District of Columbia Housing Finance Agency, FHA-Insured Multifamily Housing Pass-Through Revenue Refunding Bonds, 2014 Series A (Federally Taxable), $42,615,830, Dated: May 30, 2014

Borrowers Audited Financial Statements 2016

AUDIT REPORT
OF
COLORADO AVENUE NORTHWEST COOPERATIVE, INC.

FISCAL YEAR ENDED DECEMBER 31, 2016

EGO & COMPANY, PC
Certified Public Accountants

7600 Georgia Avenue, NW
Suite 206
Washington, DC 20012
Phone: (202) 726-4050

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.

DECEMBER 31, 2016

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EGO & COMPANY, P.C.
Certified Public Accountants

Unmodified Opinion on Financial Statements Accompanied by Other Information

Independent Auditor's Report

To the Board of Directors
Colorado Avenue Northwest Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Avenue Northwest Cooperative, Inc. (CANCI), which comprise the financial position as of December 31, 2016 and the related statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the financial statements.

Management is responsible for the 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 U.S. OMB Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statement presentation.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CANCI as of December 31, 2016, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information such as schedule of operating expenses, computation of surplus cash, schedule of changes in fixed assets, and schedule of reserve for replacement are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of CANCI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering CANCI's internal control over financial reporting and compliance.

Ezo & Company, P.C.

Washington, DC
March 31, 2017

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
BALANCE SHEET
DECEMBER 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets:		
Cash - Operating	$ 179,576	$ 147,553
Cash - Savings - Security Deposits	27,264	21,431
	206,840	168,984
Accounts Receivable, net of allowance for doubtful accounts of $28,971	31,859	6,889
Other Assets	-	-
Total Current Assets	238,699	175,873
Restricted Deposits and Funded Reserves		
Mortgage Escrow Deposits	4,286	42,416
Reserve for Replacement Escrows	118,190	103,790
Debt Service Escrow	37,109	37,109
Total Restricted Deposits and Funded Reserves	159,585	183,315
Property & Equipment, net of accumulated depreciation of $899,620 (Note 3)	612,742	644,627
Total Assets	$ 1,011,026	$ 1,003,815
Liabilities & Members' Equity:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 341	$ 44,748
Prepaid Rent	15,347	2,870
Security Deposits Liability	21,537	17,370
Accrued Mortgage Interest	-	-
Other Current Liabilities	500	-
Mortgage and Notes Payable - Current (Note 4)	62,378	59,445
Total Current Liabilities	100,103	124,433
Mortgage and Notes Payable - Long Term (Note 4)	956,832	1,045,496
Members' Equity		
Membership Certificate of $100 Par Value, 36 Certificates Authorized, 24 Certificates Issued and Outstanding	2,400	2,400
Additional Paid-In Capital	61,100	61,100
Operating Surplus (Deficit) - Undesignated	(268,994)	(412,929)
Operating Surplus - Designated	159,585	183,315
Total Members' Equity	(45,909)	(166,114)
Total Liabilities & Equity	$ 1,011,026	$ 1,003,815

The accompanying notes are an integral part of these financial statements

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
Statement of Operations and Changes in Operating Surplus (Deficit)
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
REVENUES:		
Carrying Charges	$ 441,070	$ 423,616
Vacancies	(76,797)	(47,434)
Late Fees	600	50
Miscellaneous Income	3,458	1,602
Total Revenue	368,331	377,834
EXPENSES		
Administrative	43,762	102,031
Utilities	39,911	48,151
Repairs and Maintenance	49,410	90,749
Taxes and Insurance	25,921	22,755
Financial and Interest	59,563	60,568
Depreciation Expense	53,347	58,961
Total Expenses	271,914	383,215
Excess (Deficit) of Revenues over Expenses	96,417	(5,381)
Operating Surplus (Deficit) - Beginning	(166,114)	(315,689)
Other Adjustments (Note 9)	23,788	154,956
Operating Surplus (Deficit) - Ending	$ (45,909)	$ (166,114)

The accompanying notes are an integral part of these financial statements

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative ToTals for 2015)

	2015	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$ 96,417	$ (5,381)
Adjustments to reconcile net income to net cash flows from operating activities		
Adjustment to equity	23,788	154,956
Depreciation	53,347	58,961
(Increase)/decrease in accounts receivable	(24,970)	37,141
(Increase)/decrease in other assets	-	1,966
Increase/(decrease) in accounts payable & accrued expenses	(44,407)	15,069
Increase/(decrease) in prepaid rent	12,477	(247)
Increase/(decrease) in member security deposits liabilities	4,167	(1,949)
Increase/(decrease) in accrued mortgage interest	-	(179,215)
Increase/(decrease) in other current liabilities	500	-
Net Cash Provided by (Used in) Operating Activities	121,319	81,301
CASH FLOW FROM INVESTING ACTIVITIES		
Net change in restricted deposits and funding reserves	23,730	(17,183)
Net asset purchases	(21,462)	(2,713)
Net Cash Used in Investing Activities	2,268	(19,896)
CASH FLOW FROM FINANCING ACTIVITIES		
Mortgage principal payments	(85,731)	(32,504)
Net Cash Provided by Financing Activities	(85,731)	(32,504)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	37,856	28,901
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	168,984	140,083
CASH AND CASH EQUIVALENT, END OF YEAR	$ 206,840	$ 168,984

The accompanying notes are an integral part of these financial statements

Colorado Avenue Northwest Cooperative, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 - Organization

Colorado Avenue Northwest Cooperative, Inc. (Cooperative) is a cooperative housing corporation incorporated in the District of Columbia on July 17, 1995. The Cooperative owns the building located at 5746 Colorado Avenue, NW, Washington D.C. The property consists of 36 residential units. The primary purpose of the Cooperative is to manage the operations and maintain the common elements of the property.

Note 2 - Summary of Significant Accounting Policies

a) The books and records are maintained on the accrual basis of accounting.

b) Depreciation and Amortization - Fixed assets are depreciated on a straight line basis using a forty year estimated useful life for the building and a five year estimated useful life for furniture and equipment. Building improvements are depreciated over the estimated remaining life of the building. Fixed assets with a cost of $250 or greater are capitalized.

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

d) Cash and Cash Equivalents - Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

e) Member/Shareholder Assessments - Member/shareholders are subject to monthly assessments to provide funds for the Cooperative's operating expenses, future acquisitions, and major repairs and replacements. Member-shareholder receivables at the balance sheet date represent carrying charges due. The Cooperative's policy is to retain legal counsel against member-shareholders whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Cooperative for use in future years.

Colorado Avenue Northwest Cooperative, Inc.
Notes to Financial Statements
December 31, 2016

Note 3 - Fixed Assets

Property and equipment are recorded at cost and consists of the following at December 31, 2016:

Land	$ 150,000
Buildings and Improvements	1,232,981
Furniture and Equipment	129,381
Subtotal	1,512,362
Less - Accumulated Depreciation	(899,620)
Total	$ 612,742

Notes 4 - Mortgages and Notes Payable

Mortgages and notes payable are as follows at December 31, 2016:

District of Columbia Housing Finance Agency	$ 595,969
District of Columbia Government	110,530
District of Columbia Housing Finance Agency	312,711
	1,019,210
Less - Current Portion	62,378
Long - Term Portion	$ 956,862

District of Columbia Housing Finance Agency

The Promissory note is in the original amount of $1,000,000, dated November 13, 1997, payable in monthly principal and interest installments of $6,403 over a period of 30 years. The note bears interest at 6.625% per annum and is secured by a first deed of trust on the Cooperative's real estate. At December 31, 2016, the unpaid principal balance was $595,969.

District of Columbia Government

The promissory note was obtained under the First Right Purchase Program in the original amount of $646,800. The note proceeds were used to purchase the Cooperative building. On October 29, 1997, the Cooperative paid $454,300 and reduced the balance to $192,500. The new face amount of the note is payable in monthly installments of $619, including accrued interest, over a 30 year period. The note bears interest at 1 % per annum through year 3, 2% per annum years 4 to 6, 3% per annum years 7 to 9, 5% per annum years 10 to 30 and is secured by a first deed of trust on the Cooperative's real estate. At December 31, 2016, the unpaid principal balance was $110,530.

Notes 4 - Mortgages and Notes Payable (Continued)

District of Columbia Housing Finance Agency

This is a promissory note dated November 3, 2005 in the amount of $330,000 with a maturity date of 3 years or bond closing, whichever is earlier. The note bears interest at a rate of 4% per annum. If the note is not repaid when due, the unpaid amount shall bear interest at a default rate of 10% per annum from the due date until paid. The second modified maturity date is November 3, 2010. The note is secured by the property located at 5746 Colorado Avenue, Northwest. The note was in default, and was renegotiated on May 21, 2015 and included in the total renegotiated McKinney Act loan amount of $376,734.

The McKinney Act Loan modification agreement reduced the original amount due of $312,891 and accrued interest of $181,997 for a grand total of $494,888 to a reduced amount of $376,734, new original amount. The new note will mature in fifteen years and bears interest of two percent (2%) per annum, provided the borrower complies with the terms of the new agreement. The monthly principal and interest payment is $2,424.32. At December 31, 2016, the outstanding McKinney Act loan principal was $312,711.

Note 5 - Concentration of Credit Bank

The Cooperative's financial instruments that are exposed to concentrations of credit risk consist primarily of cash (including restricted deposits and funded reserves) and receivables. The Cooperative places its cash and temporary investments in financial institutions and may be in excess of FDIC insurance limits. The Cooperative routinely assesses the financial strength of its members and tenants and, as a consequence, believes that its receivables credit risk exposure is limited.

Note 6 - Income Taxes

The Cooperative generally is taxed only on nonmembership income, such as investments income and earnings from commercial operations. Earnings from member-shareholders, if any may be excluded from taxation if certain elections are made.

Note 6- Income Taxes (Continued)

For income tax purposes, as of December 31, 2016, the Cooperative has a net operating loss carry forward, which can be used to offset future income tax liabilities over the next 15 to 20 years in carrying amounts. Because of the uncertainty that the income tax benefits of these operating losses will be realized, there is no provision for income tax benefits in the statements of operations and changes in accumulated surplus (deficit). In addition, the balance sheet does not present deferred tax assets of deferred tax liabilities that might arise.

Note 7 - Management Agreement

The Cooperative is managed by a property manager. Management fees for the year ended December 31, 2016 amounted to $19,497.

Note 8 - Future Major Repairs and Replacements

The Cooperative's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Cooperative had a capital need analysis and replacement reserve analysis performed as of July 22, 2005 by On-Site Insight to estimate the remaining useful lives and the replacement costs of the common property components. The Cooperative has not begun funding for such major repairs and replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts to be designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Cooperative has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 9 – Other Adjustments

The adjustments were made to beginning equity balance to correctly record the modified McKinney Act loan liabilities in the FY 2015, including the related accrued interest.

Note 10 - Related Party Transactions

There were no related party transactions during the year.

Colorado Avenue Northwest Cooperative, Inc.
Supplementary Information of Future Major Repair and
Replacements (Unaudited)

December 31, 2016

On-Site Insight conducted a capital needs assessment and replacement reserve analysis as of July 22, 2005 to estimate the remaining useful lives and the replacements costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives assuming an annual inflation rate of 3%.

The following is based on the study and presents significant information about the components of common property for the next 20 years.

Components	Estimated Future Replacement Costs
Site Systems	$ 13,142
Mechanical	28,417
Building Mechanical and Electric	302,347
Building Architectural	243,723
Dwelling Units	549,426
	$ 1,137,055

The replacement reserve analysis presented two plans as follows:

Plan one requires current annual contributions to reserve accounts in the amount of $14,400. At the end of year 20, the reserve balances are projected to be ($744,316) indicating unmet needs projected in all years of the plan.

Plan two capitalizes the reserves with $500,000 in year 1 and requires additional contributions of $400 per unit ($14,400 annually) beginning in year 20, reserve balances are projected to be $175,291 and all projected capital needs are met throughout the plan.

