - Bond premium	-	-	-
Line 36 - Credit report	-	-	-
Line 37 - Loan origination fee	-	-	-
Line 38 - Loan credit enhancement	-	-	-
Line 39 - Title, recording, and taxes	-	-	-
Line 40 - Legal fees	-	-	-
Line 41 - Other - application fee	2,000	-	-
OTHER COSTS			
Line 42 - Feasibility study	-	-	-
Line 43 - Market study	6,500	-	6,500
Line 44 - Environmental study	95,934	-	95,934
Line 45 - Tax credit fees	63,275	-	-
Line 46 - Compliance fees	47,500	-	-
Line 47 - Marketing/rent-up	2,000	-	-
Line 48 - Cost certification	25,332	-	25,332
Line 49 - Bridge loan expenses (during construction)	-	-	-
Line 50 - Other - appraisal	4,500	-	4,500
Line 50 - Other - furniture and fixtures	96,157	-	96,157
Line 50 - Other - capital needs assessment	15,835	-	15,835

See notes to certifications.

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
OWNER'S CERTIFICATION OF FINAL ACTUAL COSTS - REGULATORY BASIS
FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

		Costs to be Included in Eligible Basis	
	Audited Costs	Acquisition	Rehab
OTHER COSTS (continued)			
Line 51 - Organizational	$ 1,331	$ -	$ -
Line 52 - Bridge loan	-	-	-
Line 53 - Tax opinion	-	-	-
Line 54 - PV adjustment	-	-	-
Line 55 - Other - tenant relocation	262,681	-	262,681
DEVELOPER			
Line 56 - Developer overhead	-	-	-
Line 57 - Developer fee	2,645,247	262,500	2,382,747
Line 58 - Consultant fee	-	-	-
PROJECT RESERVES			
Line 59 - Rent-up reserves	-	-	-
Line 60 - Operating reserves	404,283	-	-
Line 61 - Replacement reserves	761,084	-	-
Line 62 - Other - Syndicator reserve	177,639	-	-
Line 62 - Other - GPR reserve	106,548	-	-
Total (must match total development cost in application)	$ 23,202,916	$ 4,937,500	$ 16,124,756

Line 63 - Permanent mortgage loan	
MSHDA Permanent debt	$ 7,747,765
MSHDA HOME loan	102,571
Seller's note	5,250,000
	$ 13,100,336
Line 64 - Other equity sources	
LP capital contribution	$ 9,046,189
Interim income	495,259
Deferred developer fee	561,132
	$ 10,102,580

See notes to certifications.

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
OWNER'S CERTIFICATION OF FINAL ACTUAL COSTS - REGULATORY BASIS
FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

NOTE: **This certificate must be supported by a certification as to actual costs completed by an independent certified public accountant in accordance with the *Low Income Housing Tax Credit Program Cost Certification Guidelines*.**

The undersigned hereby certifies that there **has not been and is not now any identity of interest between ourselves** on the one hand and the general contractor and a subcontractor, material supplier, or equipment lessor on the other. Note 3 – Identity of Interest on page 9 discloses the identity of interest parties and related amounts.

LaRoy Froh Limited Dividend Housing Association
Limited Partnership

By: Douglas E. Fleming
Representative for its General Partner

Date: 08-14-2024

See notes to certifications.

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
OWNER'S CERTIFICATION OF SYNDICATION OF PROJECT - REGULATORY BASIS
FOR THE PERIOD FROM MARCH 17, 2022 THROUGH APRIL 10, 2024

DEVELOPMENT NAME: LaRoy Froh

Location: Lansing, Michigan

I certify that the syndication proceeds applicable to this development are as follows:

Gross syndication proceeds	$ 9,046,189
Net proceeds to the development	$ 9,046,189

LaRoy Froh Limited Dividend Housing Association
Limited Partnership

By: Douglas E. Fleming
Representative for its General Partner

Date: 08-14-2024

See notes to certifications.

LAROY FROH LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP
NOTES TO CERTIFICATIONS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The owner's certification of final actual costs - regulatory basis and owner's certification of syndication of project - regulatory basis have been prepared in accordance with accounting methods and reporting practices prescribed by the Michigan State Housing Development Authority's publication *Low Income Housing Tax Credit Program Cost Certification Guidelines*. These practices differ in some respects from generally accepted accounting principles. Costs are exclusive of kickbacks, rebates, or trade discounts.

NOTE 2 - CONTRACTOR'S COST

The following contractor's costs are included in the certification as follows:

Line 12 - Rehabilitation	$ 9,830,584
Line 16 - Permits, fees and bonding	90,764
Line 17 - General requirements	481,190
Line 18 - Builder overhead	205,827
Line 19 - Builder profit	616,000
Total	$ 11,224,365

NOTE 3 - IDENTITY OF INTEREST

Developer fees of $2,645,247 have been paid or accrued to an entity having common interest with the General Partner.

Developer fees were allocated between acquisition and development as follows:

Developer fee allocated to acquisition services	$ 262,500
Developer fee allocated to development services	2,382,747
Total	$ 2,645,247

NOTE 4 - ESTIMATED COSTS TO BE PAID

The following estimated costs to be paid are included in total development costs:

Line 48 - Cost certification and accounting	$ 14,000
Line 57 - Developer fee	1,236,366
Total	$ 1,428,005

NOTE 5 - SUBSEQUENT EVENTS

Management evaluates events and transactions that occur after the cut-off date for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditor's opinion date, August 12, 2024, which is the date the financial statements were available to be issued.