Audited financial statements are one of the primary tools used by both the California Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA) to meet their fiduciary responsibilities in overseeing housing programs, bond requirements, and assuring the integrity of their respective multifamily housing portfolios. The areas of noncompliance and internal control weaknesses noted in these statements will be addressed by the respective HCD or CalHFA Asset Management staff as appropriate.

This Audited Financial Statements Handbook For Multifamily Rental Housing (Audit Handbook) is the result of a joint effort by HCD and CalHFA to coordinate their audit requirements. The Audit Handbook and has been managed and developed by George Rodine and Michael Frost (HCD) and Janet Louie (CalHFA) since its initial publication in 2013. The Audit Handbook and submission requirements detailed herein are for HCD and CalHFA purposes only and the Independent Certified Public Accountant (auditor) must be aware of and file appropriate audit submissions as may be required by other governmental agencies, investors, etc. in their formats. Audits are required to be submitted to both HCD and CalHFA for jointly funded projects and to the respective department for individually funded projects.

The Audit Handbook is neither intended to be a complete manual of procedures, nor is it intended to supplant the auditor’s judgment of audit work required. Suggested formats contained herein may not cover all circumstances or conditions encountered in an audit. The auditor must use professional judgment to add supplementary information and to determine the extent of testing necessary to support the opinion in the financial statements. All applicable compliance requirements in this Audit Handbook must be addressed by the auditor.

The auditor may contact the respective HCD or CalHFA Asset Management staff if technical assistance is needed pertaining to particular HCD or CalHFA programs, regulations or operations.

HCD and CalHFA require auditors use the current HUD Chart of Accounts in the presentation of the audit supplementary information as the HCD and CalHFA databases utilize these HUD accounts.

HCD and CalHFA staff continue to be receptive to suggestions and appreciate the help provided by the accounting profession.

The Audit Handbook is posted at HCD’s and CalHFA’s respective websites at:

- [http://www.hcd.ca.gov/fa/amc/](http://www.hcd.ca.gov/fa/amc/)
- [http://www.calhfa.ca.gov/multifamily/asset/](http://www.calhfa.ca.gov/multifamily/asset/)
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Regulatory Agreement
Each owner participating in various HCD or CalHFA programs is required to sign an HCD or CalHFA Regulatory Agreement(s) (or in some instances an FHA Regulatory Agreement with CalHFA amendments, addendums or modifications) as well as other documents relating to the financing and affordability of the project. The contents of the agreements from one project to another may vary due to statute and regulatory changes, specific HCD or CalHFA program requirements and/or special project conditions or requirements. The auditor must obtain a copy of the applicable HCD or CalHFA Regulatory Agreement(s) and other agreements including but not limited to the promissory note(s), deed(s) of trust and other relevant regulatory information. Once obtained, the auditor is to review the terms and conditions, and document findings of material non-compliance in the accompanying information of the audited financial statements. Financing arrangements may involve another agency’s requirements that interact with HCD or CalHFA. Instances of noncompliant financing arrangements must be disclosed.

Programs
HCD programs covered under this Audit Handbook:

- Affordable Housing and Sustainable Communities (AHSC) Program
- California Housing Rehabilitation Program - Rental Component (CHRP-R)
- California Natural Disaster Assistance Program - Rental Component (CALDAP-R)
- Deferred Payment Rehabilitation Loan Program (DPRLP) - Rental
- Families Moving to Work Program (FMTW)
- Family Housing Demonstration Program (FHDP)
- HOME Investment Partnership Program (HOME) - CHDO
- Joe Serna, Jr. Farmworker Housing Grant Program (JSJFWHG)
- Mobilehome Park Resident Ownership Program (MPROP)
- Multifamily Housing Program (MHP)
- Multifamily Housing Program – Downtown Rebound Program (DRP)
- Multifamily Housing Program – Governor’s Homeless Initiative (GHI)
- Multifamily Housing Program – Homeless Youth (HYMHP)
- Multifamily Housing Program – Supportive Housing (SHMHP)
- Rental Housing Construction Program (RHCP-Bond)
- Rental Housing Construction Program (RHCP-Original)
Introduction (Cont.)

- Special User Housing Rehabilitation Program (SUHRP)
- State Earthquake Rehabilitation Assistance Program (SERA)
- Transit Oriented Development Housing Program (TOD)
- New or Restructured Programs/Projects that require project audits
- Veteran Housing and Homeless Prevention Program (VHHP)

CalHFA programs covered under this Audit Handbook:

- 80/20 projects with or without Special Needs
- Section 8 projects with CalHFA as Housing Assistance Payment (HAP) contract administration
- Section 8 projects with a CalHFA loan with Performance-Based Contract Administrator (PBCA) as HAP contract administration
- Rental Housing Construction Program (RHCP)
- Mental Health Services Act Housing Program (MHSA)

Owner’s Responsibilities

Accounting Records
The owner must provide HCD or CalHFA, as applicable, with required reports, financial statements, projections and analyses. Records must be maintained at all times in reasonable condition for proper audit. The books and records must be posted on a regular basis and consist of appropriate journal entries to a general ledger necessary to reflect project financial condition without substantial corrections or adjustments.

Audited Financial Statements
HCD and CalHFA require the owner to submit a signed electronic copy of the audited financial statements within 90 days of the project’s fiscal year ending date. The submitted copy must include a signed certification by the owner regarding the completeness and accuracy of the financial statements and a signed certification by the management agent, if applicable, regarding the management of the project. The Financial Statements including the notes and supplementary information are to be audited in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (Yellow Book) in addition to Generally Accepted Auditing Standards (GAAS) developed by the Auditing Standards Board of the American Institute of Certified Public Accountants. Applicable Government auditing standards include the General Standards, and the Field Work and Reporting Standards for Financial Audits. The Financial Statements are also to be audited in accordance with the requirements of this Audit Handbook.
Owner’s Responsibilities (Cont.)

The Financial Statements must include supplementary information and reports which HCD or CalHFA requires for general analysis of operations and for assurance of compliance with the applicable HCD or CalHFA Regulatory Agreement(s), HUD 4350.5, HUD IG 2000.04 and Office of Management and Budget (OMB) Circular A-133, as applicable.

The audit must include the supplementary information as described in the Notes to the Financial Statements and the Supplementary Information in this Audit Handbook. Two separate sample financial statements are provided: the first labeled “APPENDIX A - Sample Financial Statement for HCD or CalHFA Projects” is for all projects that do not have project-based Section 8 contracts administered by CalHFA; the second, labeled “APPENDIX B – Sample Financial Statement for CalHFA Section 8 Projects Only” should be used as a guide only for projects with CalHFA administered HUD Section 8 contracts. Although the auditor expresses an opinion on the financial statements, the financial statements themselves are the responsibility of the owner. It is the owner’s responsibility to maintain adequate books and records and examine or review the financial statements before they are sent to HCD or CalHFA.

From the accounting records, an opinion must be provided regarding: the financial statements including the notes and supplementary information (in all material respects); the financial position; and the results of the operations and cash flows for the years then ended. The opinion must state if the financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The cost of operations of the project includes the expenses incurred in maintaining the accounting records. Although the owner may engage an auditor to perform services outside the audit, the owner or the owner’s representative must perform the management functions and make management decisions. The owner must certify to the completeness and accuracy of the financial statements. The management agent, if applicable, must certify to the owner (see pages A-27 to A-28, B-27 to B-28).

Delegation of Responsibility to Agent

The owner may delegate the responsibility for the maintenance of the project accounting records to the management agent. Under these circumstances, the management agent must fulfill these responsibilities as required by the Regulatory Agreement(s). Additional audit fees resulting from the failure to maintain accounting records in accordance with HCD or CalHFA requirements may not be charged to the project. The management agent may be required to provide, at his/ her own expense, additional accounting services to have these records put in an auditable condition.

The responsibility for obtaining the audit and engaging the services of an auditor may not be delegated. Although the management agent may provide the names of auditors who may be interested in the professional engagement, the actual contractual relationship must be between the owner and the auditor.
Owner’s Responsibilities (Cont.)

**The First Audit**

**Projects whose funding sources include equity from low-income housing tax credits**

The first audit is required within 90 days after the end of the fiscal year of the permanent loan closing. For HCD construction loans, the first audit is due 90 days after the end of the fiscal year of the project’s first year of operations. In addition, if the project was in operation during a prior year, the audit for the prior year may also be required.

**Projects whose funding does not include equity from low-income housing tax credits**

If the permanent loan closing date was less than six months prior to the end of the fiscal year, the first audit may either include only those few months of operations, or may include those months along with the first full year of operations after permanent loan closing, as long as the audit does not exceed 18 months of operations. Thus, if the project does not have funding from low-income housing tax credits, and if the permanent loan closing date is August 1, the owner who maintains accounting records on a calendar year basis would have the audit performed either as of the partial operating year of five months or as of the end of the next fiscal year covering 17 months.

**Separate Financial Statements**

Where the entity that owns the project has other programs and projects, only the separate operations of the HCD or CalHFA financed project are required to be shown as a separate financial statement including the project specific Notes to the Financial Statements and the Supplementary Information. For example, there may be a non-profit organization that provides other services or owns other projects. Such an organization may obtain an organization-wide audit but will nevertheless be required to prepare separate financial statements for the HCD or CalHFA financed project.

**Distributions and Residual Receipts**

HCD or CalHFA review of audited financial statements may result in authorization to make cash distributions and/or Residual Receipts payments. The Owner must remain cognizant of these and other regulatory or contractual requirements.

**Engagement Of The Auditor**

The owner must engage the services of an auditor, satisfactory to HCD or CalHFA, well in advance of the end of the project fiscal year. Although prior experience in performing HCD or CalHFA or similar type audits is advantageous, any independent accountant licensed in California may be selected to perform the audit.

The owner must select an auditor that is qualified to perform and complete the audit in a professional and timely manner. Failure to perform the audit in accordance with HCD or CalHFA requirements may result in additional expense to the owner.
The auditor must not be responsible for the preparation or the maintenance of the project’s basic accounting, financial records or for creation of a trial balance. The auditor must adhere to the American Institute of Certified Public Accountants (AICPA) and Yellow Book Independence Standards.

**Audit Fee**

Professional service costs including the audit may include the preparation of tax returns for the project itself, i.e., partnership or corporation returns where the project is the principal asset of the entity, but may not include the determining of alternative treatments of complex accounting issues. The tax advice costs to the owner must not be charged to the project. HCD or CalHFA may require a review of the auditor selection process.

**Independent Auditor’s Responsibilities**

**Performance Standards and Requirements**

Financial Statements including the notes and supplementary information are to be audited in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (Yellow Book) in addition to Generally Accepted Auditing Standards (GAAS) developed by the Auditing Standards Board of the AICPA. Applicable Government auditing standards include the General Standards, and the Field Work and Reporting Standards for Financial Audits. The Financial Statements are also to be audited in accordance with the requirements of this Audit Handbook. The Financial Statements must include supplementary information and reports which HCD or CalHFA requires for general analysis of operations and for assurance of compliance with the applicable HCD or CalHFA Regulatory Agreement(s), HUD 4350.5, HUD IG 2000.04 and OMB Circular A-133, as applicable.

The auditor must establish an understanding with the client regarding the services to be performed for each engagement, be qualified, and have current knowledge of the applicable auditing standards. The auditor must have an appropriate quality control system in place and undergo an external quality review within the last three years.

**Upon completion of the audit, the auditor is to:**

1. Provide an opinion on whether the basic financial statements including notes and the supplementary information present fairly in all material respects, the financial position of the project.

2. Report on project compliance with laws, regulations and agreements and internal control over financial reporting. Auditors must be alert to situations or transactions in non-compliance with the Regulatory Agreement(s) or indications of waste, fraud, abuse, illegal expenditures and acts.
3. Provide a schedule of audit findings as deemed appropriate (including resolutions of prior period findings), comments and recommendations.

The auditor must notify HCD or CalHFA, as applicable, immediately if a scope limitation is placed upon the auditor in the course of performing the audit.

If the audited entity is a non-profit subject to the requirements of OMB Circular A-133, local government or other governmental organization, audits must be performed in accordance with the Single Audit Act of 1986, the OMB Circular A-133, Government Auditing Standards as well as their amendments and revisions that are periodically updated.

**Examination of Tenant Files**

The auditor should exercise professional judgment when determining the number of tenant files to examine. The auditor’s responsibility is limited to matters that would have a material effect on the project’s financial position such as:

- Household income and rent limits being applied in accordance with the Regulatory Agreement(s).
- Household occupancy requirements being met in accordance with the Regulatory Agreement(s).
- Annual owner physical unit inspections being conducted.
- Findings of non-compliance must include owner’s plan for remedy.

For projects with CalHFA-administered HUD Section 8 contracts, refer to HUD audit guide IG 2000.4 and HUD Handbook 4350.3 for the requirements of the tenant files sampling attributes. The auditor should consider that HCD or CalHFA staff, as applicable, periodically review these files and report any non-compliance. If during the limited tests performed, the auditor becomes aware of a condition that requires attention, this condition must be reported to the owner. Any material noncompliance or condition that in the opinion of the auditor should be improved must be included in the report; otherwise no discussion of tenant files examination is necessary.

**Basic Financial Statements**

The basic financial statements must be presented in comparative format. The statement of cash flows must be prepared in the direct method. If the statements are not on a basis consistent with those of the prior year this must be explained fully in the Opinion and/ or the Notes to the Financial Statements. The auditor must use the format that provides basic financial statements that comply with GAAP and is applicable to the entity being presented. The AICPA has published audit and accounting guides for non-profit and governmental organizations. Where an event has occurred that affects the financial or structural status of the project or any owner entity, disclosure of the event is required.
Notes To The Financial Statements & The Supplementary Information

Included in this Audit Handbook are two sample audited financial statements, together with supplementary information. The basic financial statements and supplementary information submitted to HCD and CalHFA should be comparable in format and content to what is shown in the Sample Project financial statements.

The first sample is labeled “APPENDIX A: Sample Financial Statement for HCD or CalHFA Projects” is for all projects that do not have project-based HUD Section 8 contracts. As shown in the APPENDIX A Supplementary Information, the Schedule of Operations must be in comparative format and must use the current HUD chart of accounts (see pages A-20 to A-22) – refer to HUD’s Account Definitions.

The second sample is labeled “APPENDIX B: Sample Financial Statement for CalHFA-administered Section 8 Projects or Section 8 Projects required to submit Audited Financial Statements to HUD/REAC as part of the Financial Assessment SubSystem. As shown in the APPENDIX B Supplementary Information, the Schedule of Operations must be in comparative format and must use the current HUD chart of accounts (see pages B-17 to B-20) – refer to HUD’s Account Definitions.