Colorado Avenue Northwest Cooperative, Inc.
Schedule of Operating Expenses
For the Year Ended December 31, 2016

Administrative	
Other renting expense	900
Professional Fees	8,822
Management Fees	19,497
Advertisement/Marketing	-
Office/telephone Expense	3,311
Bad debt expense	-
Misc/Administrative	11,232
	43,762
Utilities	
Electricity	4,875
Water/Sewer	23,875
Gas	11,161
	39,911
Repairs and Maintenance	
Supplies	1,077
Maintenance Contract	14,605
Garbage and Trash Removal	4,072
Development expense	-
Miscellaneous	29,656
	49,410
Taxes and Insurance	
Real Estate Taxes	11,916
Property & Liability Insurance	11,395
Misc. Taxes, License & Permits	2,610
	25,921
Financial and Interest	
Interest on Mortgage and Note	52,320
Mortgage Insurance Premium	2,874
Other Service Fee	3,770
Misc. Financial Expenses	599
	59,563
Depreciation and Amortization Expenses	53,347
Total Operating Expenses	271,914

EGO & COMPANY, P.C.
Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colorado Avenue Northwest Cooperative, Inc.

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 Colorado Avenue Northwest Cooperative, Inc. (CANCI), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CANCI'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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weakness may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CANCI'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 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not for any other purpose.

Leon & Company, P.C.

Washington, DC
March 31, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Colorado Avenue Northwest Cooperative, Inc.

Report on Compliance for the Major Program

We have audited the Colorado Avenue Northwest Cooperative, Inc. (CANCI)'s compliance with the compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that could have a direct and material effect on each of CANCI's major programs for the year ended December 31, 2016. The CANCI's major federal programs and material compliance requirements are identified in the summary of auditor's results section on page 16.

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its programs Our responsibility is to express an opinion on compliance for CANCI's major programs based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the audit guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CANCI's compliance with those requirements and performing such other procedures that we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on CANCI's compliance.

Opinion on the Major Program

In our opinion, the CANCI complied, in all material respects, with the compliance requirements referred above that could have a direct and material effect on its major program for the year ended December 31, 2016.

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Report on Internal Control over Compliance

Management of the CANCI is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred above. In planning and performing our audit of compliance, we considered CANCI's internal control over compliance with the requirements that could have a direct and material effect on the major program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on the internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CANCI's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the audit guide. Accordingly, this report is not suitable for any other purpose.

Ego & Company, P.C.

Washington, DC
March 31, 2017

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
SUMMARY OF AUDITOR'S RESULTS AND FINDINGS
For the Year Ended December 31, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued	Unmodified Opinion
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified not considered to be material weakness (es)	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified not considered to be material weakness (es)	No
Type of Auditor's report issued on compliance for major program	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

Name of Federal Program or Cluster	CFDA#
None	

Dollar threshold used to distinguish between Type A and Type B Programs	750,000
Auditee qualified as low-risk auditee?	Yes

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CURRENT YEAR
For the Year Ended December 31, 2016

There were no findings in FY 2016.

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATUS OF PRIOR YEARS' FINDINGS
For the Year Ended December 31, 2016

There were no prior years' findings.

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
Supplemental Schedule - Changes in Fixed Assets
December 31, 2016

	Cost			Accumulated Depreciation			
	Balance @ 1/1/2016	FY 2016 Additions	Balance @ 12/31/2016	Balance @ 1/1/2016	FY 2016 Depreciation Expense	Balance @ 12/31/2016	Net Book Value @ 12/31/2016
Land	150,000	-	150,000	-	-	-	150,000
Building & Improvements	1,232,981	-	1,232,981	752,033	44,634	796,667	436,314
Capital/Equipment Improvements	107,918	21,462	129,380	94,239	8,713	102,952	26,428
Total Property & Equipment	1,490,899	21,462	1,512,361	846,272	53,347	899,619	612,742

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
Schedule of Reserve for Replacements
December 31, 2016

Balance, 1/1/2016	$	103,790
Deposits		14,400
Interest Income		-
Total Deposits		14,400
Withdrawals		-
Balance, 12/31/2016	$	118,190

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.
Computation of Surplus Cash
December 31, 2016

Cash	$	206,840
Less:		
Accounts payable & accrued expenses		341
Security deposits liability		21,537
Prepaid rent		15,347
Accrued mortgage interest		-
Other current liabilities		500
Mortgage and notes payable - current (Note 4)		62,378
Total current liabilities		100,103
Total Surplus Cash	$	106,737

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.

December 31, 2016

CERTIFICATION BY PROJECT OWNER

I hereby certify that I have examined the accompanying financial statements and supplemental information of Colorado Avenue Northwest Cooperative, Inc (CANCI), DC-DHCD contract number 95-30, and to the best of my knowledge and belief, the said financial statements and supplemental information of CANCI as of December 31, 2016 are complete, true, and accurate.

MEMBER OF BOARD OF DIRECTORS

Ms. Lea Franklin Date
President

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental information of Colorado Avenue Northwest Cooperative, Inc (CANCI), DC-DHCD contract number 95-30, and to the best of my knowledge and belief, the said financial statements and supplemental information of CANCI as of December 31, 2016 are complete, true, and accurate.

Vision Realty Management, LLC.

Mario Lloyde Date
Managing Member

COLORADO AVENUE NORTHWEST COOPERATIVE, INC.

December 31, 2016

CERTIFICATION BY PROJECT OWNER

I hereby certify that I have examined the accompanying financial statements and supplemental information of Colorado Avenue Northwest Cooperative, Inc (CANCI), DC-DHCD contract number 95-30, and to the best of my knowledge and belief, the said financial statements and supplemental information of CANCI as of December 31, 2016 are complete, true, and accurate.

MEMBER OF BOARD OF DIRECTORS

M. Lea Franklin 5/10/2017

Ms. Lea Franklin Date
President

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental information of Colorado Avenue Northwest Cooperative, Inc (CANCI), DC-DHCD contract number 95-30, and to the best of my knowledge and belief, the said financial statements and supplemental information of CANCI as of December 31, 2016 are complete, true, and accurate.

Vision Realty Management, LLC.

5/10/2017

Mario Lloyde Date
Managing Member

Walbraff Associates L.P.

Financial Statements

For The Years Ended
December 31, 2016
And 2015 (As Adjusted)

HERTZBACH
certified public accountants · consultants

Walbraff Associates L.P.

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For The Years Ended December 31, 2016 And 2015 (As Adjusted)

HERTZBACH
certified public accountants · consultants

Independent Auditors' Report

To The Partners
Walbraff Associates L.P.
1477 Newton Street, NW
Washington, DC 20010

Report on the Financial Statements

We have audited the accompanying financial statements of Walbraff Associates L.P., which comprise the balance sheets as of December 31, 2016 and 2015 (As Adjusted), and the related statements of operations, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit 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 auditors' 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 Walbraff Associates L.P. as of December 31, 2016 and **2015** (As Adjusted), and the results of its operations, changes in partners' deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As explained in Note 2 to the financial statements, in 2016 Walbraff Associates L.P. adopted Accounting Standards Update number 2015-03, which simplifies the presentation of debt issuance costs. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 - 23 is presented for purposes of additional analysis, and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 15 - 23 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. Such 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 accompanying supplementary information shown on pages 15 - 23 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2017 on our consideration of Walbraff Associates 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* in considering Walbraff Associates L.P.'s internal control over financial reporting and compliance.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 1, 2017

Name of Audit Firm:	Hertzbach & Company, P.A.
Address:	Red Brook Corporate Center 800 Red Brook Boulevard, Suite 300 Owings Mills, Maryland 21117
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FINANCIAL

STATEMENTS

Walbraff Associates L.P.
Balance Sheets

December 31,		2016		2015 (As Adjusted)
Assets				
CURRENT ASSETS				
Cash And Cash Equivalents	$	177,404	$	154,742
Tenant Rents Receivable		175		207
Prepaid Expenses		9,431		8,814
Total Current Assets		187,010		163,763
DEPOSITS HELD IN TRUST - FUNDED				
Tenant Security Deposits (Contra)		14,204		13,875
Total Deposits Held In Trust		14,204		13,875
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Mortgage Escrow Deposits		26,870		17,158
Reserve For Replacements		112,787		105,783
Other Reserve		84,512		84,512
Total Deposits And Funded Reserves		224,169		207,453
PROPERTY AND EQUIPMENT				
Land And Land Improvements		185,337		185,337
Buildings And Improvements		3,355,173		3,355,173
Furniture And Fixtures		73,473		73,473
Total Fixed Assets		3,613,983		3,613,983
Less: Accumulated Depreciation		1,612,854		1,530,038
Total Property And Equipment		2,001,129		2,083,945
TOTAL ASSETS	$	2,426,512	$	2,469,036

Walbraff Associates L.P.
Balance Sheets

December 31,	2016	2015 (As Adjusted)
Liabilities And Partners' Deficit		
CURRENT LIABILITIES		
Accounts Payable	$ 24,137	$ 15,963
Accrued Wages Payable	-	203
Accured Management Fee Payable	61	1,827
Accrued Interest Payable - Mortgage Payable	9,670	9,670
Accrued Interest Payable - Note Payable - DHCD	319,000	296,000
Accrued Real Estate Taxes	5,720	5,606
Mortgage Payable, Current Maturities	32,651	30,574
Note Payable - DHCD	400,000	400,000
Prepaid Rent	7,790	2,200
Total Current Liabilities	799,029	762,043
DEPOSIT LIABILITIES		
Tenant Security Deposits (Contra)	11,542	11,454
Total Deposit Liabilities	11,542	11,454
LONG-TERM LIABILITIES		
Mortgage Payable, Net Of Current Maturities And Unamortized Financing Fees Of $150,327 - 2016 And $156,935 - 2015	1,491,898	1,517,942
Purchase Money Notes Payable	528,215	528,215
Operating Deficit Loans	6,005	6,005
Accrued Interest Payable - Purchase Money Notes Payable	948,255	861,404
Total Long-Term Liabilities	2,974,373	2,913,566
TOTAL LIABILITIES	3,784,944	3,687,063
PARTNERS' DEFICIT		
Partners' Deficit	(1,358,432)	(1,218,027)
TOTAL LIABILITIES AND PARTNERS' DEFICIT	$ 2,426,512	$ 2,469,036

Walbraff Associates L.P.
Statements Of Operations

For The Years Ended December 31,	2016	2015 (As Adjusted)
RENTAL REVENUE		
Rent Revenue - Gross Potential	$ 421,513	$ 361,035
Tenant Assistance Payments	-	54,503
Total Rent Revenue	421,513	415,538
VACANCIES		
Apartments	2,957	6,128
Rental Concessions	200	50
Total Vacancies	3,157	6,178
Net Rental Revenue	418,356	409,360
FINANCIAL REVENUE		
Revenue From Investments - Replacement Reserve	4	3
Total Financial Revenue	4	3
OTHER REVENUE		
Laundry And Vending Revenue	-	937
Tenant Charges	1,785	2,138
Miscellaneous Revenue	55	4,268
Total Other Revenue	1,840	7,343
Total Revenue	420,200	416,706

Walbraff Associates L.P.
Statements Of Operations
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
ADMINISTRATIVE EXPENSES		
Conventions And Meetings	$ 13	$ -
Other Renting Expense	-	25
Office Salaries	10,563	10,366
Office Expense	8,396	7,393
Management Fee	25,718	23,870
Manager Salaries	15,845	19,651
Administrative Rent Free Unit	6,694	5,069
Legal Expense - Project	293	1,059
Audit Expense	11,250	10,500
Bad Debts	19	6,573
Miscellaneous Administrative Expenses	2,383	538
Total Administrative Expenses	81,174	85,044
UTILITY EXPENSES		
Electricity	2,575	2,878
Water	27,690	28,320
Total Utility Expenses	30,265	31,198
OPERATING AND MAINTENANCE EXPENSES		
Maintenance Payroll	22,484	22,206
Supplies	35,370	26,051
Contracts	9,839	12,223
Garbage And Trash Removal	13,847	12,871
Heating/Cooling Repairs And Maintenance	2,997	2,230
Snow Removal	80	60
Miscellaneous Operating And Maintenance Expenses	5,207	6,176
Total Operating And Maintenance Expenses	89,824	81,817