The following financial statement notes and supplementary information are required:

1. Summary of Organization – include owner name and entity type, number of units, year project was constructed and nature of the agreements with HCD or CalHFA and others. For projects with tax credits, the Audit must report the earliest project placed in service date (month, day and year) as well as the tax credit allocation date (rent floor date) as shown on Internal Revenue Service Form 8609. For tax credit projects that were placed in service prior to 2009, the month and year the earliest project was placed in service is sufficient.

2. Significant Accounting Policies
   a. Accounting Method
   b. Cash and Concentrations of Credit Risk – the cash funds and separate bank accounts must be identified. The general operating account, unrestricted cash and other accounts are to be shown separately from restricted accounts. The amounts shown must agree to the totals shown on the Balance Sheet in the basic financial statements and, if applicable, the surplus cash computation.
   c. Accounts/Tenant Receivable – current amounts receivable (within 30 days), and amounts in excess of 30 days must be stated separately.
   d. Capitalization Policy – report whether the project has a capitalization policy in place.
   e. Other Assets – if the project has other assets and the nature is not readily determinable, as shown in the basic financial statement, a schedule is required.
f. Tenant and Other Income Recognition – the detail of gross potential rent, including amounts received or receivable from tenants, subsidy payments, employee/manager apartments, vacancy loss and concessions must all be reported (see page A-20). Commercial income must be shown in Account #5140. Detail of revenue must be provided when the “Miscellaneous” HUD Operating Revenue Accounts total $2,500 or greater.

**RHCP-Original Projects:** RHCP and market unit revenues and expenses must be shown separately in the supplementary information.

**MHSA Projects:** projects containing MHSA and market units must show the income from each separately in the supplementary information.

g. Accounts Payable – current amounts payable (within 30 days), and amounts in excess of 30 days must be stated separately.

h. Other Payables – if other amounts are payable and the nature is not readily determinable, as shown in the basic financial statement, a schedule is required.

i. Operating Expenses – detail of expenditures must be provided when the “Miscellaneous” HUD Operating Expense Accounts total $2,500 or greater.

Property Management Fee: must comply with HUD’s allowed per unit per month amount and/or if applicable, the approved operating budget. Use HUD Account #6320, which reflects the cost of the management agent service contracted by the project and must not include partnership fees or similar fees paid to an owner entity.

Supportive Service Related Costs: if any supportive service costs are paid from project income, use HUD Accounts #6930 to 6990 – refer to HUD’s Account Definitions. However, service coordinator salary and benefits must be reported separately within HUD Account #6390 using the applicable descriptor “Service Coordinator Salary and Benefits” (see page A-21). For most HCD and CalHFA funded projects per Regulations, supportive services costs other than service coordinator salary and benefits are not an eligible operating expense and must be paid by another funding source other than operating income. Typically such costs are paid by third party services agencies or by the owner. (Examples of supportive services costs include those for case management, mental health services, benefits counseling and advocacy, substance abuse counseling, health services, money management, independent living skills training, transportation, job counseling, child care, after-school programs, and parenting classes).

**RHCP-Original Projects:** a statement of expenses by assisted and non-assisted units is required within the supplementary information to enable HCD or CalHFA staff, as applicable, to determine the amount of supplementary annuity funds required. The project must establish an expense allocation method at project inception and continue this allocation throughout the term of the Regulatory Agreement.
MHSA Projects: a statement of expenses by MHSA vs. market units is required to determine the amount of Cost Operating Subsidy Revenue (COSR) funds required to be funded for the MHSA COSR units.

j. HUD Account #7190 – detail of expenditures must be provided for this account regardless of the amount.

k. Subsequent Events – describe any material events that have occurred through the date the financial statements were available to be issued.

3. Related Party Transactions including Fees – all related party transactions including fees such as deferred developer fee, asset management fee and similar fees must be broken out in a schedule showing the following:

   › Name of the fee and the legal agreement requiring the fee.
   › Fee amount, method of calculation and HUD Account # charged. Note: HUD Account #7190 must include fees for asset management, supervisory and other similar fees for services performed by partners or other identities of interest.
   › Description of the Identities of Interest.

Some HCD Regulatory Agreement(s) limit the amount of the deferred developer fee payable from project cash flow on a priority basis prior to determining Net Cash Flow payments to HCD. Any amount not permitted as a priority payment must be paid from the owner’s allowable distribution. Limited deferred developer fees allowed to be paid on a priority basis must be separated and detailed in the Related Party Transactions footnotes (see pages A-13 to A-14, footnote 3).


a. Restricted Funds including all Reserve Accounts – all required restricted accounts must be identified including the agency requiring the account, the name of the legal agreement(s) requiring the account and the amount required. For each restricted account, a schedule must be included showing the following:

   » Beginning and ending balances
   » Deposits
   » Withdrawals – describe amounts capitalized or expensed. If withdrawals relate to the prior year capital purchases, footnote the applicable year and amounts.
   » Interest earned

b. Impound Accounts – for each impound account, a schedule similar to the Restricted Funds schedule must be included. Per HCD and CalHFA Regulations, impound activity may not be included in the HCD and CalHFA Distribution of Operating Cash Flow/Surplus Cash computation.
c. Tenant Security Deposits – applicable law or regulation may provide different handling and security deposit accountability. The auditor must disclose security deposits on hand and the treatment of interest earned.

5. Property, Equipment and Improvements – a schedule identifying the changes in each fixed asset category must be included. Retired fixed assets must also be identified.

6. Deferred Costs and Amortization

7. Mortgages/Notes Payable – interest rate, interest expense amount, maturity date, applicable mandatory payment amount, and beginning/ending principal and interest balance must be reported for each loan.

8. Ground Lease – for projects having a ground lease, the Notes to the Financial Statements must include a summary of the lease terms and conditions including the name of the lessor, identity of interests, and whether the annual lease payment is an eligible operating expense or to be paid out of owner’s allowable distribution. If the lease payment is an authorized operating expense indicate the HUD Account charged.

9. HCD and CalHFA – Distribution of Operating Cash Flow/Surplus Cash – refer to the applicable HCD or CalHFA Regulatory Agreement(s) of the project to determine the distribution of Operating Cash Flow/Surplus Cash. A computation must be included that details the Operating Cash Flow/Surplus Cash as described in the Regulatory Agreement(s). An adjustment must be made to this computation when withdrawals from the Replacement Reserve Account are greater than the amount Capitalized, which indicates some of the withdrawals were included in operating expenses (see pages A-24 to A-25). Timing difference exceptions related to Replacement Reserve withdrawals and capital purchases will be considered by HCD and CalHFA if clearly noted. When withdrawals from the Replacement Reserve Account are less than the amount Capitalized, no adjustment to Other Activity within the Operating Cash Flow/Surplus Cash is allowed. Impound activity may not be included in the HCD and CalHFA Distribution of Operating Cash Flow/Surplus Cash computation. Residual receipt payments should not be submitted to HCD and CalHFA until invoiced.

10. CalHFA administered Section 8 project only – Surplus Cash Computation – accumulated limited distributions and earned surplus, where applicable, requires a statement to list the amount of allowable limited distributions and the amount of prior period unpaid limited distributions, if any (see page B-25). Entity fees and expenses that are not part of project expenses, such as developer fees, incentive management fees, asset management fees, and partnership management fees are to be considered as distributions to owner. The CalHFA Regulatory Agreement may require surplus cash remaining after payment of a limited distribution, to remit the balance to CalHFA to be applied first to the reserve fund for operations (maximum balance to equal 5% of annual gross potential rent at fiscal year-end). Any remaining balance is earned surplus. Pre-80, small or partially assisted project’s earned surplus account balance is owned and controlled by CalHFA. A Post 80 project’s earned surplus account balance is owned and
controlled by HUD. Any earned surplus or residual receipt must be remitted to CalHFA within 90 days of the project’s fiscal year end. The calculation must be disclosed in the financial statements and the surplus cash format is posted on the CalHFA website at: http://www.calhfa.ca.gov/multifamily/asset/forms/index.htm
APPENDIX A:
Sample Financial Statement for HCD or CalHFA Projects

CA PROPERTY APARTMENTS, L.P.
(A California Limited Partnership)

HCD Contract Numbers: 01-FWHG-1111 & 03-MHP-9999
and
CalHFA Project Number: #03333N

Financial Statements and
Independent Auditor’s Report For
Years Ended December 31, 20YY and 20XX

With accompanying information required by
the California Department of Housing and Community Development
and the California Housing Finance Agency
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Independent Auditor’s Report

The Partners of
CA Property Apartments
City, California

Report on the Financial Statements
We have audited the accompanying financial statements of CA Property Apartments, L.P., a California limited partnership, HCD Contract Numbers 01-FWHG-1111 and 03-MHP-9999 and CalHFA Project No. #03333N, which comprise the balance sheets as of December 31, 20YY and 20XX, and the related statements of operations, changes in partners’ capital, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency. 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.
Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CA Property Apartments, L.P., as of December 31, 20YY and 20XX, 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.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages A-20 through A-26, as required by the California Department of Housing and Community Development and the California Housing Finance Agency, is presented for purposes of additional analysis, and is not a required part of the basic 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.

Report on Other Legal and Regulatory Requirements
In accordance with Government Auditing Standards and the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency, we have also issued a report dated February 1, 20ZZ on our consideration of CA Property Apartments, L.P.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency, in considering CA Property Apartments, L.P.’s internal control over financial reporting and compliance.

February 13, 20ZZ
Certified Public Accountants
City, California
Date
**Balance Sheets**  
For The Years Ended December 31, 20YY and 20XX

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$2,084,544</td>
<td>$2,084,544</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>17,762,845</td>
<td>17,759,796</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>460,441</td>
<td>457,743</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(3,002,266)</td>
<td>(2,507,374)</td>
</tr>
<tr>
<td>Net investment in real estate</td>
<td>17,305,564</td>
<td>17,794,709</td>
</tr>
<tr>
<td>Other assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>142,900</td>
<td>102,419</td>
</tr>
<tr>
<td>Rent receivable</td>
<td>-</td>
<td>305</td>
</tr>
<tr>
<td>Restricted deposits (Note 3):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement reserve</td>
<td>111,072</td>
<td>90,429</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>180,806</td>
<td>179,996</td>
</tr>
<tr>
<td>CalHFA impound deposits</td>
<td>22,107</td>
<td>25,383</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>69,373</td>
<td>69,262</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>8,037</td>
<td>8,906</td>
</tr>
<tr>
<td>Deferred costs – net (Note 4)</td>
<td>84,815</td>
<td>92,083</td>
</tr>
<tr>
<td>Total assets</td>
<td>$17,924,674</td>
<td>$18,363,492</td>
</tr>
</tbody>
</table>

### Liabilities And Partners’ Capital

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable (Note 6)</td>
<td>$11,662,176</td>
<td>$11,791,927</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>10,479</td>
<td>11,028</td>
</tr>
<tr>
<td>Related-party payable (Note 5)</td>
<td>353,452</td>
<td>404,027</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>67,092</td>
<td>65,723</td>
</tr>
<tr>
<td>Interest payable (Note 6)</td>
<td>1,294,492</td>
<td>1,088,804</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>13,387,734</td>
<td>13,361,528</td>
</tr>
</tbody>
</table>

| Partners’ capital        | 4,661,379 | 5,126,403 |
| Syndication costs        | (124,439) | (124,439) |
| Total partners’ capital  | 4,536,940 | 5,001,964 |
| Total liabilities and partners’ capital | $17,924,674 | $18,363,492 |

The accompanying notes are an integral part of these financial statements.
### Statements of Operations
For The Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross potential rent</td>
<td>$812,075</td>
<td>$795,725</td>
</tr>
<tr>
<td>Less: vacancies and concessions</td>
<td>(12,570)</td>
<td>(14,934)</td>
</tr>
<tr>
<td></td>
<td>799,505</td>
<td>780,791</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,511</td>
<td>1,856</td>
</tr>
<tr>
<td><strong>Other income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laundry and vending income</td>
<td>6,662</td>
<td>9,755</td>
</tr>
<tr>
<td>Other tenant charges</td>
<td>3,990</td>
<td>4,531</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>395</td>
<td>610</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>812,063</td>
<td>797,543</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>132,457</td>
<td>148,585</td>
</tr>
<tr>
<td>Utilities</td>
<td>88,306</td>
<td>85,089</td>
</tr>
<tr>
<td>Operating and maintenance</td>
<td>112,149</td>
<td>133,333</td>
</tr>
<tr>
<td>Taxes and insurance</td>
<td>56,484</td>
<td>68,940</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>389,396</td>
<td>435,947</td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td>422,667</td>
<td>361,596</td>
</tr>
<tr>
<td><strong>Financial, partnership and other expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>494,892</td>
<td>492,494</td>
</tr>
<tr>
<td>Amortization</td>
<td>7,268</td>
<td>7,268</td>
</tr>
<tr>
<td>Interest (Note 6)</td>
<td>345,312</td>
<td>348,083</td>
</tr>
<tr>
<td>Asset management fee (Note 5)</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Partnership management fee (Note 5)</td>
<td>22,294</td>
<td>22,073</td>
</tr>
<tr>
<td>Density Bonus Program monitoring fee (County monitoring Fee)</td>
<td>5,925</td>
<td>5,925</td>
</tr>
<tr>
<td><strong>Total financial, partnership and other expenses</strong></td>
<td>887,691</td>
<td>887,843</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(465,024)</td>
<td>$(526,247)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CA Property Apartments, L.P.

**Statements Of Changes In Partners’ Capital**
*For The Years Ended December 31, 20YY and 20XX*

<table>
<thead>
<tr>
<th>Partnership interest</th>
<th>General Partner&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Administrative Limited Partner&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Investor Limited Partner&lt;sup&gt;c&lt;/sup&gt;</th>
<th>Syndication Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20WW</td>
<td>$805,541</td>
<td>-</td>
<td>$4,847,109</td>
<td>$(124,439)</td>
<td>$5,528,211</td>
</tr>
<tr>
<td>Net Loss for 20YY</td>
<td>(103)</td>
<td>-</td>
<td>(526,144)</td>
<td>-</td>
<td>(526,247)</td>
</tr>
<tr>
<td>Balance, December 31, 20YY</td>
<td>805,438</td>
<td>-</td>
<td>4,320,965</td>
<td>(124,439)</td>
<td>5,001,964</td>
</tr>
<tr>
<td>Net Loss for 20XX</td>
<td>(91)</td>
<td>-</td>
<td>(464,933)</td>
<td>-</td>
<td>(465,024)</td>
</tr>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$805,347</td>
<td>-</td>
<td>$3,856,032</td>
<td>$(124,439)</td>
<td>$4,536,940</td>
</tr>
</tbody>
</table>

<sup>a</sup> GP Development Corporation

<sup>b</sup> Tax Credit Investor, Inc.