Walbraff Associates L.P.
Statements Of Operations
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
TAXES AND INSURANCE		
Real Estate Taxes	$ 22,992	$ 22,424
Payroll Taxes	4,688	4,375
Property And Liability Insurance	6,901	5,375
Fidelity Bond Insurance	121	243
Workmen's Compensation	1,371	1,760
Health Insurance And Other Employee Benefits	91	95
Miscellaneous Taxes, Licenses, Permits And Insurance	2,851	250
Total Taxes And Insurance	39,015	34,522
FINANCIAL EXPENSES		
Interest On Mortgage Payable	115,970	117,878
Interest On Notes Payable	109,851	104,742
Mortgage Insurance Premium	8,315	8,472
Miscellaneous Financial Expense	3,375	6,913
Total Financial Expenses	237,511	238,005
Total Expenses Before Depreciation	477,789	470,586
Loss Before Depreciation	(57,589)	(53,880)
Depreciation	82,816	82,836
Operating Loss	(140,405)	(136,716)
Net Loss	$ (140,405)	$ (136,716)

Walbraff Associates L.P.
Statements Of Changes In Partners' Deficit

For The Years Ended December 31, 2016 And 2015 (As Adjusted)

	General Partner 0.010%	Limited Partner 99.99%	Total 100%
Balance - January 1, 2015	$ (239)	$ (1,081,072)	$ (1,081,311)
Net Loss For The Year Ended December 31, 2015	(14)	(136,702)	(136,716)
Balance - December 31, 2015	(253)	(1,217,774)	(1,218,027)
Net Loss For The Year Ended December 31, 2016	(14)	(140,391)	(140,405)
Balance - December 31, 2016	$ (267)	$ (1,358,165)	$ (1,358,432)

Walbraff Associates L.P.
Statements Of Cash Flows

For The Years Ended December 31,	2016	2015 (As Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received For:		
Rental Income	$ 423,978	$ 414,793
Interest Income	4	3
Other Income	1,840	7,343
Total Cash Receipts	425,822	422,139
Cash Paid For Services And To Employees For:		
Administrative Expenses	(40,142)	(36,318)
Management Fees	(27,484)	(24,013)
Utilities	(30,265)	(31,198)
Salaries And Wages	(38,532)	(53,817)
Operating And Maintenance	(58,636)	(59,971)
Real Estate Taxes	(23,090)	(22,626)
Insurance	(8,889)	(9,383)
Miscellaneous Taxes And Insurance	(7,539)	(4,625)
Tenant Security Deposits	(241)	(1,340)
Interest - Mortgage	(109,362)	(111,270)
Mortgage Insurance Premium	(8,315)	(8,472)
Miscellaneous Financial Expenses	(3,375)	(6,913)
Total Cash Disbursements	(355,870)	(369,946)
Net Cash Provided By Operating Activities	69,952	52,193
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase In Escrow Deposits	(9,712)	(233)
Increase In Replacement Reserve	(7,004)	(7,003)
Acquisition Of Property And Equipment	-	(1,180)
Net Cash Used In Investing Activities	(16,716)	(8,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage Principal Payments	(30,574)	(28,630)
Net Cash Used In Financing Activities	(30,574)	(28,630)
Net Increase In Cash	22,662	15,147
Unrestricted Cash - Beginning Of Year	154,742	139,595
Unrestricted Cash - End Of Year	$ 177,404	$ 154,742

Walbraff Associates L.P.
Statements Of Cash Flows
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Loss	$ (140,405)	$ (136,716)
Adjustments To Reconcile Net Loss To Net Cash Provided By Operating Activities		
Depreciation	82,816	82,836
Amortization Of Financing Fees	6,608	6,608
(Increase) Decrease In Operating Assets		
Tenant Rents Receivable	32	4,260
Prepaid Expenses	(617)	(2,248)
Tenant Security Deposits	(329)	(2,147)
Increase (Decrease) In Operating Liabilities		
Accounts Payable	8,173	(5,521)
Accrued Expenses	(1,855)	(1,601)
Accrued Interest Payable	109,851	104,742
Security Deposit Liability	88	807
Prepaid Rent	5,590	1,173
Net Cash Provided By Operating Activities	$ 69,952	$ 52,193

The Accompanying Notes Are An Integral Part Of These Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Walbraff Associates L.P. (the "Partnership") was organized in the District of Columbia on July 13, 1999 for the purpose of constructing and operating a rental housing project under the Section 542 (c) Housing Finance Agency Risk-sharing program of the National Housing Act of the Federal Housing Administration (FHA) and regulations defined by the Department of Housing and Urban Development (HUD). The loan is coinsured by HUD. The Project consists of 28 units located in Washington, DC, and is currently operating under the name of Walbraff Apartments (the "Project").

The Project is a single building which has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42") which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of 15 consecutive years (the "Compliance Period") in order to remain qualified to receive the credits. In addition, the Partnership has executed an Extended Low-Income Housing Covenant for low-income housing tax credits with the District of Columbia Housing Finance Agency (DCHFA), which requires the utilization of the Project pursuant to Section 42 for a minimum of 15 years after the Compliance Period. In addition, the Partnership has entered into a land use restriction agreement which requires utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if disposition of the Project by the Partnership occurs.

Cash distributions are limited by agreements between the Partnership, DCHFA and HUD to the extent of surplus cash, as defined by DCHFA and HUD.

METHOD OF ACCOUNTING - The books and records are maintained on the accrual basis in accordance with the requirements of the Federal Housing Administration and accounting principles generally accepted in the United States of America. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

CASH AND CASH EQUIVALENTS - The Partnership considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

IMPAIRMENT OF LONG-LIVED ASSETS - The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended December 31, 2016 and 2015.

INTEREST - The Partnership has adopted the Financing Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of the note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Partnership is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 7 for more information.

INCOME TAXES - The Partnership files a partnership tax return and the net income or loss is reported by the partners on their respective income tax returns.

December 31, 2016 And 2015 (As Adjusted)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

RENTAL INCOME - Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases.

ADVERTISING - The Partnership expenses the costs of advertising the first time the advertising takes place.

2. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Partnership affected a change in accounting principle related to Accounting Standard Update (ASU) number 2015-03. ASU 2015-03 updated FASB ASC 835, *Interest*, by simplifying the presentation of debt issuance costs. The Partnership transitioned from reporting financing fees net of amortization as a deferred asset on the balance sheet, to reporting them as a direct deduction from the related debt. The Partnership also transitioned from reporting amortization of financing fees as amortization expense to reporting it as interest expense. The change in accounting principle was retrospectively applied to the 2015 financial statements and resulted in the following adjustments:

Financial Statement Line Item	Balance As Previously Reported	Balance As Adjusted
Balance Sheet		
Financing Fees, Net Of Accumulated Amortization	$ 156,935	$ -
Long-Term Debt - Mortgage Payable, Net Of Current Maturities	1,674,877	1,517,942
Income Statement		
Interest On Mortgage Payable	111,270	117,878
Amortization	6,608	-

3. CASH - ESCROW AND TENANT SECURITY DEPOSITS

The amounts of $14,204 and $13,875, respectively, as of December 31, 2016 and 2015, on the accompanying balance sheets, represent funds deposited in a savings account with a balance which should be at least equal to the tenants' security deposits. District of Columbia Rent Escrow Law requires the Partnership to maintain a separate account for deposits paid by the tenants, and to credit the deposits with interest every year, for at least the statement savings rate then prevailing on January 1 and July 1 for each six month period, or part thereof, of tenancy following those dates. On those dates, the statement savings rate in the financial institution the escrow is held will be used to compute the interest amount. No interest is required to be paid for any tenancy duration less than twelve months. Tenant security deposits are held in a federally insured bank.

4. CONCENTRATION OF RISK

The Partnership maintains cash balances at various financial institutions. These balances are secured by the Federal Deposit Insurance Corporation. At December 31, 2016 and 2015, cash balances did not exceed the insured amounts.

5. RENTS RECEIVABLE

Management is of the opinion that all of the Partnership's rent receivable are fully collectible and that no allowance for doubtful accounts is required.

6. RESERVES

REPLACEMENT RESERVE – Under the terms of the Loan Agreement, the Partnership established a reserve account, for the replacement of project assets, with required monthly deposits of $583. The reserve is held by DCHFA. As of December 31, 2016 and 2015, the balance in the replacement reserve account was $112,787 and $105,783, respectively.

DEBT SERVICE RESERVE – Under the terms of the Partnership Agreement, the Partnership was required to make an initial deposit to the Series 1999 A Bond Revenue Fund and Series 1999 A Debt Service Reserve that is to be held by the trustee. The debt service reserve is held by US Bank. As of December 31, 2016 and 2015, the balance in the reserve account was $84,512.

7. LONG-TERM DEBT

Walbraff Associates L.P. obtained financing for the acquisition and construction of the rental property from various sources:

FIRST MORTGAGE - The Partnership is obligated under the terms of a mortgage held by the District of Columbia Housing Finance Agency in the original amount of $2,000,000, which was executed on September 1, 1999. Financing fees related to the mortgage were $264,312 and are being amortized to interest expense on a straight-line basis over the term of the loan. The mortgage bears interest at a nominal rate of 6.59% per annum and an effective interest rate of 7.06% per annum with monthly principal and interest payments of $11,838. The mortgage is secured by the underlying real estate, rents, and other assets of the Partnership and matures in September of 2039. The mortgage is co-insured by HUD. The outstanding principal and accrued interest balances as of December 31, 2016 and 2015 are $1,674,876 and $9,670, respectively, for 2016, and $1,705,451 and $9,670, respectively, for 2015. Unamortized financing fees for the years ended December 31, 2016 and 2015 were $150,327 and $156,935, respectively. Interest expense for the years ended December 31, 2016 and 2015 was $115,970 and $117,878, respectively, including amortized financing fees of $6,608 for each year.

Under agreements with the lender and FHA, the Partnership is required to make monthly escrow deposits to accounts held by DCHFA for taxes, insurance, and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenses, and distributions.

7. LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

2017	$	32,651
2018		34,869
2019		37,238
2020		39,767
2021		42,468
2022 And After		1,487,883
Total	$	1,674,876

Estimated financing fees being amortized to interest expense for each of the next five years are $6,608.

NOTE PAYABLE - The Partnership is obligated under the terms of a note held by DHCD, in the original amount of $400,000, dated September 22, 1999, and maturing on December 31, 2014. There were no financing fees incurred related to this mortgage. Beginning January 1, 2000, the note bears interest at 3% per annum, increasing 0.5% every other year until maturity. Payments of interest only, which are subordinate to the DCHFA mortgage, begin February 1, 2001 and are payable from surplus cash. The note is secured by the rental property. The principal and accrued interest balances as of December 31, 2016 and 2015 are $400,000 and $319,000, respectively, for 2016, and $400,000 and $296,000, respectively, for 2015. The loan matured on December 31, 2014 however the Partnership has received a term sheet from a local bank (United Bank) to refinance the DHCD note. According to management, as of the report date, DHCD has not issued any default notices or payment requests and refinancing is expected to close in 2017.

8. PARTNERS' CAPITAL

The Partnership has one general partner, PIC East Side Development Corporation, which has a 0.010% interest, and is responsible for capital contributions of $10; one limited partner, Walbraff Associates, L.P., which has a 99.99% interest, and is responsible for capital contributions of $1,247,656, net of a credit adjuster of $8,944. In addition, the Partnership has one special limited partner, SLP, Inc., that has no ownership interest, but maintains certain rights, as outlined in the Partnership Agreement. As of December 31, 2016 and 2015 all capital contributions have been received.

9. RELATED PARTY TRANSACTIONS

PRIORITY RETURN DISTRIBUTION – The Partnership is obligated, as defined in the Partnership Agreement, to make an annual priority distribution, in the amount of $3,500, adjusted annually for CPI, to the investor limited partner. The priority distribution is cumulative and payable from Cash Flow. As of December 31, 2016 and 2015, priority distributions payable are $59,413 and $54,495, respectively. These distributions are not recorded on the accompanying financial statements and will not be recorded until they can be paid.