<sup>c</sup> ABC Tax Credit Fund

The accompanying notes are an integral part of these financial statements.
Statements of Cash Flows
For The Years Ended December 31, 20YY and 20XX

CA Property Apartments, L.P.

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental receipts</td>
<td>$801,092</td>
<td>$783,782</td>
</tr>
<tr>
<td>Interest receipts</td>
<td>1,511</td>
<td>1,856</td>
</tr>
<tr>
<td>Other receipts</td>
<td>11,047</td>
<td>14,896</td>
</tr>
<tr>
<td>Total receipts</td>
<td>813,650</td>
<td>800,534</td>
</tr>
<tr>
<td>Administrative</td>
<td>(81,858)</td>
<td>(95,331)</td>
</tr>
<tr>
<td>Management fee</td>
<td>(49,824)</td>
<td>(48,372)</td>
</tr>
<tr>
<td>Utilities</td>
<td>(88,306)</td>
<td>(85,089)</td>
</tr>
<tr>
<td>Operating and maintenance</td>
<td>(110,995)</td>
<td>(124,943)</td>
</tr>
<tr>
<td>Taxes and insurance</td>
<td>(42,014)</td>
<td>(49,209)</td>
</tr>
<tr>
<td>Property insurance</td>
<td>(16,944)</td>
<td>(24,202)</td>
</tr>
<tr>
<td>Miscellaneous taxes and insurance</td>
<td>(800)</td>
<td>(800)</td>
</tr>
<tr>
<td>Interest</td>
<td>(139,624)</td>
<td>(142,382)</td>
</tr>
<tr>
<td>Asset management fee</td>
<td>(12,000)</td>
<td>(12,000)</td>
</tr>
<tr>
<td>Total disbursements</td>
<td>(542,365)</td>
<td>(582,328)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>271,285</td>
<td>218,206</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(5,747)</td>
<td>(25,737)</td>
</tr>
<tr>
<td>Net (increase) decrease in restricted deposits for reserves</td>
<td>(21,453)</td>
<td>1,892</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(27,200)</td>
<td>(23,845)</td>
</tr>
</tbody>
</table>

Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of developer fee</td>
<td>(73,853)</td>
<td>(8,817)</td>
</tr>
<tr>
<td>Payment of notes payable</td>
<td>(129,751)</td>
<td>(126,992)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(203,604)</td>
<td>(135,809)</td>
</tr>
<tr>
<td>Net increase in cash</td>
<td>40,481</td>
<td>58,552</td>
</tr>
</tbody>
</table>

Cash, beginning of year         | 102,419 | 43,867 |
Cash, end of year               | $142,900 | $102,419 |

The accompanying notes are an integral part of these financial statements.
CA Property Apartments, L.P.

**Statements Of Cash Flows**  
**For The Years Ended December 31, 20YY and 20XX**

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Loss</td>
<td>$(465,024)</td>
<td>$(526,247)</td>
</tr>
<tr>
<td><strong>Reconciliation of net loss to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>494,892</td>
<td>492,494</td>
</tr>
<tr>
<td>Amortization</td>
<td>7,268</td>
<td>7,268</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent receivable</td>
<td>305</td>
<td>(166)</td>
</tr>
<tr>
<td>Impound deposits</td>
<td>3,276</td>
<td>6,655</td>
</tr>
<tr>
<td>Tenant security deposits – net</td>
<td>1,258</td>
<td>3,171</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>869</td>
<td>6,390</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(549)</td>
<td>881</td>
</tr>
<tr>
<td>Related-party payable</td>
<td>23,278</td>
<td>22,073</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>24</td>
<td>(14)</td>
</tr>
<tr>
<td>Interest payable</td>
<td>205,688</td>
<td>205,701</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>$271,285</strong></td>
<td><strong>$218,206</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Notes to Financial Statements

CA Property Apartments, L.P.
HCD Contract Numbers: 01-FWHG-1111 & 03-MHP-9999 and
CalHFA Project Number: #03333N

Note To Financial Statements
For The Years Ended December 31, 20YY and 20XX

Note 1 – Organization And Nature Of Activities
CA Property Apartments, L.P. (the Partnership) was formed in 20QQ to develop, own and operate an 80-unit apartment complex, for low- and moderate-income households in a City, California, and operates under the name of CA Property Apartments (the Project). The property was placed in service on September 4, 2010 and received a tax credit allocation (rent floor) on March 1, 2008.

The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2066.

Note 2 – Summary Of Significant Accounting Policies

Accounting Method
The Partnership uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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

Revenue Recognition
Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Cash
Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as tenant security deposits, replacement reserve, operating reserve, and CalHFA impound accounts. The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal

Deposit Insurance Corporation limit. The Partnership has not experienced any losses in such accounts.

**Accounts Receivable**
Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would have been obtained had the allowance method been followed.

**Property and Equipment/Investment in Real Estate and Deferred Costs**
Property and equipment is stated at cost of acquisition or construction. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

Deferred costs are incurred in order to obtain permanent financing and tax credits for the Project. Deferred costs are stated at cost and amortized on a straight-line basis over the term of the mortgage and 10-year tax credit period.

The useful lives of the assets are estimated as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>10 to 40 years</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>5 to 10 years</td>
</tr>
<tr>
<td>Permanent loan costs</td>
<td>30 years</td>
</tr>
<tr>
<td>Tax credit cost</td>
<td>10 years</td>
</tr>
</tbody>
</table>

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 20YY and 20XX.

**Income Taxes**
No provision for federal and state income taxes is included in the financial statements. The income or loss of the Partnership is reported by the partners on their income tax returns. The Partnership believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Partnership’s federal and state income tax returns for the years 20UU through 20XX are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.
Notes to Financial Statements (Cont.)

**Allocation of Partnership Income/Loss and Tax Credits**
The Partnership expects to generate low-income housing credits, which will be allocated in the same manner as the income or loss of the Partnership. Because the limited partner’s losses are limited to its investment, the limited partner’s equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partner. Any subsequent income allocable to the limited partner is allocated to the general partner first until the general partner’s share of that income offsets the losses not previously recognized by the limited partner.

**Compensated Absences**
Compensated absences are not accrued. Accounting principles generally accepted in the United States of America require that compensated absences be accrued. However, the effect of not accruing compensated absences is not materially different from the result that would have been obtained had compensated absences been accrued.

**Subsequent Events**
Management has evaluated subsequent events through February 3, 20ZZ, the date on which the financial statements were available to be issued.

**Note 3 – Restricted Deposits**

**Replacement Reserve**
The Partnership is required to maintain a reserve for replacement and repair of property and equipment in accordance with the lenders’ regulatory agreements. The reserve is held by the California Housing Finance Agency and is required to be funded in an annual amount of $27,960. The balance is held by CalHFA and expenditures are subject to the supervision and approval by CalHFA.

**Operating Reserve**
The Partnership is required to maintain an operating reserve to fund any shortfall that exists when operating expenses exceed operating income in accordance with the lenders’ regulatory agreements. The reserve is held by the California Housing Finance Agency and was funded from capital contributions from Limited Partners in the amount of $175,000. The balance is held by CalHFA and expenditures are subject to the supervision and approval by CalHFA.

**Impound Deposits**
The Partnership is required to make monthly deposits to impound accounts to cover insurance premiums and property taxes in accordance with the CalHFA regulatory agreement. The balance is held by CalHFA and expenditures are subject to the supervision and approval by CalHFA.
Notes to Financial Statements (Cont.)

Tenant Security Deposits
The Partnership is required to hold security deposits in a separate bank account in the name of the Project.

Note 4 – Deferred Costs
Deferred costs are summarized as follows

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax credit costs</td>
<td>$45,480</td>
<td>$45,480</td>
</tr>
<tr>
<td>Permanent loan costs</td>
<td>81,625</td>
<td>81,625</td>
</tr>
<tr>
<td></td>
<td>127,105</td>
<td>127,105</td>
</tr>
<tr>
<td>Less: accumulated amortization</td>
<td>(42,290)</td>
<td>(35,022)</td>
</tr>
<tr>
<td>Total deferred costs</td>
<td>$84,815</td>
<td>$92,083</td>
</tr>
</tbody>
</table>

Note 5 – Related Party Transactions
All payroll-related costs are paid by The GP Group Corporation and allocated to the Partnership based on actual results. Related-party transactions include the following fees and charges:

<table>
<thead>
<tr>
<th>Payable/Paid to Description</th>
<th>Payable at Dec. 31, 20YY</th>
<th>20YY Expense (Payment)</th>
<th>Payable at Dec. 31, 20XX</th>
<th>20XX Expense (Payment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The GP Group Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property management fee (HUD Account # 6320)</td>
<td>-</td>
<td>$49,824</td>
<td>-</td>
<td>$48,372</td>
</tr>
<tr>
<td>Bookkeeping fee</td>
<td></td>
<td>8,616</td>
<td></td>
<td>8,616</td>
</tr>
<tr>
<td>Operating advances</td>
<td>984</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The GP Development Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership management fee (HUD Account # 7190)</td>
<td>128,040</td>
<td>22,294</td>
<td>105,746</td>
<td>22,073</td>
</tr>
<tr>
<td>Deferred development fee</td>
<td>212,428</td>
<td></td>
<td>286,281</td>
<td></td>
</tr>
<tr>
<td>ABC Tax Credit Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset management fee(HUD Account # 7190)</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Total</td>
<td>$353,452</td>
<td>$404,027</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Notes to Financial Statements (Cont.)

1 The Partnership entered into a management agreement with MA Management, an affiliate of The GP Group Corporation. The agreement provides for management and bookkeeping fees equal to the approved annual operating budget.

2 The Partnership shall pay a partnership management fee to the general partner, in an amount not to exceed $25,000 per year. This partnership fee is not permitted as a priority payment and must be paid from the owner’s allowable distribution. The term of the agreement shall terminate on December 19, 2069.

3 The Partnership shall pay the developer a development fee in an amount equal to $2,000,000, which includes any fees paid to third parties that are treated as a development fee. Per the HCD MHP Regulatory Agreement, only a portion can be paid on a priority basis from operating cash flow/surplus cash. Of the $212,428 Deferred Development Fee payable at December 31, 20YY, $90,000 can be paid on a priority basis. The remaining amount must be paid from the owner’s allowable distribution.

4 The Partnership shall pay an asset management fee to the Investor Limited Partner, in the amount of $12,000 per year, which shall be payable out of operating cash flow/surplus cash.
**Note 6 – Notes Payables**

Notes payable are secured by the property unless otherwise noted and summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>California Housing Finance Agency</strong> loan, in the original amount of $1,985,000, bears simple interest at 5.5% per annum, with monthly payments of principal and interest in the amount of $11,271, to be repaid in full by 2036. Interest expense was $101,330 and $103,141 for 20YY and 20XX, respectively.</td>
<td>$8,372</td>
<td>$8,527</td>
</tr>
<tr>
<td></td>
<td>$1,826,728</td>
<td>$1,860,491</td>
</tr>
<tr>
<td><strong>Rural Community Assistance Corporation</strong> (RCAC) loan, in the original amount of $2,300,000, bears simple interest at 1% per annum, with monthly payments of principal and interest in the amount of $9,548, to be repaid in full by 2029. Interest expense was $18,506 and $19,466 for 20YY and 20XX, respectively.</td>
<td>1,505</td>
<td>1,585</td>
</tr>
<tr>
<td></td>
<td>1,806,603</td>
<td>1,902,591</td>
</tr>
<tr>
<td><strong>Department of Housing and Community Development- Multifamily Housing Program</strong> loan (MHP loan), in the amount of $4,655,357, accrues simple interest at 3% per annum, requires an annual payment of .42% of the outstanding principal balance for a period 29 years, at which time annual loan payments are required equal to the lesser of the accrued interest for the previous 12 month period or such amount determined by HCD. Annual payments can also be made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full by 2061. Interest expense was $139,661 for both 20YY and 20XX.</td>
<td>640,705</td>
<td>520,597</td>
</tr>
<tr>
<td></td>
<td>4,655,357</td>
<td>4,655,357</td>
</tr>
</tbody>
</table>
Department of Housing and Community Development (Serna loan), bears simple interest at 3% per annum. Annual payments are made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full by 2044. Interest expense was $45,000 for both 20YY and 20XX.

<table>
<thead>
<tr>
<th></th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>20YY</td>
<td>328,192</td>
<td>1,500,000</td>
</tr>
<tr>
<td>20XX</td>
<td>283,192</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

County Community Development Commission HOME loan (CCDC HOME first loan), bears simple interest at 3% per annum. Annual payments are made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full by 2034. Interest expense was $4,062 for both 20YY and 20XX.

<table>
<thead>
<tr>
<th></th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>20YY</td>
<td>30,450</td>
<td>135,400</td>
</tr>
<tr>
<td>20XX</td>
<td>26,388</td>
<td>135,400</td>
</tr>
</tbody>
</table>

County Community Development Commission (CCDC HOME second loan), bears simple interest at 3% per annum. Annual payments are made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full by 2035. Interest expense was $1,490 for both 20YY and 20XX.

<table>
<thead>
<tr>
<th></th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>20YY</td>
<td>8,942</td>
<td>49,668</td>
</tr>
<tr>
<td>20XX</td>
<td>7,452</td>
<td>49,668</td>
</tr>
</tbody>
</table>

County Community Development Commission (CCDC first loan), bears simple interest at 3% per annum. Annual payments are made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full by 2058. Interest expense was $15,000 for both 20YY and 20XX.

<table>
<thead>
<tr>
<th></th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>20YY</td>
<td>128,959</td>
<td>500,000</td>
</tr>
<tr>
<td>20XX</td>
<td>113,959</td>
<td>500,000</td>
</tr>
</tbody>
</table>
Notes to Financial Statements (Cont.)

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th></th>
<th>20XX</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest Payable</td>
<td>Principal</td>
<td>Interest Payable</td>
<td>Principal</td>
</tr>
<tr>
<td>County Community Development Commission (CCDC second loan),</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bears simple interest at 3% per annum. Annual payments are made</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>subject to available net cash flow. The principal and unpaid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>accrued interest to be repaid in full by 2033. Interest expense</td>
<td>92,026</td>
<td>350,000</td>
<td>81,526</td>
<td>350,000</td>
</tr>
<tr>
<td>was $10,500 for both 20YY and 20XX.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Community Development Commission (CCDC CDBG loan),</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bears simple interest at 3% per annum. Annual payments are made</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>subject to available net cash flow. The principal and unpaid</td>
<td>55,341</td>
<td>325,420</td>
<td>45,578</td>
<td>325,420</td>
</tr>
<tr>
<td>accrued interest to be repaid in full by 2061. Interest expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>was $9,763 for both 20YY and 20XX.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable Housing Program loan, with JP Bank bears no interest.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No annual payments are required and the total principal is to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>be repaid in full in 2036.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>513,000</td>
<td>-</td>
<td>513,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,294,492</td>
<td>$11,662,176</td>
<td>$1,088,804</td>
<td>$11,791,927</td>
</tr>
</tbody>
</table>

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20ZZ</td>
<td>$132,619</td>
</tr>
<tr>
<td>20AA</td>
<td>135,605</td>
</tr>
<tr>
<td>20BB</td>
<td>138,714</td>
</tr>
<tr>
<td>20CC</td>
<td>141,953</td>
</tr>
<tr>
<td>20DD</td>
<td>145,329</td>
</tr>
</tbody>
</table>

Note 7 – Commitments, Contingencies And Other Matters

Indemnification Agreement
The GP Group Corporation, the general partner, agreed to indemnify the limited partner in the event of a reduction in projected tax benefits exceeding five percent.
Notes to Financial Statements (Cont.)

Option Agreement
For entering into an indemnification agreement with the limited partner, the Partnership is granting GP Group Corporation an option to purchase the Project. The initial term of the option shall commence on the first day of the year following the end of the credit period and shall expire on the last day of the compliance period for the low-income housing tax credits for the Project. The additional term of the option shall commence on the first day after the end of the compliance period and shall expire on the last day of the eighteenth month after the end of the compliance period. The purchase price of the Project shall be the greater of the then fair market value of the Project or the assumption of the outstanding debt secured by deeds of trust on mortgages on the Project plus any other obligations of the owner and reimbursement of the limited partner’s income taxes attributable to the purchase.

Note 8 – Distribution Of Operating Cash Flow/Surplus Cash

Operating Cash Flow/Surplus Cash, as defined by the Regulatory Agreements and Partnership Agreement, is distributable as follows (note: restricted accounts have been fully funded for the current year as required):

1. To payment of the report year asset management fee (note: per the MHP HCD Regulatory Agreement, the sum of the asset management fee, partnership management fee and other similar fees paid on a priority basis from cash flow may not exceed $12,000 per year).

2. To payment of unpaid deferred development fee limited by the MHP HCD Regulatory Agreement as a priority basis payment (prior to distributions).

3. 50% of the remaining excess cash to the owner as a distribution.

4. 50% of the remaining excess cash to be distributed for the debt service of the following loans:
   a. 62% to debt service of the HCD MHP loan;
   b. 20% to debt service of the HCD Serna loan;
   c. 3% to debt service of the CCDC HOME first loan;
   d. 1% to debt service of the CCDC HOME second loan;
   e. 6% to debt service of the CCDC first loan;
   f. 4% to debt service of the CCDC second loan; and
   g. 4% to debt service of the CCDC CDBG loan.
Notes to Financial Statements (Cont.)

5. The remaining excess cash to be distributed as follows per the partnership agreement:

   a. To payment of remaining accrued and unpaid asset management fee;
   b. To payment of remaining accrued and unpaid partnership management fee;
   c. To payment of any operating loans; and
   d. To prepay either the HCD or MHP loans at the discretion of the general partner.
   e. Thereafter, to the partners in proportion to their respective percentage interests in the Partnership.
## Supplementary Information

CA Property Apartments, L.P.

### Schedules of Operating Revenues

For the Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th>Schedule of Operating Revenues</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5120 Rent Revenue- Gross Potential</td>
<td>$789,911</td>
<td>$770,926</td>
</tr>
<tr>
<td>5121 Tenant Assistance Payments</td>
<td>22,164</td>
<td>24,799</td>
</tr>
<tr>
<td>5140 Rent Revenue- Stores &amp; Commercial</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5170 Rent Revenue- Garage &amp; Parking</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5180 Flexible Subsidy Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5190 Misc. Rent Revenue (if over $2,500, detail is required)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>5100T Total Rent Revenue</strong></td>
<td><strong>$812,075</strong></td>
<td><strong>$795,725</strong></td>
</tr>
<tr>
<td><strong>Vacancies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5220 Apartments</td>
<td>$12,570</td>
<td>$14,934</td>
</tr>
<tr>
<td>5240 Stores &amp; Commercial</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5250 Rental Concessions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5270 Garage &amp; Parking Spaces</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5290 Misc. (if over $2,500, detail is required)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>5200T Total Vacancies</strong></td>
<td><strong>$12,570</strong></td>
<td><strong>$14,934</strong></td>
</tr>
<tr>
<td><strong>5152N Net Rental Revenue (Rent Revenue Less Vacancies)</strong></td>
<td><strong>$799,505</strong></td>
<td><strong>$780,791</strong></td>
</tr>
<tr>
<td><strong>Financial Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5410 Financial Revenue- Project Operations</td>
<td>$111</td>
<td>$140</td>
</tr>
<tr>
<td>5430 Revenue from Investments- Residual Receipts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5440 Revenue from Investments- Replacement Reserves</td>
<td>450</td>
<td>537</td>
</tr>
<tr>
<td>5490 Revenue from Investments- Misc. (if over $2,500, detail is required)</td>
<td>950</td>
<td>1,179</td>
</tr>
<tr>
<td><strong>5400T Total Financial Revenue</strong></td>
<td><strong>$1,511</strong></td>
<td><strong>$1,856</strong></td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5910 Laundry &amp; Vending Revenue</td>
<td>$6,662</td>
<td>$9,755</td>
</tr>
<tr>
<td>5920 Tenant Charges</td>
<td>3,990</td>
<td>4,531</td>
</tr>
<tr>
<td>5990 Misc. Revenue (if over $2,500, detail is required)</td>
<td>395</td>
<td>610</td>
</tr>
<tr>
<td><strong>5900T Total Other Revenue</strong></td>
<td><strong>$11,047</strong></td>
<td><strong>$14,896</strong></td>
</tr>
<tr>
<td><strong>5000T Total Revenue</strong></td>
<td><strong>$812,063</strong></td>
<td><strong>$797,543</strong></td>
</tr>
</tbody>
</table>
## Supplementary Information (Cont.)

### CA Property Apartments, L.P.

#### Schedules of Operating Expenses

*For the Years Ended December 31, 20YY and 20XX*

<table>
<thead>
<tr>
<th>Schedule of Operating Expenses</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administrative Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6203 Conventions &amp; Meetings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6204 Management Consultants</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6210 Advertising &amp; Marketing</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6250 Other Renting Expenses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6310 Office Salaries</td>
<td>$8,738</td>
<td>$10,714</td>
</tr>
<tr>
<td>6311 Office Expenses</td>
<td>3,787</td>
<td>9,582</td>
</tr>
<tr>
<td>6312 Office or Model Apartment Rent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6320 Management Fee</td>
<td>49,824</td>
<td>48,372</td>
</tr>
<tr>
<td>6330 Manager or Superintendent Salaries</td>
<td>32,753</td>
<td>43,474</td>
</tr>
<tr>
<td>6331 Administrative Rent Free Unit</td>
<td>13,848</td>
<td>13,428</td>
</tr>
<tr>
<td>6340 Legal Expense - Project</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>6350 Audit Expense</td>
<td>8,900</td>
<td>7,900</td>
</tr>
<tr>
<td>6351 Bookkeeping Fees/Accounting Services</td>
<td>8,616</td>
<td>8,616</td>
</tr>
<tr>
<td>6370 Bad Debts</td>
<td>-</td>
<td>491</td>
</tr>
<tr>
<td>6390 Misc. Administrative Expenses (if over $2,500, detail is required)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6390-010 Description: Service Coordinator Salary and Benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6390-020Amount:</td>
<td>5,991</td>
<td>6,001</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td><strong>$132,457</strong></td>
<td><strong>$148,585</strong></td>
</tr>
<tr>
<td><strong>Utilities Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6450 Electricity</td>
<td>$10,560</td>
<td>$10,988</td>
</tr>
<tr>
<td>6451 Water</td>
<td>30,159</td>
<td>28,306</td>
</tr>
<tr>
<td>6452 Gas</td>
<td>1,955</td>
<td>2,627</td>
</tr>
<tr>
<td>6453 Sewer</td>
<td>45,632</td>
<td>43,168</td>
</tr>
<tr>
<td><strong>Total Utilities Expenses</strong></td>
<td><strong>$88,306</strong></td>
<td><strong>$85,089</strong></td>
</tr>
<tr>
<td><strong>Operating And Maintenance Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6510 Payroll</td>
<td>$28,285</td>
<td>$42,000</td>
</tr>
<tr>
<td>6515 Supplies</td>
<td>12,602</td>
<td>9,661</td>
</tr>
<tr>
<td>6520 Contracts</td>
<td>38,394</td>
<td>48,275</td>
</tr>
<tr>
<td>6521 Operating &amp; Maintenance Rent Free Unit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6525 Garbage &amp; Trash Removal</td>
<td>31,182</td>
<td>29,583</td>
</tr>
<tr>
<td>6530 Security Payroll/ Contracts</td>
<td>1,203</td>
<td>2,746</td>
</tr>
<tr>
<td>6531 Security Rent Free Unit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6546 Heating/Cooling Repairs &amp; Maintenance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6548 Snow Removal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6570 Vehicle &amp; Maintenance Equip. Operation &amp; Repairs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6580 Lease Expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6590 Misc. Op. &amp; Maintenance Expenses (if over $2,500, detail is required)</td>
<td>483</td>
<td>1,068</td>
</tr>
<tr>
<td><strong>Total Operating &amp; Maintenance Expenses</strong></td>
<td><strong>$112,149</strong></td>
<td><strong>$133,333</strong></td>
</tr>
</tbody>
</table>
### Schedules of Operating Expenses
For the Years Ended December 31, 20YY and 20XX

#### Schedule of Operating Expenses

<table>
<thead>
<tr>
<th>Schedule of Operating Expenses</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes &amp; Insurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6710 Real Estate Taxes</td>
<td>$978</td>
<td>$409</td>
</tr>
<tr>
<td>6711 Payroll Taxes (Project's share)</td>
<td>7,128</td>
<td>12,028</td>
</tr>
<tr>
<td>6720 Property &amp; Liability Insurance (Hazard)</td>
<td>16,944</td>
<td>24,202</td>
</tr>
<tr>
<td>6721 Fidelity Bond Insurance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6722 Workmen's Compensation</td>
<td>7,072</td>
<td>6,894</td>
</tr>
<tr>
<td>6723 Health Insurance &amp; Other Benefits</td>
<td>23,562</td>
<td>24,607</td>
</tr>
<tr>
<td>6790 Misc. Taxes, Licenses, Permits &amp; Insurance (if over $2,500, detail is required)</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>6700T Total Taxes &amp; Insurance</td>
<td>$56,484</td>
<td>$68,940</td>
</tr>
</tbody>
</table>

**Financial Expenses** *(not all expenses are shown)*

<table>
<thead>
<tr>
<th>Financial Expenses</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>6820 Interest on Mortgage (or Bonds) Payable</td>
<td>$101,330</td>
<td>$103,141</td>
</tr>
<tr>
<td>6825 Interest on Other Mortgages</td>
<td>38,058</td>
<td>39,018</td>
</tr>
<tr>
<td>6890 Misc. Financial Expenses (if over $2,500, detail is required)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6890-010 Description: County Density Bonus Monitoring Fee</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6890-020 Amount:</td>
<td>5,925</td>
<td>5,925</td>
</tr>
<tr>
<td>6800T Total Financial Expenses</td>
<td>$145,313</td>
<td>$148,084</td>
</tr>
</tbody>
</table>

**Nursing Homes/Assisted Living/Board & Care/Other Elderly Expenses 6930-6990** *(for most HCD and CalHFA funded projects, these costs are not an eligible operating expense and must be paid out of the owner's distribution; expense accounts not shown)*

| 6900T Total Nursing Home/Astd Living/Board Care/Other Elderly Expenses | - | - |

#### Total Cost of Operations before Depreciation 6000

| Total Cost of Operations before Depreciation | $534,709 | $584,031 |

#### Operating Profit (Loss) before Depreciation 5060T

| Operating Profit (Loss) before Depreciation | $277,354 | $213,512 |

#### Depreciation & Amortization Expenses 6600

| Depreciation Expense | $494,892 | $492,494 |
| 6610 Amortization Expense | 7,268 | 7,268 |

#### Operating Profit (Loss) 5060N

| Operating Profit (Loss) | $(224,806) | $(286,250) |

#### Net Entity Expenses *(not all expenses accounts are shown)*

| Interest on Mortgage Payable | $205,924 | $205,924 |
| Other Expenses *(detail always required for this account)* |       |       |
| 7190-010 Description: Asset Management Fee | - | - |
| 7190-020 Amount: | 12,000 | 12,000 |
| 7190-010 Description: Partnership Management Fee | - | - |
| 7190-020 Amount: | 22,294 | 22,073 |
| 7100T Total Net Entity Expenses | $240,218 | $239,997 |

#### Change in Total Net Assets from Operations (Net Loss) 3250

| Change in Total Net Assets from Operations (Net Loss) | $(465,024) | $(526,247) |
Cash on Hand and in Banks

Unrestricted accounts:
- Petty cash $200
- Checking accounts – operations 142,700
Total $142,900

Restricted accounts:
- Mortgage impound accounts $22,107
- Replacement reserve 111,072
- Operating reserve 180,806
- Tenant Security Deposits 69,373
Total $383,358

Tenant security deposits are maintained in a separate account and interest earned on these deposits is credited to a liability account to be refunded or applied for the benefit of tenants. Interest earned during 20YY was $112.