PURCHASE MONEY NOTES – The Partnership entered into three purchase money note agreements with the general partner, totaling $528,215. There were no financing fees incurred related to these notes. The notes are unsecured and bear interest at 6.25%, compounded annually. Payments of principal and interest are payable from Available Cash Flow, as defined in the Partnership Agreement. The principal and accrued interest balances as of December 31, 2016 and 2015 are $528,215 and $948,255, respectively, for 2016, and $528,215 and $861,404, respectively, for 2015.

9. RELATED PARTY TRANSACTIONS (CONTINUED)

OPERATING DEFICIT LOANS – The general partner was obligated to advance funds to the Partnership, up to an aggregate amount of $150,000, for operating deficits incurred from the date of admission of the limited partner through July 2003. After July 2003, the general partner is only obligated to advance funds for operating deficits up to an aggregate amount of $75,000. Any loans are noninterest bearing and are payable from Cash Flow. As of December 31, 2016 and 2015, unpaid operating deficit loans amounted to $6,005.

10. PROPERTY MANAGEMENT FEE

The Partnership is obligated under the terms of a Property Management Agreement with NMI Property Management, LLC, an unrelated party, to manage the Project. Fees are calculated based on 6% of total collections and are due monthly, as defined in the agreement. The original term of the contract was for one year beginning May 2008 and has been renewed annually under the same terms. Property Management fees totaling $25,718 and $23,870, respectively, were incurred for the years ending December 31, 2016 and 2015, and as of December 31, 2016 and 2015, $61 and $1,827, respectively, remains payable.

11. COMMITMENTS AND CONTINGENCIES

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

12. DISTRIBUTIONS

Cash Flow, as defined in the Partnership Agreement, is to be distributed as follows:

1. To the limited partner, distributions equal to the cumulative priority distribution, as outlined in the Partnership Agreement.
2. To the general partner, any Operating Deficit Loans;
3. To any accrued interest and principal, in accordance with the Purchase Money Note Agreements;
4. remaining balance, to be distributed 90.1% to the limited partner, and 9.9% to the general partner

If at any time the Project experiences a recapture of low-income housing credits, as defined in the Partnership Agreement, the investor limited partner shall become entitled to additional cash distributions equal to the recapture amount.

13. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date for potential recognition or disclosure through the independent auditors' report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

SUPPLEMENTARY

INFORMATION

Walbraff Associates L.P.
Supporting Data Required By HUD
Balance Sheet Data

December 31, 2016

Assets

CURRENT ASSETS			
1120	Cash And Cash Equivalents	$ 177,404	
1130	Tenant Rents Receivable	175	
1200	Prepaid Expenses	9,431	
1100T	Total Current Assets		$ 187,010
DEPOSITS HELD IN TRUST - FUNDED			
1191	Tenant Security Deposits (Contra)	14,204	
	Total Deposits Held In Trust		14,204
RESTRICTED DEPOSITS AND FUNDED RESERVES			
1310	Mortgage Escrow Deposits	26,870	
1320	Reserve For Replacements	112,787	
1330	Other Reserves	84,512	
1300T	Total Deposits And Funded Reserves		224,169
PROPERTY AND EQUIPMENT			
1410	Land And Land Improvements	185,337	
1420	Buildings And Improvements	3,355,173	
1450	Furniture And Fixtures	73,473	
1400T	Total Fixed Assets	3,613,983	
1495	Less: Accumulated Depreciation	1,612,854	
1400N	Total Property And Equipment		2,001,129
1000T	TOTAL ASSETS		$ 2,426,512

Walbraff Associates L.P.
Supporting Data Required By HUD
Balance Sheet Data

December 31, 2016

Liabilities And Partners' Deficit

CURRENT LIABILITIES			
2110	Accounts Payable	$ 24,137	
2123	Accrued Management Fee Payable	61	
2131	Accrued Interest Payable - Mortgage Payable	9,670	
2133	Accrued Interest Payable - Note Payable - DHCD	319,000	
2150	Accrued Real Estate Taxes	5,720	
2170	Mortgage Payable, Current Maturities	32,651	
2173	Note Payable - DHCD	400,000	
2210	Prepaid Rent	7,790	
2122T	Total Current Liabilities		$ 799,029
DEPOSIT LIABILITIES			
2191	Tenant Security Deposits (Contra)	11,542	
	Total Deposit Liabilities		11,542
LONG-TERM LIABILITIES			
2320	Mortgage Payable, Net Of Current Maturities And Unamortized Financing Fees Of $150,327	1,491,898	
2324	Purchase Money Notes Payable	528,215	
2327	Operating Deficit Loans	6,005	
2330	Accrued Interest - Purchase Money Notes Payable	948,255	
2300T	Total Long-Term Liabilities		2,974,373
2000T TOTAL LIABILITIES			3,784,944
PARTNERS' DEFICIT			
3130	Partners' Deficit		(1,358,432)
2033T TOTAL LIABILITIES AND PARTNERS' DEFICIT			$ 2,426,512

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Operations Data

For The Year Ended December 31, 2016

RENTAL REVENUE		
5120	Rent Revenue - Gross Potential	$ 421,513
5100T	Total Rent Revenue	421,513
VACANCIES		
5220	Apartments	2,957
5250	Rental Concessions	200
5200T	Total Vacancies	3,157
5152N	Net Rental Revenue	418,356
FINANCIAL REVENUE		
5440	Revenue From Investments - Replacement Reserve	4
5400T	Total Financial Revenue	4
OTHER REVENUE		
5920	Tenant Charges	1,785
5990	Miscellaneous Revenue	55
5900T	Total Other Revenue	1,840
5000T	Total Revenue	420,200

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Operations Data
(Continued)

For The Year Ended December 31, 2016

ADMINISTRATIVE EXPENSES		
6203	Conventions And Meetings	$ 13
6310	Office Salaries	10,563
6311	Office Expense	8,396
6320	Management Fee	25,718
6330	Manager Salaries	15,845
6331	Administrative Rent Free Unit	6,694
6340	Legal Expense - Project	293
6350	Audit Expense	11,250
6370	Bad Debts	19
6390	Miscellaneous Administrative Expenses - Travel $716; Training $119; Payroll Processing $561; Miscellaneous $987	2,383
6263T	Total Administrative Expenses	81,174
UTILITY EXPENSES		
6450	Electricity	2,575
6451	Water	27,690
6400T	Total Utility Expenses	30,265
OPERATING AND MAINTENANCE EXPENSES		
6510	Maintenance Payroll	22,484
6515	Supplies	35,370
6520	Contracts	9,839
6525	Garbage And Trash Removal	13,847
6546	Heating/Cooling Repairs And Maintenance	2,997
6548	Snow Removal	80
6590	Miscellaneous Operating And Maintenance Expenses - Project Management Fee $2,515; Miscellaneous $2,692	5,207
6500T	Total Operating And Maintenance Expenses	89,824

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Operations Data
(Continued)

For The Year Ended December 31, 2016

TAXES AND INSURANCE			
6710	Real Estate Taxes	$	22,992
6711	Payroll Taxes		4,688
6720	Property And Liability Insurance		6,901
6721	Fidelity Bond Insurance		121
6722	Workmen's Compensation		1,371
6723	Health Insurance And Other Employee Benefits		91
6790	Miscellaneous Taxes, Licenses, Permits And Insurance - Miscellaneous $2,851		2,851
6700T	Total Taxes And Insurance		39,015
FINANCIAL EXPENSES			
6820	Interest On Mortgage Payable		115,970
6830	Interest On Notes Payable		109,851
6850	Mortgage Insurance Premium		8,315
6890	Miscellaneous Financial Expenses - Tax Credit Monitoring Fee $1,260; Miscellaneous $2,115		3,375
6800T	Total Financial Expenses		237,511
6000T	Total Expenses Before Depreciation		477,789
5060T	Loss Before Depreciation		(57,589)
6600	Depreciation		82,816
5060N	Operating Loss		(140,405)
3250	Net Loss	$	(140,405)
S1000-010	Total mortgage principal payments required during the year -	$	30,574
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement -	$	7,000
S1000-030	Replacement reserves or residual receipts releases which are included as expense items on this profit and loss statement -	$	-
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement -	$	-
S3100-120	Mortgage Payable note detail (Section 236 only) Interest reduction payments from subsidy	$	-

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Changes In Partners' Deficit Data

For The Year Ended December 31, 2016

	General Partner 0.010%	Limited Partner 99.99%	Total 100%
S110-010 PARTNERS' DEFICIT - BEGINNING OF YEAR	$ (253)	$ (1,217,774)	$ (1,218,027)
3250 LESS: NET LOSS FOR THE YEAR	(14)	(140,391)	(140,405)
3130 PARTNERS' DEFICIT - END OF THE YEAR	$ (267)	$ (1,358,165)	$ (1,358,432)

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Cash Flows Data

For The Year Ended December 31, 2016

	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Cash Received For:		
S1200-010	Rental Income	$	423,978
S1200-020	Interest Income		4
S1200-030	Other Income		1,840
S1200-040	Total Cash Receipts		425,822
	Cash Paid For Services And To Employees For:		
S1200-050	Administrative Expenses		(40,142)
S1200-070	Management Fees		(27,484)
S1200-090	Utilities		(30,265)
S1200-100	Salaries And Wages		(38,532)
S1200-110	Operating And Maintenance		(58,636)
S1200-120	Real Estate Taxes		(23,090)
S1200-140	Insurance		(8,889)
S1200-150	Miscellaneous Taxes And Insurance		(7,539)
S1200-160	Tenant Security Deposits		(241)
S1200-180	Interest - Mortgage		(109,362)
S1200-210	Mortgage Insurance Premium		(8,315)
S1200-220	Miscellaneous Financial Expenses		(3,375)
S1200-230	Total Cash Disbursements		(355,870)
S1200-240	Net Cash Provided By Operating Activities		69,952
	CASH FLOWS FROM INVESTING ACTIVITIES:		
S1200-245	Increase In Escrow Deposits		(9,712)
S1200-250	Increase In Replacement Reserve		(7,004)
S1200-350	Net Cash Used In Investing Activities		(16,716)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
S1200-360	Mortgage Principal Payments		(30,574)
S1200-460	Net Cash Used In Financing Activities		(30,574)
S1200-470	Net Increase In Cash		22,662
S1200-480	Unrestricted Cash - Beginning Of Year		154,742
S1200T	Unrestricted Cash - End Of Year	$	177,404

Walbraff Associates L.P.
Supporting Data Required By HUD
Statement Of Cash Flows Data
(Continued)

For The Year Ended December 31, 2016

	RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
3250	Net Loss	$	(140,405)
	Adjustments To Reconcile Net Loss To Net Cash		
	Provided By Operating Activities		
6600	Depreciation		82,816
S1200-486	Amortization Of Financing Fees		6,608
	(Increase) Decrease In Operating Assets		
S1200-490	Tenant Rents Receivable		32
S1200-520	Prepaid Expenses		(617)
S1200-530	Tenant Security Deposits		(329)
	Increase (Decrease) In Operating Liabilities		
S1200-540	Accounts Payable		8,173
S1200-560	Accrued Expenses		(1,855)
S1200-570	Accrued Interest Payable		109,851
S1200-580	Security Deposit Liability		88
S1200-590	Prepaid Rent		5,590
S1200-610	Net Cash Provided By Operating Activities	$	69,952

Walbraff Associates L.P.
Supporting Data Required By HUD
Schedule Of Surplus Cash

December 31, 2016

CASH			
S1300-010	Cash	$	191,608
S1300-040	Total Cash		191,608
CURRENT OBLIGATIONS			
S1300-050	Accrued Mortgage (Or Bond) Interest Payable		9,670
S1300-075	Accounts Payable - 30 Days		24,137
S1300-100	Accrued Expenses (Not Escrowed)		61
2210	Prepaid Rent		7,790
2191	Tenant Deposits Held In Trust (Contra)		11,542
S1300-140	Total Current Obligations		53,200
S1300-150	Surplus Cash (Deficiency)	$	138,408
S1300-200	Amount Available For Distribution During Next Fiscal Period	$	138,408