Mortgage Impound Accounts

<table>
<thead>
<tr>
<th></th>
<th>Property Tax</th>
<th>Hazard/Insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$15,506</td>
<td>$9,877</td>
<td>$25,383</td>
</tr>
<tr>
<td>Monthly deposits:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ten months at $3,600</td>
<td>36,000</td>
<td>-</td>
<td>36,000</td>
</tr>
<tr>
<td>Two months at $3,810</td>
<td>7,620</td>
<td>-</td>
<td>7,620</td>
</tr>
<tr>
<td>Ten months at $1,315</td>
<td>-</td>
<td>13,150</td>
<td>13,150</td>
</tr>
<tr>
<td>Two months at $1,167</td>
<td>-</td>
<td>2,334</td>
<td>2,334</td>
</tr>
<tr>
<td>Interest earned</td>
<td>140</td>
<td>-</td>
<td>140</td>
</tr>
<tr>
<td>Payments for insurance and taxes</td>
<td>(46,610)</td>
<td>(12,182)</td>
<td>(58,792)</td>
</tr>
<tr>
<td>Refund</td>
<td>-</td>
<td>(3,728)</td>
<td>(3,728)</td>
</tr>
<tr>
<td>Escrow adjustments</td>
<td>1,279</td>
<td>(1,279)</td>
<td>-</td>
</tr>
<tr>
<td>Balance, December 31, 20YY</td>
<td>$13,935</td>
<td>$8,172</td>
<td>$22,107</td>
</tr>
</tbody>
</table>
Reserves for Replacements and Operating Expenses

In accordance with the provisions of the regulatory agreement, restricted cash is held by CalHFA to be used for replacements of property or other reserve requirements with the approval of CalHFA as follows:

<table>
<thead>
<tr>
<th></th>
<th>Replacement Reserve</th>
<th>Operating Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$90,429</td>
<td>$179,996</td>
</tr>
<tr>
<td>Monthly deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twelve months at $2,330 per month</td>
<td>27,960</td>
<td>-</td>
</tr>
<tr>
<td>Interest earned</td>
<td></td>
<td>450</td>
</tr>
<tr>
<td>Withdrawals (amount capitalized)</td>
<td>(5,747)</td>
<td>-</td>
</tr>
<tr>
<td>Withdrawals (amount included in operating expenses)</td>
<td>(2,020)</td>
<td>-</td>
</tr>
<tr>
<td>Balance, December 31, 20YY</td>
<td>$111,072</td>
<td>$180,806</td>
</tr>
</tbody>
</table>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

<table>
<thead>
<tr>
<th>Property, Equipment &amp; Improvements at Cost</th>
<th>Land</th>
<th>Building &amp; Improvements</th>
<th>Furniture &amp; Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$2,084,544</td>
<td>$17,759,796</td>
<td>$457,743</td>
<td>$20,302,083</td>
</tr>
<tr>
<td>Additions</td>
<td>3,049</td>
<td>2,698</td>
<td>5,747</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 20YY</td>
<td>$2,084,544</td>
<td>$17,762,845</td>
<td>$460,441</td>
<td>$20,307,830</td>
</tr>
</tbody>
</table>

Accounts Payable and Accrued Expenses

Accounts payables are payable to vendors and are being paid on a current basis. Detail follows:

Accounts payable – trade $10,479

Gross Potential Rents

Tenant rental payments $763,493
Housing assistance payments 22,164
Employee quarters shown as an expense 13,848
Vacancy loss and concessions 12,570
Total gross potential rents $812,075

Management Fee

A property management fee of $49,824 was incurred during 20YY for the property management services provided by GP Group Corporation.
CA Property Apartments, L.P.

Supplementary Information (Cont.)

Computation Of Operating Cash Flow/Surplus Cash
For The Year Ended December 31, 20YY

Operating Cash Flow/Surplus Cash Computation - per HCD/CalHFA Regulatory Agreements
Operating Cash Flow/Surplus Cash will be distributed according to the HCD method.

Operating Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income (see page A-20)</td>
<td>$812,063</td>
</tr>
<tr>
<td>Interest earned on restricted reserve accounts (see page A-24)</td>
<td>(1,260)</td>
</tr>
<tr>
<td><strong>Adjusted operating income</strong></td>
<td><strong>$810,803</strong></td>
</tr>
</tbody>
</table>

Operating expenses (see page A-22)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(see page A-22)</td>
<td>(389,396)</td>
</tr>
<tr>
<td><strong>Adjusted net income</strong></td>
<td><strong>$421,407</strong></td>
</tr>
</tbody>
</table>

Other activity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory debt service</td>
<td></td>
</tr>
<tr>
<td>CalHFA (see page A-15)</td>
<td>(135,247)</td>
</tr>
<tr>
<td>RCAC (see page A-15)</td>
<td>(114,575)</td>
</tr>
<tr>
<td>HCD (see page A-15)</td>
<td>(19,553)</td>
</tr>
<tr>
<td>Density bonus fee paid to the County of Sonoma (see page A-22)</td>
<td>(5,925)</td>
</tr>
<tr>
<td>Replacement reserve deposits (see page A-24)</td>
<td>(27,960)</td>
</tr>
<tr>
<td>Other reserve deposits per Regulatory Agreement</td>
<td></td>
</tr>
<tr>
<td>Replacement reserve withdrawals (expensed) (see page A-24)</td>
<td>2,020</td>
</tr>
<tr>
<td><strong>Total other activity</strong></td>
<td><strong>$(301,240)</strong></td>
</tr>
<tr>
<td><strong>Operating cash flow/surplus cash</strong></td>
<td><strong>$120,167</strong></td>
</tr>
</tbody>
</table>

Distribution of operating cash flow/surplus cash

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management fee (see page A-22)</td>
<td>$(12,000)</td>
</tr>
<tr>
<td>Pay off of the deferred developer fee amount permitted by HCD to be paid on a priority basis</td>
<td>(90,000)</td>
</tr>
<tr>
<td><strong>Total cash available for distributions (net cash flow)</strong></td>
<td><strong>$18,167</strong></td>
</tr>
</tbody>
</table>

Distributions and loan payments – Do not submit payments until invoiced by HCD/CalHFA

50% to be distributed to owner

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% to be distributed to owner</td>
<td>$9,083</td>
</tr>
</tbody>
</table>

50% split and paid as follows per Regulatory Agreement:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>62% to HCD MHP loan</td>
<td>$5,632</td>
</tr>
<tr>
<td>20% to HCD Serna loan</td>
<td>1,817</td>
</tr>
<tr>
<td>3% to CCDC Home first loan</td>
<td>272</td>
</tr>
<tr>
<td>1% to CCDC Home second loan</td>
<td>91</td>
</tr>
<tr>
<td>6% to CCDC first loan</td>
<td>546</td>
</tr>
<tr>
<td>4% to CCDC second loan</td>
<td>363</td>
</tr>
<tr>
<td>4% to CCDC CDBG loan</td>
<td>363</td>
</tr>
<tr>
<td><strong>Total distributions to lenders</strong></td>
<td><strong>$9,084</strong></td>
</tr>
<tr>
<td><strong>Total distributions to owner and lenders</strong></td>
<td><strong>$18,167</strong></td>
</tr>
</tbody>
</table>

Note: Timing difference exceptions related to Replacement Reserve withdrawals and capital purchases may be approved by HCD and CalHFA. Details of timing differences, including the applicable years and amounts, must be clearly described in the Audit.
Supplementary Information (Cont.)

CA Property Apartments, L.P.

Computation Of Operating Cash Flow/Surplus Cash
For The Year Ended December 31, 20YY

**Hypothetical Example**
The following hypothetical example of Operating Cash Flow/Surplus Cash assumes the Deferred Developer Fee that can be paid on a priority basis as set forth in the HCD Regulatory Agreement, has been paid off.

**Operating cash flow/surplus cash from above** $120,167

<table>
<thead>
<tr>
<th>Distribution of operating cash flow/surplus cash</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management fee <em>(see page A-22)</em></td>
<td>(12,000)</td>
</tr>
</tbody>
</table>

**Total cash available for distributions (net cash flow)** $108,167

**Distributions and loan payments** – *Do not submit payments until invoiced by HCD/CalHFA*

50% to be distributed to owner $54,083

**50% split and paid as follows per Regulatory Agreement:**

- 62% to HCD MHP loan $33,532
- 20% to HCD Serna loan $10,817
- 3% to CCDC Home first loan $1,623
- 1% to CCDC Home second loan $541
- 6% to CCDC first loan $3,245
- 4% to CCDC second loan $2,163
- 4% to CCDC CDBG loan $2,163

**Total distributions to lenders** $54,084

**Total distributions to owner and lenders** $108,167
CA Property Apartments, L.P.

Management Agent Certification
For The Year Ended December 31, 20YY

Audits submitted to HCD and CalHFA must be signed and dated

I hereby certify that I have examined the accompanying financial statements and supplementary information of CA Property Apartments, L.P, as of and for the year ended December 31, 20YY, and to the best of my knowledge and belief, the same is complete and accurate.

Sign Name
The GP Group Corporation
Sign Name, President

2/15/20ZZ
Date
CA Property Apartments, L.P.

Certification of Officers
For The Year Ended December 31, 20YY

Audits submitted to HCD and CalHFA must be signed and dated

We, as officers of The GP Group Corporation, a California nonprofit public benefit corporation, hereby certify that we have examined the accompanying financial statements and supplementary data of CA Property Apartments, L.P. as of and for the year ended December 31, 20YY and to the best of our knowledge and belief, these financial statements and data are complete and accurate.

<table>
<thead>
<tr>
<th>Sign Name</th>
<th>President</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Title</td>
<td>2/15/20ZZ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sign Name</th>
<th>CFO</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Title</td>
<td>2/15/20ZZ</td>
</tr>
</tbody>
</table>

Employer Identification Number: 99-0000000
CA Property Apartments, L.P.

Independent Auditor's 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

The Partners of
CA Property Apartments
City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of CA Property Apartments, L.P., which comprise the balance sheet as of December 31, 20YY, and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 20ZZ.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered CA Property Apartments, L.P.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CA Property Apartments, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of CA Property Apartments, L.P.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters
As part of obtaining reasonable assurance about whether CA Property Apartments, L.P.'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.

Purpose of This Report
The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CA Property Apartments, L.P.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CA Property Apartments, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

City, California
Date
CA Property Apartments, L.P.

HCD Contract Numbers 01-FWHG-1111 and 03-MHP-9999 and
CalHFA Project No. #03333N

Summary of Audit Findings and Recommendations
For the Year Ended December 31, 20YY

Status of Prior Year Findings and Recommendations:
There were no findings and recommendations reported in the December 31, 20XX financial statements.

Findings and Recommendations:
1. Finding: During the audit of tenant files, the auditor noted two (2) instances where Sample Apartments did not perform background checks on potential tenants as required by the Department of HUD.

Recommendation: We recommend background checks be performed on all potential tenants and retained as a part of the tenant file.

Management Response: The management policy is to complete background checks, prior to move-in, on all applicants. Any missing background checks may have been in files of very long-term residents, move-ins prior to HUD requirement.
APPENDIX B: Sample Financial Statement for CalHFA-administered Section 8 Projects or Section 8 Projects required to submit Audited Financial Statements to HUD/REAC as part of the Financial Assessment SubSystem

SAMPLE APARTMENTS COMPANY

(A Limited Partnership)

CalHFA Project #11-111-N

Financial Statements For Years Ended December 31, 20YY and 20XX

and

Independent Auditor's Report
# Appendix B: Table of Contents

I. Independent Auditor's Report  
II. Balance Sheets  
III. Statement of Operations  
IV. Statement of Changes in Partners' Capital  
V. Statement of Cash Flows  
VI. Notes to Financial Statements  
VII. Supplementary Information  
   a. Balance Sheet Data  
   b. Statement of Operations  
   c. Statement of Cash Flow  
   d. Changes in Fixed Assets  
   e. Schedule of Federal Financial Assistance  
   f. Surplus Cash Computation  
   g. Cash  
   h. Accounts Payable  
   i. Gross Potential Rents  
   j. Management Fee  
VIII. Other  
   a. Management Agent Certification  
   b. Partner's Certification  
   d. Summary of Audit Findings and Recommendations
Independent Auditor’s Report

The Partners of
Sample Apartments Company
City, California

Report on the Financial Statements
We have audited the accompanying financial statements of Sample Apartments Company, a California limited partnership, CalHFA Project #11-111-N, which comprise the balance sheets as of December 31, 2YY and 2XX, and the related statements of operations, changes in partners’ capital 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency. 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.
Independent Auditor’s Report (Cont.)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Apartments Company, L.P. as of December 31, 20YY and 20XX, 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.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages B-15 through B-27 as required by the California Housing Finance Agency (CalHFA) is presented for purposes of additional analysis and is not a required part of the basic 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.

Report on Other Legal and Regulatory Requirements
In accordance with Government Auditing Standards and the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency, we have also issued a report dated February 15, 20ZZ on our consideration of Sample Apartments Company, L.P.’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 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 the requirements of the Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency in considering Sample Apartments Company, L.P.’s internal control over financial reporting and compliance.

Certified Public Accountants

City, California
February 15, 20ZZ
### Balance Sheets

**For The Years Ended December 31, 20YY and 20XX**

<table>
<thead>
<tr>
<th>Assets</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>$4,237</td>
<td>$36,393</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>7,337</td>
<td>7,406</td>
</tr>
<tr>
<td>Accounts receivable- Tenant</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable- CalHFA</td>
<td>482</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>629</td>
<td>1,255</td>
</tr>
<tr>
<td><strong>Restricted funds (Note 2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>26,043</td>
<td>25,965</td>
</tr>
<tr>
<td>Tax impound account</td>
<td>8,227</td>
<td>11,417</td>
</tr>
<tr>
<td>Insurance impound account</td>
<td>10,307</td>
<td>8,756</td>
</tr>
<tr>
<td>Earthquake insurance impound</td>
<td>3,142</td>
<td>5,274</td>
</tr>
<tr>
<td>Reserve for replacements (Note 2)</td>
<td>69,426</td>
<td>99,258</td>
</tr>
<tr>
<td>Reserve fund for operations (Note 2)</td>
<td>20,270</td>
<td>19,289</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$150,104</td>
<td>$215,013</td>
</tr>
<tr>
<td><strong>Property, equipment and improvements at cost less accumulated depreciation</strong></td>
<td>$209,194</td>
<td>$235,588</td>
</tr>
<tr>
<td><strong>Other assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred development costs, net (Note 1)</td>
<td>940</td>
<td>1,037</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$360,238</td>
<td>$451,638</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities And Partners' Capital</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of mortgage loan payable</td>
<td>$56,119</td>
<td>$51,626</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,760</td>
<td>19,818</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest- security deposits (Note 1)</td>
<td>2,764</td>
<td>2,493</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>18,079</td>
<td>18,089</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$78,755</td>
<td>$92,026</td>
</tr>
<tr>
<td>Mortgage loan payable , net of current portion (Note 3)</td>
<td>$815,848</td>
<td>$871,967</td>
</tr>
<tr>
<td>Partners' capital</td>
<td>$(534,365)</td>
<td>$(512,355)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND PARTNERS' CAPITAL</strong></td>
<td>$360,238</td>
<td>$451,638</td>
</tr>
</tbody>
</table>
Sample Apartments

Statement of Operations
For The Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross potential tenant rent - residential</td>
<td>$453,401</td>
<td>$456,557</td>
</tr>
<tr>
<td>Less: vacancies</td>
<td>(2,409)</td>
<td>(4,120)</td>
</tr>
<tr>
<td>Net rental income</td>
<td>450,992</td>
<td>452,437</td>
</tr>
<tr>
<td>Interest income</td>
<td>5,540</td>
<td>6,688</td>
</tr>
<tr>
<td>Other income</td>
<td>4,268</td>
<td>3,607</td>
</tr>
<tr>
<td>Total income</td>
<td>$460,800</td>
<td>$462,732</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>122,070</td>
<td>116,373</td>
</tr>
<tr>
<td>Utilities</td>
<td>43,070</td>
<td>40,331</td>
</tr>
<tr>
<td>Operating and maintenance</td>
<td>140,812</td>
<td>114,746</td>
</tr>
<tr>
<td>Taxes and insurance</td>
<td>54,752</td>
<td>54,499</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>76,396</td>
<td>79,961</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$437,100</td>
<td>$405,910</td>
</tr>
<tr>
<td>Net operating income</td>
<td>$23,700</td>
<td>$56,822</td>
</tr>
<tr>
<td>Other expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>26,491</td>
<td>26,142</td>
</tr>
<tr>
<td>State minimum tax</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Surplus Cash due to CalHFA</td>
<td>13,793</td>
<td>-</td>
</tr>
<tr>
<td>Partnership management fee</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on retirement of fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total other expenses</td>
<td>$41,084</td>
<td>$26,942</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(17,384)</td>
<td>$29,880</td>
</tr>
</tbody>
</table>
### Sample Apartments

#### Statement of Changes in Partners’ Capital

For The Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/20XX</th>
<th>Net Loss for 20YY</th>
<th>Distributions in 20YY</th>
<th>Balance 12/31/20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Partners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placer Trust &quot;A&quot; (4.97%)</td>
<td>$(35,227)</td>
<td>$(820)</td>
<td>$(229)</td>
<td>$(36,276)</td>
</tr>
<tr>
<td>A Corporation (.01%)</td>
<td>(49)</td>
<td>(17)</td>
<td>(1)</td>
<td>(67)</td>
</tr>
<tr>
<td>ABCD, Inc. (.01%)</td>
<td>(48)</td>
<td>(16)</td>
<td>(1)</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Limited Partners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associated Group (.01%)</td>
<td>(48)</td>
<td>(16)</td>
<td>(1)</td>
<td>(65)</td>
</tr>
<tr>
<td>California Home Group (95%)</td>
<td>(476,983)</td>
<td>(16,515)</td>
<td>(4,394)</td>
<td>(497,892)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(512,355)</td>
<td>$(17,384)</td>
<td>$(4,626)</td>
<td>$(534,365)</td>
</tr>
</tbody>
</table>
## Sample Apartments

### Statement of Cash Flows

For The Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental receipts</td>
<td>$450,125</td>
<td>$452,080</td>
</tr>
<tr>
<td>Interest receipts</td>
<td>2,496</td>
<td>2,418</td>
</tr>
<tr>
<td>Other receipts</td>
<td>4,268</td>
<td>3,607</td>
</tr>
<tr>
<td>Administrative expenses paid</td>
<td>(24,840)</td>
<td>(18,739)</td>
</tr>
<tr>
<td>Management fees paid</td>
<td>(35,376)</td>
<td>(35,376)</td>
</tr>
<tr>
<td>Utilities paid</td>
<td>(44,051)</td>
<td>(41,071)</td>
</tr>
<tr>
<td>Salaries and wages paid</td>
<td>(92,222)</td>
<td>(76,288)</td>
</tr>
<tr>
<td>Operating and maintenance expenses paid</td>
<td>(128,088)</td>
<td>(94,621)</td>
</tr>
<tr>
<td>Payroll taxes, workers’ compensation and employee benefit</td>
<td>(18,482)</td>
<td>(16,429)</td>
</tr>
<tr>
<td>Real property taxes</td>
<td>(17,789)</td>
<td>(18,829)</td>
</tr>
<tr>
<td>Impound deposits made</td>
<td>(14,500)</td>
<td>(15,211)</td>
</tr>
<tr>
<td>Miscellaneous taxes and insurance paid</td>
<td>(1,138)</td>
<td>(1,369)</td>
</tr>
<tr>
<td>Interest on mortgage note paid</td>
<td>(75,399)</td>
<td>(79,533)</td>
</tr>
<tr>
<td>Tenant security deposits (net)</td>
<td>183</td>
<td>(778)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$5,187</td>
<td>$59,861</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus Cash due to CalHFA</td>
<td>$(13,793)</td>
<td>-</td>
</tr>
<tr>
<td>Deposits to reserve for replacement</td>
<td>(18,876)</td>
<td>$(18,876)</td>
</tr>
<tr>
<td>Withdrawals from replacement reserve</td>
<td>52,378</td>
<td>2,183</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by investing activities</strong></td>
<td>$19,709</td>
<td>$(16,693)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage principal payments</td>
<td>$(51,626)</td>
<td>$(47,492)</td>
</tr>
<tr>
<td>Cash distributions paid to partners</td>
<td>(4,626)</td>
<td>(4,626)</td>
</tr>
<tr>
<td>Entity expense</td>
<td>(800)</td>
<td>(800)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by financing activities</strong></td>
<td>$(57,052)</td>
<td>$(52,918)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash</strong></td>
<td>$(32,156)</td>
<td>$(9,750)</td>
</tr>
<tr>
<td>Cash - beginning of period</td>
<td>36,393</td>
<td>46,143</td>
</tr>
<tr>
<td>Cash - end of period</td>
<td>$4,237</td>
<td>$36,393</td>
</tr>
</tbody>
</table>
Sample Apartments

**Statement of Cash Flows - (Continued)**
For The Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th></th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of net loss to net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(17,384)</td>
<td>$29,880</td>
</tr>
<tr>
<td>Adjustments to reconcile net income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(loss) to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$26,394</td>
<td>$26,045</td>
</tr>
<tr>
<td>Amortization</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>State minimum tax</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Surplus cash due to CalHFA</td>
<td>13,793</td>
<td>-</td>
</tr>
<tr>
<td>Interest earned on reserve for replacement</td>
<td>(3,670)</td>
<td>(4,622)</td>
</tr>
<tr>
<td>Interest earned on operating reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td>(742)</td>
<td>(740)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(486)</td>
<td>47</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>626</td>
<td>352</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>69</td>
<td>(369)</td>
</tr>
<tr>
<td>Impound accounts</td>
<td>3,771</td>
<td>2,205</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>(239)</td>
<td>-</td>
</tr>
<tr>
<td>Tenant security deposits (net)</td>
<td>183</td>
<td>(1,578)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(18,058)</td>
<td>7,744</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$5,187</td>
<td>$59,861</td>
</tr>
</tbody>
</table>


Notes to Financial Statements

Sample Apartments
CalHFA #11-111-N

Notes To Financial Statements
For The Years Ended December 31, 20YY and 20XX

Note 1 – Summary Of Significant Accounting Policies

Organization and Regulatory Agreement
The Sample Apartments Company is a limited partnership organized to develop, own and manage a 67-unit two-story apartment complex, located at 1450 Street Name, Anytown, California with construction and permanent mortgage loan financing insured by the California Housing Finance Agency (CalHFA). The 67 units are comprised of 44 one-bedroom units and 23 two-bedroom units. The project is intended for rental to senior citizens of low or moderate income and has entered into an agreement with the United States Department of Housing and Urban Development to provide housing assistance payments pursuant to Section 8 of the United States Housing Act of 1937, as amended. At December 31, 20YY, 65 units were subsidized by Section 8. Such projects are regulated by CalHFA as to rent charges and operating methods. The Regulatory Agreement limits annual distributions of net operating receipts to 6% of the owner’s equity ($77,100) to be paid only when surplus cash exists at the end of the year. Undistributed amounts are accumulated for future distributions. The property was placed in service on September 4, 2010 and received a tax credit allocation (rent floor) on March 1, 2008.

The partnership began June 10, 19xx, when it acquired all of the assets and liabilities of Sample Apartments Company Apartments in the development stage. The conversion was approved by all parties involved including CalHFA who has provided the construction and permanent loan of $1,xxx,xxx.

Financial Statement Presentation
The accompanying financial statements are presented on the accrual basis of accounting. For purposes of the financial statements, cash is defined as unrestricted cash balances.

Amortization of Title and Recording Costs
Title and recording costs are being amortized over the term of the mortgage loan (480 months).

Depreciation
The cost of buildings and improvements is being depreciated by accelerated methods over estimated useful lives, which range from three to 33 1/3 years for the various components of cost.
Notes to Financial Statements (Cont.)

**Income Taxation**
The partnership is not subject to income taxation as the income or loss of the partnership is required to be reported by the respective partners on their income tax returns. However, the partnership is subject to the State of California minimum franchise tax, which amounted to $800 in both 20YY and 20XX.

**Interest on Security Deposit Liabilities**
Security deposit liabilities at December 31, 20YY include accrued interest payable to the tenants on their deposits from the date of receipt to December 31, 20YY in the amount of $2,764.

**Employee Apartments**
The fair market value of employee rental allowances is included in the accompanying financial statements as part of gross rental income and payroll expenses.

**Accounts Receivable**
It is the practice of Sample Apartments Company to expense uncollectible only after exhausting all efforts to collect the amount due. No allowance for doubtful accounts is used and management believes all amounts will be collected in full.

**Note 2- Restricted Funds**

**Accrued Interest**
Accrued interest represents the amount of interest earned but not yet received at December 31, 20YY on the following restricted accounts:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax and insurance impounds</td>
<td>$120</td>
</tr>
<tr>
<td>Reserve for replacement</td>
<td>415</td>
</tr>
<tr>
<td>Reserve fund for operations</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total accrued interest</strong></td>
<td><strong>$629</strong></td>
</tr>
</tbody>
</table>

**Tenant Security Deposits**
Tenant security deposits are maintained in a separate account and interest earned on the deposits is credited to a liability account to be refunded or applied for the benefit of tenants. Interest earned during 20YY was $78. The activity in the account for 20YY was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$25,965</td>
</tr>
<tr>
<td>Interest earned</td>
<td>78</td>
</tr>
<tr>
<td><strong>Balance, December 31, 20YY</strong></td>
<td><strong>$26,043</strong></td>
</tr>
</tbody>
</table>
Notes to Financial Statements (Cont.)

Impounds
As required by the Regulatory Agreement with CalHFA the Partnership is to make monthly impound deposits to cover insurance premiums, property taxes and to maintain a reserve for replacement. These restricted funds are held by CalHFA and expenditures are subject to supervision and approval by that agency.

The account activity during 20YY was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Insurance</th>
<th>Earthquake Insurance</th>
<th>Taxes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 20XX</td>
<td>$8,756</td>
<td>$5,274</td>
<td>$11,417</td>
<td>$25,447</td>
</tr>
<tr>
<td>Additions</td>
<td>14,060</td>
<td>3,060</td>
<td>21,420</td>
<td>38,540</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>-</td>
<td>1,050</td>
<td>1,050</td>
</tr>
<tr>
<td>Deductions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazard insurance</td>
<td>(12,509)</td>
<td>-</td>
<td>-</td>
<td>(12,509)</td>
</tr>
<tr>
<td>Earthquake insurance</td>
<td>-</td>
<td>(5,192)</td>
<td>-</td>
<td>(5,192)</td>
</tr>
<tr>
<td>Real property taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, December 31, 20YY</td>
<td>($10,307)</td>
<td>($3,142)</td>
<td>$8,227</td>
<td>$21,676</td>
</tr>
</tbody>
</table>

Replacement Reserve
The Replacement Reserve may be used for replacement of assets or excess operating costs with CalHFA’s approval. Activity in the account during 20YY was as follows:

|                             |           |                       |       |        |
| Balance, December 31, 20XX  | $99,258   |                        |       |        |
| Additions                   | 18,876    |                        |       |        |
| Interest received           | 3,670     |                        |       |        |
| Withdrawals                 | (52,139)  |                        |       |        |
| Transfer                    | (239)     |                        |       |        |
| Balance, December 31, 20YY  | $69,426   |                        |       |        |

Reserve Fund for Operations
Restricted funds include reserve fund for operations of $20,270 at December 31, 20YY, which has been designated by CalHFA as a reserve needed to fund future extraordinary operating expenses. The activity in the account for 20YY was as follows:

|                             |           |                       |       |        |
| Balance, December 31, 20XX  | $19,289   |                       |       |        |
| Interest received           | 742       |                       |       |        |
| Transfer                    | 239       |                       |       |        |
| Balance, December 31, 20YY  | $20,270   |                       |       |        |
Notes to Financial Statements (Cont.)

**Note 3 - Mortgage Loan Payable**

The partnership has a mortgage loan payable to the California Housing Finance Agency with an original balance of $1,xxx,xxx. The note bears interest at 7.375% and has a 40-year term. Monthly payments of principal and interest are $10,585. Amortization of the note began April 1, 19xx and the note is due April 1, 20KK. The apartment complex is pledged as collateral.

Principal amounts maturing over the next five years and thereafter are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20ZZ</td>
<td>$56,119</td>
</tr>
<tr>
<td>20AA</td>
<td>61,004</td>
</tr>
<tr>
<td>20BB</td>
<td>66,314</td>
</tr>
<tr>
<td>20CC</td>
<td>72,085</td>
</tr>
<tr>
<td>20DD</td>
<td>78,360</td>
</tr>
<tr>
<td>20EE-20JJ</td>
<td>508,783</td>
</tr>
<tr>
<td>20KK</td>
<td>31,302</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$871,967</strong></td>
</tr>
</tbody>
</table>

**Note 4 – Related Party Transactions**

The partnership employs AM Management Company, an affiliate of A Corporation (a general partner) as its management agency for the project. The management fees paid to them are subject to the regulations and approval of the California Housing Finance Agency (CalHFA). The total cost of management fees incurred during 20YY was $35,376. AM Management Company also allocates certain personnel and supply costs to the project, the amount of which is not material.

The partnership employs Any Landscape Company, which is a related party to A Corporation, one of the general partners, to perform grounds maintenance for a monthly contract amount plus reimbursement for materials and labor costs for additional services provided. The total payments made to Any Landscape during 20YY were $20,992.