Walbraff Associates L.P.
Supporting Data Required By HUD

For The Year Ended December 31, 2016

CHANGES IN FIXED ASSETS:

		ASSETS			
		Balance 1/1/16	Additions	Deductions	Balance 12/31/16
1410	Land And Land Improvements	$ 185,337	$ -	$ -	$ 185,337
1420	Buildings And Improvements	3,355,173	-	-	3,355,173
1450	Furniture And Fixtures	73,473	-	-	73,473
	TOTAL	$ 3,613,983	$ -	$ -	$ 3,613,983

Walbraff Associates L.P.
Supporting Data Required By HUD

For The Year Ended December 31, 2016

	ACCUMULATED DEPRECIATION				
	Balance 1/1/16	Net Provisions	Deductions	Balance 12/31/16	Net Book Value 12/31/16
1495	$ 35,336	$ -	$ -	$ 35,336	$ 150,001
1495	1,424,554	81,189	-	1,505,743	1,849,430
1495	70,148	1,627	-	71,775	1,698
	$ 1,530,038	$ 82,816	$ -	$ 1,612,854	$ 2,001,129

See Independent Auditors' Report

Walbraff Associates L.P.
Supporting Data Required By HUD

December 31, 2016

MANAGEMENT FEE RATE: 6%

IDENTITY OF INTEREST FIRMS: None

LIST OF IDENTITY OF INTEREST COMPANIES AND ACTIVITIES
DOING BUSINESS WITH OWNER/AGENT: None

Identity of Interest amounts accrued: None

PARTNERSHIP EMPLOYER IDENTIFICATION NUMBER: 52-2184374

RESERVE FOR REPLACEMENTS:

In accordance with the loan and other regulatory agreements, restricted cash is held by the District of Columbia Housing Finance Agency to be used for the replacement of property, as follows:

Balance - January 1, 2016	$	105,783
Monthly deposits ($583.33 x 12)		7,000
Interest Income		4
Balance - December 31, 2016 confirmed by mortgagee	$	112,787

Independent Auditors' Report On Internal Control Over Financial Reporting

And On Compliance And Other Matters Based On An Audit

Of Financial Statements Performed In Accordance With

Government Auditing Standards

To The Partners
Walbraff Associates L.P.
1477 Newton Street, NW
Washington, DC 20010

We have audited, 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, the financial statements of Walbraff Associates L.P., which comprise the balance sheet as of December 31, 2016 and the related statements of operations, changes in partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walbraff Associates 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 Walbraff Associates L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Walbraff Associates 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Walbraff Associates L.P.'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 Walbraff Associates L.P.'s financial statements are free from 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walbraff Associates 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 Walbraff Associates L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 1, 2017

Independent Auditors' Report On Compliance

For Each Major DCHFA Program And Report

On Internal Control Over Compliance Required By The

Consolidated Audit Guide For Audits Of HUD Programs

To The Partners
Walbraff Associates L.P.
1477 Newton Street, NW
Washington, DC 20010

Report on Compliance for the Major DCHFA Program

We have audited Walbraff Associates L.P.'s compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs (the Guide)*, that could have a direct and material effect on each of Walbraff Associates L.P.'s major DCHFA program for the year ended December 31, 2016. Walbraff Associates L.P.'s major DCHFA programs are as follows: Section 542(c) mortgage insurance program.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its DCHFA-assisted programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Walbraff Associates L.P.'s major DCHFA program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Guide*. Those standards and *the Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major DCHFA program occurred.

An audit includes examining, on a test basis, evidence about Walbraff Associates L.P.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major DCHFA program. However, our audit does not provide a legal determination of Walbraff Associates L.P.'s compliance.

Basis for Qualified Opinion on Section 542(c) mortgage insurance program

As described in the accompanying schedule of findings, questioned costs and recommendations, Walbraff Associates L.P. did not comply with the requirements regarding its major DCHFA program as further described in finding 2016-1. Compliance with such requirements is necessary, in our opinion, for Walbraff Associates L.P. to comply with the requirement applicable to that program.

Qualified Opinion on Section 542(c) mortgage insurance program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Walbraff Associates L.P., complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major DCHFA program for the year ended December 31, 2016.

Other Matters

Walbraff Associates L.P.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings, questioned costs and recommendations. Walbraff Associates L.P.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report On Internal Control Over Compliance

Management of Walbraff Associates L.P. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Walbraff Associates L.P.'s internal control over compliance with the requirements that could have a direct and material effect on each major DCHFA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for major DCHFA programs and to test and report on internal control over compliance in accordance with the *Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walbraff Associates L.P.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a DCHFA program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a DCHFA program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a DCHFA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 1, 2017

1. Corrective Action Not Started Or In Process

   Finding 2016-1

   Questioned Costs: N/A
   Universe And Population Size: N/A
   Sample Size: N/A
   Noncompliance Information: N/A

   Condition:
   The Project failed to distribute available surplus cash to DHCD under their loan agreement. The condition was also noted in 2011 through 2015; however, will not be duplicated in the Schedule of Status of Prior Audit Findings, Questioned Costs, and Recommendations.

   Criteria:
   Loans are to be repaid in a timely manner in accordance with the loan agreement.

   Cause:
   The procedures in place to ensure that prompt payment of surplus cash payments are made, when necessary, were not followed.

   Effect Or Potential Effect:
   The regulatory agency did not receive payment in a timely manner. The amount due as of December 31, 2011 was $58,565. The amount due as of December 31, 2012 was $74,337. The amount due as of December 31, 2013 was $94,997. The amount due as of December 31, 2014 was $104,728. The amount due as of December 31, 2015 was $127,300.

   Recommendation:
   The Project should determine surplus cash available per the audited financial statements and distribute to the required parties, in accordance with the partnership and regulatory agreements, in a timely manner.

Walbraff Associates L.P.
Schedule Of The Status Of Prior Audit Findings, Questioned Costs, And Recommendations

December 31, 2016

1. Prior Audit Period: January 1, 2015 – December 31, 2015

   Audit Report, dated March 1, 2016, for the period ended December 31, 2015, issued by Hertzbach & Company, P.A.

   Finding 2015-1

   The Project failed to distribute available surplus cash to DHCD under their loan agreement. The amount due as of December 31, 2015 was $127,300.

   Status

   The Project is currently resolving this with DHCD.

2. Current Audit Period: January 1, 2016 – December 31, 2016

   DCHFA report was issued on May 6, 2016 and is titled REAC Physical Inspection Report.

   Finding 1 – The physical inspection of the property resulted in a satisfactory score of 73c, out of a possible score of 100. There were 18 findings, and 7 EH&S findings listed in the report.

   Status – As of December 31, 2016, management has addressed the findings.

3. Current Audit Period: January 1, 2016 – December 31, 2016

   There were no letters or reports issued by HUD management during the period covered by this audit.

Walbraff Associates L.P.
Corrective Action Plan

December 31, 2016

Name Of Auditee: Walbraff Associates L.P.
HUD Auditee Identification Number: 000-98015
Name Of Audit Firm: Hertzbach & Company, P.A.
Period Covered By Audit: January 1, 2016 – December 31, 2016

Corrective Action Plan Prepared By:
Name: Michael Alexander
Position: Owner – NMI Property Management, LLC
Telephone Number: 703-225-0399

A. Current Findings On The Schedule Of Findings, Questioned Costs, And Recommendations

Finding 2016 – 1 – The Project is currently resolving this with DHCD.

B. Status Of Corrective Actions On Findings Reported In The Prior Audit Schedule Of Findings, Questioned Costs, And Recommendations

Finding 2015 – 1 – The Project is currently resolving this with DHCD.

Walbraff Associates L.P.
Statement Of Mortgagor's Certification

December 31, 2016

Walbraff Associates L.P.

CERTIFICATION OF PARTNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Walbraff Associates L.P. and, to the best of our knowledge and belief, the same are complete and accurate.

____
Signature of General Partner

____
Title

____
Name

____
Date

Walbraff Associates L.P.

Partnership Employer Identification Number: 52-2184374

Walbraff Associates L.P.
Statement Of Management Agent's Certification

December 31, 2016

Walbraff Associates L.P.

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of Walbraff Associates L.P. and, to the best of our knowledge and belief, the same are complete and accurate.

____
Signature of Management
Agent's Representative

____
Title

____
Name

____
Date

NMI Property Management, LLC.

Management Company Identification Number: 72-1305596

AUDIT REPORT
OF
636 COOPERATIVE ASSOCIATION, INC.

FISCAL YEAR ENDED
DECEMBER 31, 2016

EGO & COMPANY, PC
Certified Public Accountants

7600 Georgia Avenue, NW
Suite 206
Washington, DC 20012
Phone: (202) 726-4050

636 COOPERATIVE ASSOCIATION, INC.

DECEMBER 31, 2016

Table of Contents

Unmodified Opinion on Financial Statements Accompanied by Other Information

Independent Auditor's Report

To the Board of Directors
636 Cooperative Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of 636 Cooperative Association, Inc. (the Cooperative), which comprise the financial position as of December 31, 2016 and the related statements of activities and changes in members' equity and cash flows for the year then ended, and related notes to the financial statements.

Management is responsible for the 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 U.S. OMB Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statement presentation.

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

7600 Georgia Avenue NW, Suite 206, Washington, DC 20012 • Phone: (202) 726-4050 • Fax: (202) 726-4051

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2016, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information such as schedule of reserve for replacement are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2017, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Cooperative's internal control over financial reporting and compliance.

Ego & Company, P.C.

Washington, DC
April 13, 2017

636 COOPERATIVE ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

Assets		
Cash - Operating		$ 2,003
Cooperative Fee Receivable		10,459
Prepaid Expenses		-
Member Security Deposits		1,484
Mortgage Escrow Deposits		22,652
Total Current Assets		36,598
Replacement Reserve		18,249
Fixed Assets (Note 3)	635,249	
Less: Accumulated Depreciation	(263,526)	
Total Fixed Assets		371,723
TOTAL ASSETS		$ 426,570

LIABILITIES AND MEMBERS' EQUITY

Liabilities:		
Accounts Payable		$ 22,267
Security Deposit Liabilities		4,269
Prepaid Rent		1,505
Accrued Mortgage Interest		42,911
Total Current Liabilities		70,952
1st Mortgage Payable (Note 4)	521,677	
2nd Mortgage Payable (Note 4)	289,301	
Total Long-term Liabilities		810,978
TOTAL LIABILITIES		881,930
Equity (Deficit):		
Member Stock		6,750
Retained Earnings (Deficit)		(462,110)
TOTAL MEMBERS' EQUITY (DEFICIT)		(455,360)
TOTAL LIABILITIES AND MEMBERS' EQUITY		$ 426,570

The accompanying notes are an integral part of these financial statements

636 COOPERATIVE ASSOCIATION, INC.
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2016

INCOME	
Basic Carrying Charges	$ 152,465
Housing Assistance Payments	5,100
Vacancy Loss	(13,570)
Total Carrying Charges	143,995
Late Fees	-
Other Income	1,696
Total Income	145,691
EXPENSES	
Professional Fees	6,337
Office/Telephone Expenses	955
Management Fees	9,024
Bad Debt Expense	-
Miscellaneous Administration Expenses	4,348
Utilities	13,597
Repairs and Maintenance	33,298
Taxes and Insurance	15,615
1st Mortgage Interest Expenses - DCHFA	36,322
2nd Mortgage Interest Expenses - DHCD	5,949
Misc. Financial Expenses	2,798
Depreciation Expense	22,607
Other Expenses	-
Total Expenses	150,850
Net Income (Loss)	$ (5,159)

The accompanying notes are an integral part of these financial statements

636 COOPERATIVE ASSOCIATION, INC.
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2016

	Retained Earnings	Member Stock	Total
Balance at 12/31/2015	$ (456,951)	$ 6,750	$ (450,201)
Change in Equity:			
Net Adjustments	-		-
Net Income(Loss)	(5,159)		(5,159)
Balance at 12/31/2016	$ (462,110)	$ 6,750	$ (455,360)