**Note 5 – Commingled Funds**

There were no commingled funds during the year.
Note 6 - Book To Tax Reconciliation

Depreciation methods used in preparing the financial statements differ from those required for the partnership tax return. These differences in depreciation expense result in the difference between the net loss reported in the financial statements and net loss reported in the partnership tax return. These differences are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Financial Statements</th>
<th>Tax Return</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td>$26,394</td>
<td>$14,673</td>
<td>$11,721</td>
</tr>
<tr>
<td>Net Loss per financial statements</td>
<td></td>
<td>(17,384)</td>
<td></td>
</tr>
<tr>
<td>Net Loss per tax return</td>
<td></td>
<td></td>
<td>$(5,663)</td>
</tr>
</tbody>
</table>
## Sample Apartments

### Balance Sheet Data

**December 31, 20YY**

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1120</td>
<td>Cash - Operations</td>
<td>$4,237</td>
</tr>
<tr>
<td>1130</td>
<td>Tenant/Member Accounts Receivable (Coop)</td>
<td>4</td>
</tr>
<tr>
<td>1135</td>
<td>Account Receivable - HUD</td>
<td>482</td>
</tr>
<tr>
<td>1160</td>
<td>Accounts Receivable - Interest</td>
<td>629</td>
</tr>
<tr>
<td>1200</td>
<td>Prepaid Expenses</td>
<td>7,337</td>
</tr>
<tr>
<td>1100T</td>
<td>Total Current Assets</td>
<td>$12,689</td>
</tr>
</tbody>
</table>

### Deposits Held in Trust - Funded

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1191</td>
<td>Tenant/Patient Deposits Held in Trust</td>
<td>$26,043</td>
</tr>
</tbody>
</table>

### Restricted Deposits and Funded Reserves

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1310</td>
<td>Escrow Deposits</td>
<td>$21,676</td>
</tr>
<tr>
<td>1320</td>
<td>Replacement Reserve</td>
<td>69,426</td>
</tr>
<tr>
<td>1330</td>
<td>Other Reserves</td>
<td>20,270</td>
</tr>
<tr>
<td>1300T</td>
<td>Total Deposits</td>
<td>$111,372</td>
</tr>
</tbody>
</table>

### Rental Property

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1410</td>
<td>Land</td>
<td>$183,324</td>
</tr>
<tr>
<td>1420</td>
<td>Buildings</td>
<td>1,602,686</td>
</tr>
<tr>
<td>1440</td>
<td>Building Equipment - Portable</td>
<td>223,689</td>
</tr>
<tr>
<td>1450</td>
<td>Furniture for Project/Tenant Use</td>
<td>-</td>
</tr>
<tr>
<td>1465</td>
<td>Office Furniture and Equipment</td>
<td>18,152</td>
</tr>
<tr>
<td>1470</td>
<td>Maintenance Equipment</td>
<td>8,548</td>
</tr>
<tr>
<td>1480</td>
<td>Motor Vehicles</td>
<td>-</td>
</tr>
<tr>
<td>1490</td>
<td>Miscellaneous Fixed Assets</td>
<td>45,521</td>
</tr>
<tr>
<td>1495</td>
<td>Accumulated Depreciation</td>
<td>(1,872,726)</td>
</tr>
<tr>
<td>1400N</td>
<td>Net Fixed Assets</td>
<td>$209,194</td>
</tr>
</tbody>
</table>

### Other Assets

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1515</td>
<td>Investments - Entity</td>
<td>$940</td>
</tr>
<tr>
<td>1500T</td>
<td>Miscellaneous Other Assets</td>
<td>$940</td>
</tr>
<tr>
<td>1000T</td>
<td>Total Assets</td>
<td>$360,238</td>
</tr>
</tbody>
</table>

Total Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$360,238</td>
</tr>
</tbody>
</table>

---

**Supplementary Information**

2016 AUDITED FINANCIAL STATEMENTS HANDBOOK

APPX.B-15
### Supplementary Information (Cont.)

Sample Apartments

**Balance Sheet Data - Continued**
**December 31, 20YY**

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Liabilities And Partners' Equity (Deficit)</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2110</td>
<td>Accounts Payable - Operations</td>
<td>$1,760</td>
</tr>
<tr>
<td>2170</td>
<td>Mortgage(or Bonds) Payable- First Mortgage(Bonds) (Short Term)</td>
<td>56,119</td>
</tr>
<tr>
<td>2210</td>
<td>Prepaid Revenue</td>
<td>33</td>
</tr>
<tr>
<td>2122T</td>
<td>Total Current Liabilities</td>
<td>$57,912</td>
</tr>
<tr>
<td><strong>Deposits Liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2191</td>
<td>Tenant/Patient Deposits Held in Trust(Contra)</td>
<td>$20,843</td>
</tr>
<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2310</td>
<td>Notes Payable(Long Term)</td>
<td>$815,848</td>
</tr>
<tr>
<td>2300T</td>
<td>Total Long Term Liabilities</td>
<td>$815,848</td>
</tr>
<tr>
<td>2000T</td>
<td><strong>Total Liabilities</strong></td>
<td>$894,603</td>
</tr>
<tr>
<td>3130</td>
<td><strong>Total Net Assets</strong></td>
<td>$(534,365)</td>
</tr>
<tr>
<td>2033T</td>
<td><strong>Total Liabilities and Equity/Net Assets</strong></td>
<td>$360,238</td>
</tr>
</tbody>
</table>
Supplementary Information (Cont.)

Sample Apartments

Statement of Operations
For the Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th>Acct. #</th>
<th>Schedule of Operations</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rent Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5120</td>
<td>Rent Revenue- Gross Potential</td>
<td>$453,401</td>
<td>$456,557</td>
</tr>
<tr>
<td>5121</td>
<td>Tenant Assistance Payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5140</td>
<td>Rent Revenue- Stores and Commercial</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5170</td>
<td>Garage and Parking Spaces</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5180</td>
<td>Flexible Subsidy Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5190</td>
<td>Miscellaneous Rent Revenue <em>(if over $2,500, detail is required)</em></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5100T</td>
<td>Total Rent Revenue</td>
<td>$453,401</td>
<td>$456,557</td>
</tr>
<tr>
<td></td>
<td>Total Vacancies</td>
<td>$2,409</td>
<td>$4,120</td>
</tr>
<tr>
<td>5200T</td>
<td>Total Vacancies</td>
<td>$2,409</td>
<td>$4,120</td>
</tr>
<tr>
<td></td>
<td>Net Rental Revenue (Rent Revenue Less Vacancies)</td>
<td>$450,992</td>
<td>$452,437</td>
</tr>
<tr>
<td></td>
<td>Total Financial Revenue</td>
<td>$5,540</td>
<td>$6,688</td>
</tr>
<tr>
<td>5400T</td>
<td>Total Financial Revenue</td>
<td>$5,540</td>
<td>$6,688</td>
</tr>
<tr>
<td></td>
<td>Other Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5910</td>
<td>Laundry and Vending Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5920</td>
<td>Tenant Charges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5990</td>
<td>Miscellaneous Revenue <em>(if over $2,500, detail is required)</em></td>
<td>$4,268</td>
<td>$3,607</td>
</tr>
<tr>
<td></td>
<td>Description: Cable TV</td>
<td>$4,268</td>
<td>$3,607</td>
</tr>
<tr>
<td>5990-020</td>
<td>Amount: $4,268</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5900T</td>
<td>Total Other Revenue</td>
<td>$4,268</td>
<td>$3,607</td>
</tr>
<tr>
<td>5000T</td>
<td>Total Revenue</td>
<td>$460,800</td>
<td>$462,732</td>
</tr>
</tbody>
</table>
### Supplementary Information (Cont.)

#### Sample Apartments

**Statement of Operations - Continued**
**For the Years Ended December 31, 20YY and 20XX**

<table>
<thead>
<tr>
<th>Acct. #</th>
<th>Schedule of Operations</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Administrative Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6203</td>
<td>Conventions and Meetings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6204</td>
<td>Management Consultants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6210</td>
<td>Advertising and Marketing</td>
<td>$1,665</td>
<td>$1,501</td>
</tr>
<tr>
<td>6250</td>
<td>Other Renting Expenses</td>
<td>4,770</td>
<td>5,528</td>
</tr>
<tr>
<td>6310</td>
<td>Office Salaries</td>
<td>10,736</td>
<td>10,107</td>
</tr>
<tr>
<td>6311</td>
<td>Office Expenses</td>
<td>8,016</td>
<td>5,802</td>
</tr>
<tr>
<td>6312</td>
<td>Office or Model Apartment Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6320</td>
<td>Management Fee</td>
<td>35,376</td>
<td>35,376</td>
</tr>
<tr>
<td>6330</td>
<td>Manager or Superintendent Salaries</td>
<td>36,256</td>
<td>26,126</td>
</tr>
<tr>
<td>6331</td>
<td>Administrative Rent Free Unit</td>
<td>14,448</td>
<td>14,448</td>
</tr>
<tr>
<td>6340</td>
<td>Legal Expense - Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6350</td>
<td>Audit Expense</td>
<td>4,700</td>
<td>4,600</td>
</tr>
<tr>
<td>6351</td>
<td>Bookkeeping Fees/Accounting Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6370</td>
<td>Bad Debts</td>
<td>414</td>
<td>404</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous Administrative Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6390</td>
<td>(if over $2,500, detail is required)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6390-010</td>
<td>Description: Cable TV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6390-020</td>
<td>Description: Amount: $5,689</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Administrative Expenses</strong></td>
<td>$122,070</td>
<td>$105,200</td>
</tr>
<tr>
<td></td>
<td><strong>Utilities Expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6450</td>
<td>Electricity</td>
<td>$20,240</td>
<td>20,296</td>
</tr>
<tr>
<td>6451</td>
<td>Water</td>
<td>22,830</td>
<td>20,035</td>
</tr>
<tr>
<td>6452</td>
<td>Gas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6453</td>
<td>Sewer</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Utilities Expense</strong></td>
<td>$43,070</td>
<td>$40,331</td>
</tr>
<tr>
<td></td>
<td><strong>Operating And Maintenance Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6510</td>
<td>Payroll</td>
<td>$30,782</td>
<td>25,607</td>
</tr>
<tr>
<td>6515</td>
<td>Supplies</td>
<td>20,936</td>
<td>11,752</td>
</tr>
<tr>
<td>6520</td>
<td>Contracts</td>
<td>60,428</td>
<td>62,522</td>
</tr>
<tr>
<td>6521</td>
<td>Operating and Maintenance Rent Free Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6525</td>
<td>Garbage and Trash Removal</td>
<td>14,567</td>
<td>14,433</td>
</tr>
<tr>
<td>6530</td>
<td>Security Payroll/ Contract</td>
<td>2,344</td>
<td>2,121</td>
</tr>
<tr>
<td>6531</td>
<td>Security Rent Free Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6546</td>
<td>Heating/Cooling Repairs and Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6548</td>
<td>Snow Removal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6570</td>
<td>Vehicle and Maintenance Equip. Operation and Repairs</td>
<td>1,233</td>
<td>902</td>
</tr>
<tr>
<td>6580</td>
<td>Lease Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6590</td>
<td>Misc. Op. and Maintenance Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6590-010</td>
<td>Description: Repair and Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6590-020</td>
<td>Amount:$10,522</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Operating and Maintenance Expenses</strong></td>
<td>$140,812</td>
<td>$127,972</td>
</tr>
</tbody>
</table>
### Sample Apartments

#### Statement of Operations - Continued
For the Years Ended December 31, 20YY and 20XX

<table>
<thead>
<tr>
<th>Acct. #</th>
<th>Schedule of Operations</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Taxes &amp; Insurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6710</td>
<td>Real Estate Taxes</td>
<td>$21,560</td>
<td>$21,034</td>
</tr>
<tr>
<td>6711</td>
<td>Payroll Taxes (Project's share)</td>
<td>10,856</td>
<td>10,274</td>
</tr>
<tr>
<td>6720</td>
<td>Property &amp; Liability Insurance (Hazard)</td>
<td>14,569</td>
<td>14,842</td>
</tr>
<tr>
<td>6721</td>
<td>Fidelity Bond Insurance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6722</td>
<td>Workmen's Compensation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6723</td>
<td>Health Insurance and Other Employee Benefits</td>
<td>7,626</td>
<td>6,155</td>
</tr>
<tr>
<td>6790</td>
<td>Misc. Taxes, Licenses, Permits &amp; Insurance <em>(if over $2,500, detail is required)</em></td>
<td>141</td>
<td>141</td>
</tr>
<tr>
<td>6700T</td>
<td>Total Taxes and Insurance</td>
<td>$54,752</td>
<td>$52,446</td>
</tr>
<tr>
<td></td>
<td><strong>Financial Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6820</td>
<td>Interest on First Mortgage (or Bonds) Payable</td>
<td>$75,399</td>
<td>$79,533</td>
</tr>
<tr>
<td>6830</td>
<td>Interest on Notes Payable (Long Term)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6840</td>
<td>Interest on Notes Payable (Short Term)</td>
<td>997</td>
<td>428</td>
</tr>
<tr>
<td>6890</td>
<td>Miscellaneous Financial Expenses <em>(if over $2,500, detail is required)</em></td>
<td>76,396</td>
<td>79,961</td>
</tr>
<tr>
<td>6800T</td>
<td>Total Financial Expenses</td>
<td>$76,396</td>
<td>$76,396</td>
</tr>
<tr>
<td>6000</td>
<td>Total Cost of Operations before Depreciation</td>
<td>$437,100</td>
<td>$405,910</td>
</tr>
<tr>
<td>5060</td>
<td>Profit (Loss) before Depreciation</td>
<td>$23,700</td>
<td>$56,822</td>
</tr>
<tr>
<td></td>
<td><strong>Depreciation &amp; Amortization Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6600</td>
<td>Depreciation Expense</td>
<td>$26,394</td>
<td>$26,045</td>
</tr>
<tr>
<td>6610</td>
<td>Amortization Expense</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>5060N</td>
<td>Operating Profit (Loss)</td>
<td>$(2,791)</td>
<td>$30,680</td>
</tr>
<tr>
<td></td>
<td><strong>Net Entity Expenses</strong> <em>(not all expense accounts are shown)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7105</td>
<td>Entity Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7110</td>
<td>Officer's Salaries</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7120</td>
<td>Legal Expenses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7130</td>
<td>Federal, State, and Other Income Taxes</td>
<td>$800</td>
<td>800</td>
</tr>
<tr>
<td>7141</td>
<td>Interest on Notes Payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7142</td>
<td>Interest on Mortgage Payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7190</td>
<td>Other Expenses <em>(detail always required for this account)</em></td>
<td>13,793</td>
<td></td>
</tr>
<tr>
<td>7190-010</td>
<td>Description: Surplus Cash due to CalHFA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7190-020</td>
<td>Amount: $13,793</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7100T</td>
<td>Total Net Entity Expenses</td>
<td>$14,593</td>
<td>$800</td>
</tr>
<tr>
<td>3250</td>
<td>Change in Total Net Assets from Operations</td>
<td>$(17,384)</td>
<td>$29,880</td>
</tr>
</tbody>
</table>
### Supplementary Information (Cont.)

#### Sample Apartments

**Statement of Operations - Continued**  
**For the Years Ended December 31, 20YY and 20XX**

<table>
<thead>
<tr>
<th>Acct. #</th>
<th>Schedule of Operations</th>
<th>20YY</th>
<th>20XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1000-10</td>
<td>Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans and CalHFA-held and fully insured mortgages. Any CalHFA approved second mortgages should be included in the figures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S1000-20</td>
<td>The total of all monthly reserve for replacement deposits (usually 12) required during the audit period even if deposits have been temporarily waived or suspended.</td>
<td>$21,600</td>
<td>$21,600</td>
</tr>
<tr>
<td>S1000-30</td>
<td>Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss Statement.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>S1000-40</td>
<td>Project Improvement Reserve releases under the Flexible Subsidy Program that is included as expense items on this Income Statement.</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
### Supplementary Information (Cont.)