The accompanying notes are an integral part of these financial statements

636 COOPERATIVE ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$	(5,159)
Adjustments to reconcile net income to		-
net cash flows from operating activities		
Depreciation		22,607
(Increase)/decrease in cooperative fees receivable		(2,345)
(Increase)/decrease in prepaid expenses		789
(Increase)/decrease in security deposits		736
Increase/(decrease) in accounts payable		12,204
Increase/(decrease) in member security deposits		-
Increase/(decrease) in prepaid rent/assessment		(560)
Increase/(decrease) in accrued interest expense		-
Net Cash Provided by (Used in) Operating Activities		28,272
CASH FLOW FROM INVESTING ACTIVITIES		
Net change in replacement reserve		4,600
Net change in mortgage escrows		(9,247)
Net acquisition of assets		(668)
Net Cash Used in Investing Activities		(5,315)
CASH FLOW FROM FINANCING ACTIVITIES		
Mortgage principal payments		(23,687)
Net Cash Provided by Financing Activities		(23,687)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		(730)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR		2,733
CASH AND CASH EQUIVALENT, END OF YEAR	$	2,003

The accompanying notes are an integral part of these financial statements

636 COOPERATIVE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1 – ORGANIZATION

The 636 Cooperative Association, Inc. (the Cooperative) was incorporated under the District of Columbia Cooperative Associations Act, DC Code, Title 29, Chapter 11. The Cooperative was organized to own and operate residential real property as cooperative housing, and provide home ownership opportunities for its members. The Cooperative is located in Washington, D.C. and consists of 16 units.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -- Revenue and expenses are reported on the accrual basis for both financial statement and income tax purposes. Consequently, revenue is recognized when earned rather than when cash is received, and expenses and purchases of assets are recognized when obligation is incurred rather than when cash is disbursed.

Cash -- For purposes of the statement of cash flows, the Cooperative considers cash on hand, cash in banks and cash investigated with a short term maturity of twelve months or less to be cash equivalents.

Fixed Asset -- Real property acquired from the developer and related improvements to such property are not recorded in the Cooperative's financial statements due to the absence of historical information regarding costs of the property. Fixed asset are recorded at cost and depreciated over the estimated useful life of the assets using straight line method.

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

636 COOPERATIVE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 3 – FIXED ASSETS

The following is a schedule of fixed assets and accumulated depreciation at December 31, 2016:

Description	Balance
Building	$ 182,954
Building Improvements	427,700
Building Equipments	24,595
Total	635,249
Accumulated Depreciation	(263,526)
Total	$ 371,723

Note 4 – LOAN AND MORTGAGE PAYABLES

1st Loan -- The Cooperative secured a mortgage from DC Housing Finance Administration in June 2000 in the amount of $610,000. The note has an annual interest rate of 6.90% with a monthly principal and interest payment of $3,747.97. The Cooperative is required to make monthly escrow deposits for taxes, insurance and replacement reserve for project assets. At December 31, 2016, the unpaid principal amount was $521,677.

2nd Loan -- The Cooperative also secured a loan under a second deed of trust on July 18th, 2000 in the amount of $430,000 with an interest rate of 3% with DHCD and serviced by AmeriNational Community Services. The note has monthly principal and interest payment of $1,748.48. At December 31, 2016, the unpaid principal balance was $289,301.

Note 5 – INCOME TAXES

For 2016, the Cooperative files tax returns as a regular cooperative association.

Note 6: MANAGEMENT AGREEMENT

The Vision Realty Management, LLC was hired in October 2008 to be the managing agent of the Cooperative. At December 31, 2016, the management fee totaled $9,024.

636 COOPERATIVE ASSOCIATION, INC.
OTHER SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2016

Replacement Reserve

Balance, 1/1/2016	$ 22,849
Monthly deposits:	2,400
Interest Income	-
Total Deposits	2,400
Withdrawals	(7,000)
Balance, 12/31/2016	$ 18,249

See Notes To Financial Statements

EGO & COMPANY, P.C.
Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
636 Cooperative Association, Inc.

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 636 Cooperative Association, Inc. (the Cooperative), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in members' equity, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated April 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that

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we consider to be material weaknesses as defined above. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not for any other purpose.

Ego & Company, P.C.

Washington, DC
April 13, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
636 Cooperative Association, Inc.

Report on Compliance for the Major Program

We have audited the 636 Cooperative Association, Inc. (the Cooperative)'s compliance with the compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that could have a direct and material effect on each of the Cooperative's major programs for the year ended December 31, 2016. The Cooperative's major federal programs and material compliance requirements are identified in the summary of auditor's results section on page 17.

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its programs Our responsibility is to express an opinion on compliance for the Cooperative's major programs based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures that we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination on the Cooperative's compliance.

Opinion on the Major Program

In our opinion, the Cooperative complied, in all material respects, with the compliance requirements referred above that could have a direct and material effect on its major program for the year ended December 31, 2016.

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Report on Internal Control over Compliance

Management of the Cooperative is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on the major program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on the internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the audit guide. Accordingly, this report is not suitable for any other purpose.

Ego & Company, P.C.

Washington, DC
April 13, 2017

636 COOPERATIVE ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Pass Through Grantor/Program Title	Agency Pass-Through	Loan Amount/ Period	Federal CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development / Department of Housing and Community Development/	DHCD	$289,301 July 2000 to June 2030		$ 289,301
Housing Assistance Payments	HUD			5,100
TOTAL				$ 294,401

636 COOPERATIVE ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

1. **Summary of Significant Accounting Policies**

a. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, expenditures are recognized as incurred using the cost accounting principles contained in the U.S. Office of Management and Budget (OMB), *"Circular A-122, Cost Principles for Non-Profit Organizations".* Under those cost principles, certain types of expenditures are not allowable or are limited as to the reimbursement.

b. Reconciliation to Financial Statements

The $294,401 in loan reported on the Schedule of Expenditures of Federal Awards represents (1) mortgage note which is insured by the Department of Housing and Community Development (DHCD) in the amount of $289,301, and (2) the $5,100 in housing assistance payments. The loan is secured by a deed of trust on the property. The loan amount of $294,401 was outstanding at December 31, 2016 and is the amount shown on the Balance Sheet.

636 COOPERATIVE ASSOCIATION, INC.
SUMMARY OF AUDITOR'S RESULTS AND FINDINGS
For the Year Ended December 31, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness(es)	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness(es)	No
Type of Auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

Name of Federal Program or Cluster CFDA#

None

Dollar threshold used to distinguish between Type A and Type B Programs	750,000
Auditee qualified as low-risk auditee?	Yes

636 COOPERATIVE ASSDOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding 2016-1

Condition — Questioned Cost - - (None)

The security deposit account was under-funded at 12/31/2016. At December 31, 2016, the balance in the security deposit bank account was $1,484, while the security deposit liability balance was $4,269. This is a repeat finding from last year.

Criteria

Based on members' agreement with the Cooperative, the Cooperative must give residents their security deposits at the end of the residents' residency.

Cause

This condition could have been due to oversight by management.

Effect

Under-funding of the security deposit account means that cash may not be available to refund members their security deposits when they end their residency at the cooperative.

Recommendation

The management should increase the amount in the security deposit account to cover the outstanding members' security deposit liabilities.

Management's Response

Management will look into this issue in FY 2017.

636 COOPERATIVE ASSDOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding 2015-1

<u>Condition</u> <u>Questioned Cost</u> - - (None)

The security deposit account was under-funded at 12/31/2015. At December 31, 2015, the balance in the security deposit bank account was $2,220, while the security deposit liability balance was $4,269.

<u>Recommendation</u>

To ensure that the security deposit balance is correct, the management should perform a detail analysis of the members' security deposit liabilities before correcting the under-funding of the security deposits cash account.

<u>Status of Recommendation</u>
This finding is not cleared.

<u>Management's Response</u>

Management is looking into this issue during FY 2017.

Finding 2014-1

<u>Condition</u> <u>Questioned Cost</u> - - (None)

The security deposit account was under-funded at 12/31/2014. At December 31, 2014, the balance in the security deposit bank account was $1,180, while the security deposit liability balance was $4,269.

<u>Recommendation</u>

To ensure that the security deposit balance is correct, the management should perform a detail analysis of the members' security deposit liabilities before correcting the under-funding of the security deposits cash account.

<u>Status of Recommendation</u>

This finding is not cleared.

<u>Management's Response</u>
Management is looking into this issue during FY 2017.

636 COOPERATIVE ASSOCIATION, INC.

December 31, 2016

MORTGAGOR'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental information of 636 Cooperative Association, Inc. (the Cooperative), and to the best of my knowledge and belief, the said financial statements and supplemental information of the Cooperative as of December 31, 2016 are complete, true, and accurate.

MEMBER OF BOARD OF DIRECTORS

Anna Paz 5-5-2017

President Date

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental information of 636 Cooperative Association, Inc. (the Cooperative), and to the best of my knowledge and belief, the said financial statements and supplemental information of the Cooperative as of December 31, 2016 are complete, true, and accurate.

Vision Realty Management, LLC.

5/5/17

Mario Lloyde Date

Managing Member

Meridian Manor-Chapin Street, L.P.

Financial Statements

For The Years Ended
December 31, 2016 And 2015 (As Adjusted)

HERTZBACH
certified public accountants · consultants

Meridian Manor-Chapin Street, L.P.

Table Of Contents

For The Years Ended December 31, 2016 And 2015 (As Adjusted)

Independent Auditors' Report On Internal Control Over Financial Reporting

And On Compliance And Other Matters Based On An Audit

Of Financial Statements Performed In Accordance With

Government Auditing Standards

To The Partners
Meridian Manor-Chapin Street, L.P.
1101 30th Street, N.W., Suite 100A
Washington, DC 20007

We have audited, 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, the financial statements of Meridian Manor-Chapin Street, L.P., which comprise the balance sheet as of December 31, 2016, and the related statements of operations, 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 March 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Manor-Chapin Street, 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 Meridian Manor-Chapin Street, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian Manor-Chapin Street, 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

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 Meridian Manor-Chapin Street, L.P. as of December 31, 2016 and 2015 (As Adjusted), and the results of its operations, changes in partners' capital and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As explained in Note 2 to the financial statements, in 2016 Meridian Manor-Chapin Street, L.P. adopted Accounting Standards Update number 2015-03, which simplifies the presentation of debt issuance costs. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 16 - 24 is presented for purposes of additional analysis, and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 16 - 24 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. Such 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 accompanying supplementary information shown on pages 16 - 24 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated ____, 2017 on our consideration of Meridian Manor-Chapin Street, 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* in considering Meridian Manor-Chapin Street, L.P.'s internal control over financial reporting and compliance.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 15, 2017

Name of Audit Firm: Hertzbach & Company, P.A.

Address: Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, Maryland 21117

Federal I.D.#: 52-1158459

Jeffrey M. Kleeman, CPA
(Lead Auditor)
(410) 363-3200

FINANCIAL

STATEMENTS

Meridian Manor-Chapin Street, L.P.
Balance Sheets

December 31,	2016	2015 (As Adjusted)
Assets		
CURRENT ASSETS		
Cash - Operations	$ 176,586	$ 76,656
Tenant Accounts Receivable	4,622	1,881
Prepaid Expenses	22,712	23,116
Total Current Assets	203,920	101,653
DEPOSITS HELD IN TRUST - FUNDED		
Tenants' Security Deposits	10,789	10,767
Total Deposits Held In Trust	10,789	10,767
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Mortgage Escrow Deposits	53,121	33,942
Reserve For Replacements	64,507	57,497
Bond Reserves	149,347	149,209
Total Restricted Deposits And Funded Reserves	266,975	240,648
PROPERTY AND EQUIPMENT		
Land And Land Improvements	90,864	90,864
Buildings	4,784,616	4,784,616
Office Furniture And Equipment	94,240	94,240
	4,969,720	4,969,720
Less: Accumulated Depreciation	1,765,734	1,637,248
Total Property And Equipment	3,203,986	3,332,472
TOTAL ASSETS	$ 3,685,670	$ 3,685,540

The Accompanying Notes Are An Integral Part Of These Financial Statements

Meridian Manor-Chapin Street, L.P.
Balance Sheets

December 31,	2016	2015 (As Adjusted)
Liabilities And Partners' Capital		
CURRENT LIABILITIES		
Accounts Payable - Operations	$ 16,477	$ 21,504
Accounts Payable - Entity	64,984	24,984
Accrued Wages Payable	995	456
Accrued Management Fee Payable	820	520
Accrued Interest Payable - Bonds	10,263	10,486
Accrued Interest Payable - Notes, Current Portion	61,964	14,984
Accrued Property Taxes	8,215	8,007
Bonds Payable, Current Portion	44,253	41,443
Prepaid Revenues	6,081	171
Total Current Liabilities	214,052	122,555
DEPOSIT LIABILITIES		
Tenant Security Deposits Held In Trust (Contra)	9,650	9,658
Total Deposit Liabilities	9,650	9,658
LONG-TERM LIABILITIES		
Accrued Interest Payable - Notes, Less Current Portion	632,530	619,808
Affiliate Loan	102,218	102,218
Note Payable	289,000	289,000
Bonds Payable, Less Current Portion And Unamortized Financing Fees Of $142,647 - 2016 And $149,467 - 2015	1,720,972	1,758,405
Second Mortgage	400,000	400,000
Total Long-Term Liabilities	3,144,720	3,169,431
TOTAL LIABILITIES	3,368,422	3,301,644
PARTNERS' CAPITAL		
Partners' Capital	317,248	383,896
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 3,685,670	$ 3,685,540

The Accompanying Notes Are An Integral Part Of These Financial Statements

Meridian Manor-Chapin Street, L.P.
Statements Of Operations

For The Years Ended December 31,	2016	2015 (As Adjusted)
RENTAL REVENUE		
Rent Revenue - Gross Potential	$ 156,474	$ 142,980
Tenant Assistance Payments	465,249	395,650
Total Rent Revenue	621,723	538,630
VACANCIES		
Apartments	203	3,485
Total Vacancies	203	3,485
Net Rental Revenue	621,520	535,145
FINANCIAL REVENUE		
Revenue From Investments - Project Operations	249	172
Revenue From Investments - Replacement Reserves	2	2
Total Financial Revenue	251	174
OTHER REVENUE		
Tenant Charges	1,725	1,243
Total Other Revenue	1,725	1,243
Total Revenue	623,496	536,562

Meridian Manor-Chapin Street, L.P.
Statements Of Operations
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
ADMINISTRATIVE EXPENSES		
Advertising	$ 515	$ 21
Other Renting Expenses	75	-
Office Expenses	8,915	8,627
Management Fee	23,177	19,922
Manager Salaries	29,796	12,625
Legal Expense - Project	2,425	896
Audit Expense	8,500	10,275
Bookkeeping/Accounting Services	2,448	2,448
Miscellaneous Administrative Expenses	1,601	3,480
Total Administrative Expenses	77,452	58,294
UTILITY EXPENSES		
Electricity	12,501	14,979
Water	48,684	52,942
Gas	677	535
Total Utility Expenses	61,862	68,456
OPERATING AND MAINTENANCE EXPENSES		
Payroll	28,196	27,979
Supplies	10,761	12,898
Contracts	41,772	56,374
Garbage And Trash Removal	7,677	4,617
Security Payroll/Contract	417	226
Heating/Cooling Repairs And Maintenance	3,413	1,917
Miscellaneous Operating And Maintenance	1,295	1,723
Total Operating And Maintenance Expenses	93,531	105,734

Meridian Manor-Chapin Street, L.P.
Statements Of Operations
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
TAXES AND INSURANCE		
Real Estate Taxes	$ 31,009	$ 32,569
Payroll Taxes (Project's Share)	-	3,740
Property And Liability Insurance (Hazard)	40,150	38,473
Workmen's Compensation	1,132	1,125
Health Insurance And Other Employee Benefits	10,217	9,201
Miscellaneous Taxes, Licenses, Permits, And Insurance	310	308
Total Taxes And Insurance	82,818	85,416
FINANCIAL EXPENSES		
Interest On Bonds Payable	131,214	133,810
Interest On Notes Payable	59,702	57,849
Mortgage Insurance Premium/Service Charge	9,605	9,819
Miscellaneous Financial Expenses	5,474	6,569
Total Financial Expenses	205,995	208,047
Total Expenses Before Depreciation	521,658	525,947
Profit Before Depreciation	101,838	10,615
Depreciation	128,486	129,792
Operating Loss	(26,648)	(119,177)
ENTITY EXPENSES		
Other Expenses	40,000	14,418
Total Entity Expenses	40,000	14,418
Net Loss	$ (66,648)	$ (133,595)

Meridian Manor-Chapin Street, L.P.
Statements Of Changes In Partners' Capital

For The Years Ended December 31, 2016 And 2015 (As Adjusted)

	General Partner 0.01%	Limited Partner 99.99%	Total 100.00%
Partners' Capital - January 1, 2015	$ 51	$ 517,440	$ 517,491
Net Loss For The Year Ended December 31, 2015	(13)	(133,582)	(133,595)
Partners' Capital - December 31, 2015	38	383,858	383,896
Net Loss For The Year Ended December 31, 2016	(7)	(66,641)	(66,648)
Partners' Capital - December 31, 2016	$ 31	$ 317,217	$ 317,248

Meridian Manor-Chapin Street, L.P.
Statements Of Cash Flows

For The Years Ended December 31,	2016	2015 (As Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received For:		
Rental Income	$ 624,689	$ 537,179
Interest Income	251	174
Other Income	1,725	1,243
Total Cash Receipts	626,665	538,596
Cash Paid For Services And To Employees For:		
Administrative Expenses	(22,797)	(25,229)
Management Fees	(22,877)	(19,860)
Utilities	(64,309)	(64,627)
Salaries And Wages	(57,453)	(40,586)
Operating And Maintenance	(69,597)	(72,478)
Real Estate Taxes	(31,111)	(32,027)
Property Insurance	(40,123)	(40,015)
Miscellaneous Taxes And Insurance	(11,355)	(14,375)
Tenant Security Deposits	(30)	(48)
Interest - First Mortgage	(124,617)	(127,406)
Mortgage Insurance Premium	(9,222)	(9,637)
Miscellaneous Financial Expenses	(5,474)	(6,569)
Total Cash Disbursements	(458,965)	(452,857)
Net Cash Provided By Operating Activities	167,700	85,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Increase In Mortgage Escrows	(19,179)	(6,367)
Net Increase To Replacement Reserve	(7,010)	(7,010)
Net Increase In Bond Reserves	(138)	(30)
Acquisition Of Property And Equipment	-	(3,333)
Net Cash Used In Investing Activities	(26,327)	(16,740)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond Principal Payments	(41,443)	(38,811)
Net Cash Used In Financing Activities	(41,443)	(38,811)
Net Increase In Cash	99,930	30,188
Unrestricted Cash - Beginning Of Year	76,656	46,468
Unrestricted Cash - End Of Year	$ 176,586	$ 76,656

Meridian Manor-Chapin Street, L.P.
Statements Of Cash Flows
(Continued)

For The Years Ended December 31,	2016	2015 (As Adjusted)
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Loss	$ (66,648)	$ (133,595)
Adjustments To Reconcile Net Loss To Net Cash Provided By Operating Activities		
Depreciation	128,486	129,792
Amortization Of Financing Fees	6,820	6,820
(Increase) Decrease In Operating Assets		
Tenant Accounts Receivable	(2,741)	2,019
Prepaid Expenses	404	(1,361)
Tenant Security Deposits	(22)	(21)
Increase (Decrease) In Operating Liabilities		
Accounts Payable	34,973	24,042
Accrued Expenses	1,047	622
Accrued Interest	59,479	57,433
Security Deposit Liability	(8)	(27)
Prepaid Revenue	5,910	15
Net Cash Provided By Operating Activities	$ 167,700	$ 85,739

The Accompanying Notes Are An Integral Part Of These Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS – Meridian Manor-Chapin Street, L.P. (the Partnership) was organized in the District of Columbia on October 1, 2000 for the purpose of rehabilitating and operating a rental housing project in Washington, D.C. under Section 542C of the National Housing Act of the Federal Housing Administration. The Project is also subject to Section 8 Housing Assistance Payment agreements with HUD. The Project is known as Meridian Manor (the Project), consists of 34 residential rental units and was placed in service on December 31, 2002.

The Project consists of one building which has been allocated low-income housing tax credits pursuant to Internal Revenue Code §42 ("Section 42") which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of 15 consecutive years (the "compliance period") in order to remain qualified to receive the credits. In addition, the Partnership has executed a Land Use Restriction Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the Project.

The building is a certified historic structure that has received historic tax credits on qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code.

METHOD OF ACCOUNTING – The Partnership's financial statements are prepared on the accrual basis and accounting principles generally accepted in the United States of America. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

PROPERTY AND EQUIPMENT – Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income. Depreciation is computed using the straight-line method over 40 years for buildings, 15 years for land improvements and 5 years for furniture, fixtures and equipment.

IMPAIRMENT OF LONG-LIVED ASSETS – The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended December 31, 2016 and 2015.

INTEREST – The Partnership has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Partnership is reporting loan fees related to its first mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the first mortgage payable. See Note 7 for more information.

INCOME TAXES – The Partnership files a partnership tax return and the net income or loss is reported by the partners on their respective income tax returns.

CASH AND CASH EQUIVALENTS – The Partnership considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

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.

December 31, 2016 And 2015 (As Adjusted)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RENTAL INCOME – Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. The Partnership has a master lease with the Archbishop Rivera y Damas Cooperative Association, Inc. (the "Cooperative") for a term of 99 years beginning on June 26, 2001. The Cooperative has occupancy agreements with all of the tenants. Rental income from the occupancy agreements is received by the Partnership to pay operating expenses, fees, and debt service.

2. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Partnership affected a change in accounting principle related to Accounting Standard Update (ASU) number 2015-03. ASU 2015-03 updated FASB ASC 835, *Interest*, by simplifying the presentation of debt issuance costs. The Partnership transitioned from reporting financing fees net of amortization as a deferred asset on the balance sheet, to reporting them as a direct deduction from the related debt. The Partnership also transitioned from reporting amortization of financing fees as amortization expense to reporting it as interest expense. The change in accounting principle was retrospectively applied to the financial statements for the year ended December 31, 2015 and resulted in the following adjustments:

Financial Statement Line Item	Balance As Previously Reported	Balance As Adjusted
Balance Sheet		
Financing Fees, Net Of Accumulated Amortization	$ 149,467	$ -
Long-Term Debt - Bonds Payable, Less Current Portion	1,907,872	1,758,405
Income Statement		
Interest On Bonds Payable	126,990	133,810
Amortization	6,820	-

3. CASH - TENANTS' SECURITY DEPOSITS

The amounts of $10,789 and $10,767 as of December 31, 2016 and 2015, respectively, on the accompanying balance sheets, represent funds deposited in a savings account with a balance which should be at least equal to the tenants' security deposits. District of Columbia Rent Escrow Law requires the Partnership to maintain a separate account for deposits paid by the tenants, and to credit the deposits with interest every year, for at least the statement savings rate then prevailing on January 1 and July 1 for each six month period, or part thereof, of tenancy following those dates. On those dates, the statement savings rate in the financial institution the escrow is held will be used to compute the interest amount. No interest is required to be paid for any tenancy duration less than twelve months. Tenant security deposits are held in a federally insured bank.

4. CONCENTRATION OF RISK

The Partnership maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federally insured limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2016 and 2015.

5. RENTS RECEIVABLE

Management is of the opinion that all of the Partnership's rents receivable are fully collectible and that no allowance for doubtful accounts is required.

6. BOND RESERVES

The trust account funds are invested primarily in money market accounts backed by U.S. Treasury Obligations. All trust investments are carried at cost which approximates fair value.