**Sample Apartments**

#### Statement of Cash Flow
**For the Year Ended December 31, 20YY**

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Cash Flow from Operating Activities</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1200-010</td>
<td>Rental Receipts</td>
<td>$450,125</td>
</tr>
<tr>
<td>S1200-020</td>
<td>Interest Receipts</td>
<td>2,496</td>
</tr>
<tr>
<td>S1200-025</td>
<td>Gifts</td>
<td>-</td>
</tr>
<tr>
<td>S1200-030</td>
<td>Other Operating Receipts</td>
<td>4,268</td>
</tr>
<tr>
<td>S1200-035</td>
<td>Entity/Construction Receipts</td>
<td>-</td>
</tr>
<tr>
<td>S1200-050</td>
<td>Administrative</td>
<td>(24,840)</td>
</tr>
<tr>
<td>S1200-070</td>
<td>Management Fee</td>
<td>(35,376)</td>
</tr>
<tr>
<td>S1200-090</td>
<td>Utilities</td>
<td>(44,051)</td>
</tr>
<tr>
<td>S1200-100</td>
<td>Salaries and Wages</td>
<td>(92,222)</td>
</tr>
<tr>
<td>S1200-110</td>
<td>Operating and Maintenance</td>
<td>(128,088)</td>
</tr>
<tr>
<td>S1200-120</td>
<td>Real Estate Taxes</td>
<td>(17,789)</td>
</tr>
<tr>
<td>S1200-140</td>
<td>Property Insurance</td>
<td>(14,500)</td>
</tr>
<tr>
<td>S1200-150</td>
<td>Miscellaneous Taxes and Insurance</td>
<td>(1,138)</td>
</tr>
<tr>
<td>S1200-160</td>
<td>Tenant Security Deposits</td>
<td>183</td>
</tr>
<tr>
<td>S1200-170</td>
<td>Other Operating Expenses</td>
<td>-</td>
</tr>
<tr>
<td>S1200-180</td>
<td>Interest on First Mortgage</td>
<td>(75,399)</td>
</tr>
<tr>
<td>S1200-181</td>
<td>Interest Payments - Second Mortgage</td>
<td>-</td>
</tr>
<tr>
<td>S1200-182</td>
<td>Interest Payments - Third Mortgage</td>
<td>-</td>
</tr>
<tr>
<td>S1200-220</td>
<td>Miscellaneous Financial</td>
<td>(18,482)</td>
</tr>
<tr>
<td>S1200-240</td>
<td>Net Cash Provided (used) by Operating Activities :</td>
<td>$5,187</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flow from Investing Activities**

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Cash Flow from Investing Activities</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1200-245</td>
<td>Net Deposits to the Mortgage Escrow account</td>
<td>-</td>
</tr>
<tr>
<td>S1200-250</td>
<td>Net Deposits to the Reserve for Replacement account</td>
<td>$33,502</td>
</tr>
<tr>
<td>S1200-255</td>
<td>Net Deposits to Other Reserves</td>
<td>-</td>
</tr>
<tr>
<td>S1200-260</td>
<td>Net Deposits to Residual Receipts account</td>
<td>(13,793)</td>
</tr>
<tr>
<td>S1200-330</td>
<td>Net Purchases of Fixed Assets</td>
<td>-</td>
</tr>
<tr>
<td>S1200-350</td>
<td>Net Cash Provided (used) by Investing Activities :</td>
<td>$19,709</td>
</tr>
</tbody>
</table>
## Statement of Cash Flow
For the Year Ended December 31, 20YY

### Account No. 20YY

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1200-360</td>
<td>Principal Payments - First Mortgage (or Bonds)</td>
<td>$(51,626)</td>
</tr>
<tr>
<td>S1200-361</td>
<td>Principal Payments - Second Mortgage</td>
<td>-</td>
</tr>
<tr>
<td>S1200-362</td>
<td>Principal Payments - Third Mortgage</td>
<td>-</td>
</tr>
<tr>
<td>S1200-417</td>
<td>Principal Payments on Capital Recovery Payment</td>
<td>-</td>
</tr>
<tr>
<td>S1200-420</td>
<td>Distributions</td>
<td>$(4,626)</td>
</tr>
<tr>
<td>S1200-430</td>
<td>Contributions</td>
<td>-</td>
</tr>
<tr>
<td>S1200-450</td>
<td>Other Financing Activities</td>
<td>(800)</td>
</tr>
<tr>
<td>S1200-455</td>
<td>Entity/Construction Financing Activities</td>
<td>-</td>
</tr>
<tr>
<td>S1200-460</td>
<td>Net Cash used by Financing Activities</td>
<td>$(57,052)</td>
</tr>
</tbody>
</table>

Net Increase (Decrease) in Cash & Cash Equivalents: $(32,156)

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1200-480</td>
<td>Beginning of Period Cash</td>
<td>$36,393</td>
</tr>
<tr>
<td>S1200T</td>
<td>End of Period Cash</td>
<td>$4,237</td>
</tr>
</tbody>
</table>

### Reconciliation of Net Loss to Net Cash Provided by Operating Activities

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Description</th>
<th>20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>6600</td>
<td>Depreciation Expense</td>
<td>$26,394</td>
</tr>
<tr>
<td>6610</td>
<td>Amortization Expense</td>
<td>97</td>
</tr>
<tr>
<td>S1200-490</td>
<td>Decrease (increase) in Tenant/Member Accounts Receivable</td>
<td>-</td>
</tr>
<tr>
<td>S1200-500</td>
<td>Decrease (increase) in Accounts Receivable - Other</td>
<td>$(486)</td>
</tr>
<tr>
<td>S1200-505</td>
<td>Increase in Gifts Receivable</td>
<td>-</td>
</tr>
<tr>
<td>S1200-510</td>
<td>Decrease (increase) in Accrued Receivables</td>
<td>(4,412)</td>
</tr>
<tr>
<td>S1200-520</td>
<td>Decrease (increase) in Prepaid Expenses</td>
<td>-</td>
</tr>
<tr>
<td>S1200-540</td>
<td>Increase (decrease) in Accounts Payable</td>
<td>(14,526)</td>
</tr>
<tr>
<td>S1200-560</td>
<td>Increase (decrease) in Accrued Liabilities</td>
<td>13,793</td>
</tr>
<tr>
<td>S1200-570</td>
<td>Increase (decrease) in Accrued Interest Payable</td>
<td>626</td>
</tr>
<tr>
<td>S1200-580</td>
<td>Increase (decrease) in Tenant Security Deposits Held in Trust</td>
<td>183</td>
</tr>
<tr>
<td>S1200-590</td>
<td>Increase (decrease) in Prepaid Revenue</td>
<td>102</td>
</tr>
<tr>
<td>S1200-600</td>
<td>Other adjustments to reconcile net profit (loss) (used in) Operating Activities</td>
<td>800</td>
</tr>
</tbody>
</table>

Net Income (Loss) | $(17,384)
Sample Apartments

Changes in Fixed Assets
For the Year Ended December 31, 20YY

<table>
<thead>
<tr>
<th>Assets</th>
<th>Balance Jan. 1, 20YY</th>
<th>Additions</th>
<th>Removals</th>
<th>Balance Dec. 31, 20YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$53,000</td>
<td>-</td>
<td>-</td>
<td>$53,000</td>
</tr>
<tr>
<td>Land Improvement</td>
<td>130,324</td>
<td>-</td>
<td>-</td>
<td>130,324</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,602,686</td>
<td>-</td>
<td>-</td>
<td>1,602,686</td>
</tr>
<tr>
<td>Building Equipment-fixed</td>
<td>45,521</td>
<td>-</td>
<td>-</td>
<td>45,521</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>18,152</td>
<td>-</td>
<td>-</td>
<td>18,152</td>
</tr>
<tr>
<td>Maintenance Equipment</td>
<td>8,548</td>
<td>-</td>
<td>-</td>
<td>8,548</td>
</tr>
<tr>
<td>Site Improvements</td>
<td>223,689</td>
<td>-</td>
<td>-</td>
<td>223,689</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,081,920</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$2,081,920</strong></td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>1,846,332</td>
<td>$26,394</td>
<td>-</td>
<td>1,872,726</td>
</tr>
<tr>
<td>Net Book Value</td>
<td>$235,588</td>
<td>-</td>
<td>-</td>
<td>$209,194</td>
</tr>
</tbody>
</table>
### Schedule of Federal Financial Assistance
**For the Year Ended December 31, 20YY**

<table>
<thead>
<tr>
<th>Program</th>
<th>Federal CFDA Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Housing and Urban Development-Rent</td>
<td>14.149</td>
<td>$278,498</td>
</tr>
<tr>
<td>Supplements - Rental Housing for Lower Income Families</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Surplus Cash Computation for CalHFA Section 8 Project Only
### For the Year Ended December 31, 20YY

### Surplus Cash Computation

<table>
<thead>
<tr>
<th>Add</th>
<th>For Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash And Equivalents</td>
<td></td>
</tr>
<tr>
<td>Cash On Hand And In Banks</td>
<td>$4,237</td>
</tr>
<tr>
<td>Reserve Funds For Operations (Per Annual Statement)</td>
<td>20,270</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>486</td>
</tr>
<tr>
<td>Tenant Security Deposit</td>
<td>26,043</td>
</tr>
<tr>
<td><strong>Total Cash And Equivalents</strong></td>
<td><strong>$51,036</strong></td>
</tr>
</tbody>
</table>

| Less | |
|------| |
| Current Obligations | |
| Accounts Payable And Accrued Expenses (Due Within 30 Days) | $1,760 |
| Delinquent Mortgage Payments | 2,764 |
| Accrued Mortgage Interest | 2,764 |
| Prepaid Hap (Unearned Hap) | 2,764 |
| Prepaid Rents (Unearned Income) | 2,764 |
| Delinquent Impound Payments | 2,764 |
| Tenant Security Deposits | 2,764 |
| **Total Current Obligations** | **$22,603** |

| Equals | Available Surplus Cash | $28,433 |

### Accumulated Limited Distribution Calculation

<table>
<thead>
<tr>
<th>Add</th>
<th>For Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowable Accumulated Limited Distribution At Beginning Of The Year</td>
<td>$4,626</td>
</tr>
</tbody>
</table>

### Disposition Of Surplus Cash

| Allowable Limited Distributions* (Payment Subject To CalHFA Approval) | $4,626 |
|---------------------------------------------------------------|
| * Lesser Of Surplus Cash Or Accumulated Limited Distributions |
| Residual Receipts | $23,807 |

### Reserve Fund For Operations (RFO) Calculation

<table>
<thead>
<tr>
<th>Less</th>
<th>For Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required RFO This Year (5% Of Year End Gross Potential Rent)</td>
<td>$22,670</td>
</tr>
<tr>
<td><strong>RFO Shortage</strong></td>
<td><strong>$2,400</strong></td>
</tr>
</tbody>
</table>

| Less | RFO Payment - Remit To CalHFA | $2,400 |

### Earned Surplus Calculation

<table>
<thead>
<tr>
<th>Less</th>
<th>For Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve Funds For Operations (Per Annual Statement)</td>
<td>$20,270</td>
</tr>
<tr>
<td><strong>Earned Surplus Amount (Remit To CalHFA)</strong></td>
<td><strong>$1,137</strong></td>
</tr>
</tbody>
</table>
Cash

Unrestricted Cash Operating Accounts
Cash in office (petty cash) $600
Bank of America (general checking) 3,637
Total unrestricted cash $4,237

Restricted Cash Accounts
Bank of America (tenant deposits) $26,043
CalHFA (Tax and insurance impounds) 21,676
CalHFA (Reserve fund for operations) 20,270
CalHFA (Reserve for replacement) 69,426
Total restricted cash $137,415

Accounts Payable
Accounts payable consists of amounts payable to suppliers, which are due within 30 days of year-end.

Gross Potential Rents
Gross potential rent includes:

Tenants $157,632
Housing assistance payments 278,498
Employee unit 14,448
Vacancy loss 2,409
Bad Debt 414
Total gross potential rent $453,401

Management Fee
The term of the most recent management agreement expired on August 7, 20ZZ. However, the agreement states that upon expiration of the term of the contract, if not otherwise renewed, it shall be deemed to continue on a month-to-month basis.

The management fee authorized by CalHFA for 20YY is as follows:

12 X $2,948 monthly fee $35,376
Sample Apartments

Management Agent Certification
For The Year Ended December 31, 20YY

Audits submitted to HCD and CalHFA must be signed and dated

I hereby certify that I have examined the accompanying financial statements and supplementary information of Sample Apartments Company, as of and for the year ended December 31, 20YY, and to the best of my knowledge and belief, the same is complete and accurate.

Sign Name

AM Management Company
Sign Name, President

2/15/20ZZ
Date
Sample Apartments Company

**Partner’s Certification**

**For The Year Ended December 31, 20YY**

*Audits submitted to HCD and CalHFA must be signed and dated*

We hereby certify that we have examined the accompanying financial statements and supplementary data of Sample Apartments Company as of and for the year ended December 31, 20YY and to the best of our knowledge and belief, these financial statements and data are complete and accurate.

<table>
<thead>
<tr>
<th>Sign Name</th>
<th>President</th>
<th>2/15/20ZZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Title</td>
<td>Date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sign Name</th>
<th>CFO</th>
<th>2/15/20ZZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Title</td>
<td>Date</td>
</tr>
</tbody>
</table>

Federal Identification #94-xxxxxxx
Independent Auditor's 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

The Partners of
Sample Apartments Company
City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Sample Apartments, LP, which comprise the balance sheet as of December 31, 20YY, and the related statements of operations, changes in partners’ capital and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 20ZZ.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Sample Apartments, LP’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample, LP’s internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Apartments, LP’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Sample Apartments, LP’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.

**Purpose of This Report**
The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sample Apartments, LP’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Apartments, LP’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

City, California
February 15, 20ZZ
Sample Apartments Company

CalHFA Project #11-111-N

Summary of Audit Findings and Recommendations
For the Year Ended December 31, 20YY

Status of Prior Year Findings and Recommendations:
There were no findings and recommendations reported in the December 31, 20XX financial statements.

Findings and Recommendations:
1. Finding: During the audit of tenant files, the auditor noted two (2) instances where Sample Apartments did not perform background checks on potential tenants as required by the Department of HUD.

Recommendation: We recommend background checks be performed on all potential tenants and retained as a part of the tenant file.

Management Response: The management policy is to complete background checks, prior to move-in, on all applicants. Any missing background checks may have been in files of very long-term residents, move-ins prior to HUD requirement.