OPERATING RESERVE – The Partnership funded an operating reserve in the original amount of $150,000. The Partnership may withdraw funds not to exceed $7,000 per year to avoid an operating deficit, as defined in the Partnership Agreement. The reserve is held by US Bank in a money market fund. The balances of the reserve as of December 31, 2016 and 2015 are $149,347 and $149,209, respectively.

7. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2016 and 2015:

BONDS AND FIRST MORTGAGE NOTE – The Partnership entered into a mortgage note agreement in connection with the $2,400,000 FHA-insured Multifamily Housing Revenue Bonds Series 2001 D, dated June 28, 2001, issued by the District of Columbia Housing Finance Agency (DCHFA). The bonds are payable semi-annually with interest at 5.7% per annum. The mortgage note in the original amount of $2,400,000 is coinsured by the Federal Housing Administration (FHA) under the 542C Risk Sharing Program. Financing fees related to the mortgage were $238,693 and are being amortized to interest expense on a straight-line basis over the term of the loan. The note bears interest at a nominal rate of 6.58% per annum and an effective interest rate of 7.01% per annum. Principal and interest payments on the mortgage are due monthly in the amount of $14,039 until maturity in December of 2037. During 2014, the bonds were remarketed with DCHFA but the terms of the mortgage note agreement were not changed. The principal balances as of December 31, 2016 and 2015 are $1,907,872 and $1,949,315, respectively. The accrued interest balances as of December 31, 2016 and 2015 are $10,263 and $10,486, respectively. Unamortized financing fees for the years ended December 31, 2016 and 2015 were $142,647 and $149,467, respectively. Interest expense for the years ended December 31, 2016 and 2015 was $131,214 and $133,810, respectively, including amortized financing fees of $6,820 for both years.

The liability of the Partnership under the mortgage is limited to the underlying value of the real estate and a collateral assignment of leases, rents and profits, plus other amounts deposited with the lender.

Maturities of the mortgage payable are as follows:

2017	$	44,253
2018		47,255
2019		50,460
2020		53,882
2021		57,537
2022 And After		1,654,485
Total	$	1,907,872

Estimated financing fees being amortized to interest expense for each of the next five years are $6,820.

7. LONG-TERM DEBT (CONTINUED)

SECOND MORTGAGE – The Partnership is obligated under the terms of a second deed of trust note, dated June 26, 2001, with the District of Columbia Department of Housing and Community Development in the original amount of $400,000. There were no financing fees incurred related to this mortgage. Interest began accruing December 1, 2002 at 5.3% per annum, simple interest. The loan was funded by the District of Columbia from proceeds of the HUD Community Development Block Grant Program. The note and accrued interest are payable annually at 50% of surplus cash as defined by HUD, for as long as the first mortgage is insured by HUD. The principal balance as of December 31, 2016 and 2015 is $400,000. The accrued interest balances on the mortgage as of December 31, 2016 and 2015 are $282,051 and $260,851, respectively.

This note is secured by a second deed of trust with the Department of Housing and Community Development as beneficiary.

NOTE PAYABLE – The Partnership is obligated under the terms of an unsecured promissory note, dated June 22, 2001, to the Cooperative, in the amount of $289,000. The note is payable upon liquidation of the Partnership or other capital transactions. There were no financing fees incurred related to this note. Interest accrues at 5.6% per annum, compounded monthly. The principal balance as of December 31, 2016 and 2015 is $289,000. The accrued interest balances on the note as of December 31, 2016 and 2015 are $398,297 and $360,951, respectively.

The priority of payments on long-term debt are: (1) the Bonds/First Mortgage Note Payable, (2) the Second Mortgage and (3) the Note Payable.

8. PARTNER CAPITAL CONTRIBUTIONS

The Partnership has one general partner, Meridian Manor, L.L.C., which has a .01% interest and one limited partner, Countryside Corporate Tax Credits VIII Limited Partnership, which has a 99.99% interest in the Partnership.

9. RELATED PARTY TRANSACTIONS

OPERATING DEFICIT GUARANTY – The general partner is obligated to advance funds to cover operating deficits of the Partnership which are not funded from the operating reserve. Funding such deficits will be evidenced by an Operating Deficit Note. Operating Deficit Notes are payable from available cash flow or a sale or refinancing of the property. This guaranty is in effect until fifteen years from the completion date as defined in the limited partnership agreement. No Operating Deficit loans have been made as of December 31, 2016 and 2015.

ASSET MANAGEMENT FEE – The Partnership is obligated to pay an Asset Management Fee of $5,000 per year to an affiliate of the limited partner for the annual review of operations of the Partnership and the Project. All unpaid Asset Management Fees are cumulative and are paid from available cash flow. During each of the years ended December 31, 2016 and 2015, Asset Management Fees of $5,000 were accrued and charged to operations. As of December 31, 2016 and 2015, Asset Management Fees of $15,000 and $10,000, respectively, remain payable.

PARTNERSHIP ADMINISTRATION FEE – The general partner is entitled to receive a noncumulative, annual fee of up to $10,000 paid from cash flow as defined by the Partnership documents. During the years ended December 31, 2016 and 2015, Partnership Administration Fees of $10,000 and $9,418, respectively, were accrued and charged to operations. As of December 31, 2016 and 2015, Partnership Administration Fees of $24,984 and $14,984, respectively, remain payable.

December 31, 2016 And 2015 (As Adjusted)

9. RELATED PARTY TRANSACTIONS (CONTINUED)

INCENTIVE MANAGEMENT FEE – The general partner is entitled to receive a noncumulative, annual fee of $25,000 paid from cash flow as defined by the Partnership documents. During the year ended December 31, 2016, $25,000 was accrued and charged to operations. There was no fee incurred or payable during the year ended December 31, 2015.

AFFILIATE LOAN – During 2004, an affiliate of the general partner, National Housing Trust – Enterprise Preservation Corporation (“NHT/Enterprise”), received grants from the Fannie Mae Foundation and the Enterprise Foundation. NHT/Enterprise supports the Partnership by providing a portion of these grant proceeds in the form of a loan to the Partnership to be used for capital improvements and resident services. The loan is unsecured, bears interest at 1%, compounded quarterly, and is repayable on December 31, 2018. The principal balance as of December 31, 2016 and 2015 is $102,218. The accrued interest balances on the loan as of December 31, 2016 and 2015 are $14,146 and $12,990, respectively.

All terms stated above are as defined in the Partnership Agreement.

10. PROPERTY MANAGEMENT FEE

The Partnership is obligated under the terms of a property management agreement with Edgewood Management Corporation, an unrelated party. The management fee is computed as 3.7% of monthly rental collections. During the years ended December 31, 2016 and 2015, property management fees totaling $23,177 and $19,922, respectively, were charged to operations. As of December 31, 2016 and 2015, $820 and $520, respectively, remains payable.

11. HOUSING ASSISTANCE PAYMENT CONTRACT AGREEMENT

The District of Columbia Housing Authority (DCHA) has contracted with the Partnership, effective January 1, 2003, under Section 8 of Title II of the Housing and Community Development Act of 1937, to make housing assistance payments to the Partnership on behalf of qualified tenants. The contract is effective through December 31, 2017.

12. COMMITMENTS AND CONTINGENCIES

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

PRIORITY OF CASH PAYMENTS – Net cash flow is to be distributed within 75 days after the close of the year in the following order of priority: 1) to the asset manager for the payment of the Asset Management Fee; 2) to the operating deficit reserve in an amount sufficient to satisfy the minimum balance requirement of $50,000; 3) to the developer in payment of the Developer Fee Note; 4) to the general partner in payment of amounts due on Completion Notes; and 5) to the general partner in payment of amounts due on Operating Deficit Notes; 6) to the general partner in payment of the noncumulative Partnership Administration Fee; 7) to the general partner in payment of the noncumulative Incentive Management Fee; and 8) the balance to be paid 99.99% to the limited partner and 0.01% to the general partner.

All terms stated above are as defined in the Partnership Agreement

13. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date for potential recognition or disclosure through the auditors' report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Balance Sheet Data

December 31, 2016

Assets

CURRENT ASSETS			
1120	Cash - Operations	$ 176,586	
1130	Tenant Accounts Receivable	4,622	
1200	Prepaid Expenses	22,712	
	Total Current Assets		$ 203,920
DEPOSITS HELD IN TRUST - FUNDED			
1191	Tenants' Security Deposits	10,789	
	Total Deposits Held In Trust		10,789
RESTRICTED DEPOSITS AND FUNDED RESERVES			
1310	Mortgage Escrow Deposits	53,121	
1320	Reserve For Replacements	64,507	
1355	Bond Reserves	149,347	
	Total Restricted Deposits And Funded Reserves		266,975
PROPERTY AND EQUIPMENT			
1410	Land And Land Improvements	90,864	
1420	Buildings	4,784,616	
1465	Office Furniture And Equipment	94,240	
		4,969,720	
1495	Less: Accumulated Depreciation	1,765,734	
	Total Property And Equipment		3,203,986
TOTAL ASSETS			$ 3,685,670

See Independent Auditors' Report

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Balance Sheet Data

December 31, 2016

Liabilities And Partners' Capital

CURRENT LIABILITIES			
2110 Accounts Payable - Operations	$	16,477	
2113 Accounts Payable - Entity		64,984	
2120 Accrued Wages Payable		995	
2123 Accrued Management Fee Payable		820	
2131 Accrued Interest Payable - Bonds		10,263	
2133 Accrued Interest Payable - Notes, Current Portion		61,964	
2150 Accrued Property Taxes		8,215	
2170 Bonds Payable, Current Portion		44,253	
2210 Prepaid Revenues		6,081	
Total Current Liabilities			$ 214,052
DEPOSIT LIABILITIES			
2191 Tenant Security Deposits Held In Trust (Contra)		9,650	
Total Deposit Liabilities			9,650
LONG-TERM LIABILITIES			
2134 Accrued Interest Payable - Notes, Less Current Portion		632,530	
2310 Affiliate Loan		102,218	
2310 Note Payable		289,000	
2320 Bonds Payable, Less Current Portion And Unamortized Financing Fees Of $142,647		1,720,972	
2322 Second Mortgage		400,000	
Total Long-Term Liabilities			3,144,720
2000T TOTAL LIABILITIES			3,368,422
PARTNERS' CAPITAL			
3130 Partners' Capital			317,248
TOTAL LIABILITIES AND PARTNERS' CAPITAL			$ 3,685,670

See Independent Auditors' Report

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Operations Data

For The Year Ended December 31, 2016

RENTAL REVENUE		
5120	Rent Revenue - Gross Potential	$ 156,474
5121	Tenant Assistance Payments	465,249
5100T	Total Rent Revenue	621,723
VACANCIES		
5220	Apartments	203
5200T	Total Vacancies	203
5152N	Net Rental Revenue	621,520
FINANCIAL REVENUE		
5410	Revenue From Investments - Project Operations	249
5440	Revenue From Investments - Replacement Reserves	2
5400T	Total Financial Revenue	251
OTHER REVENUE		
5920	Tenant Charges	1,725
5900T	Total Other Revenue	1,725
5000T	Total Revenue	623,496

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Operations Data
(Continued)

For The Year Ended December 31, 2016

ADMINISTRATIVE EXPENSES		
6210	Advertising	$ 515
6250	Other Renting Expense	75
6311	Office Expenses	8,915
6320	Management Fee	23,177
6330	Manager Salaries	29,796
6340	Legal Expense - Project	2,425
6350	Audit Expense	8,500
6351	Bookkeeping/Accounting Services	2,448
6390	Miscellaneous Administrative Expenses - Training $278; Bank Service Charges $743; Miscellaneous $580	1,601
6263T	Total Administrative Expenses	77,452
UTILITY EXPENSES		
6450	Electricity	12,501
6451	Water	48,684
6452	Gas	677
6400T	Total Utility Expenses	61,862
OPERATING AND MAINTENANCE EXPENSES		
6510	Payroll	28,196
6515	Supplies	10,761
6520	Contracts	41,772
6525	Garbage And Trash Removal	7,677
6530	Security Payroll/Contract	417
6546	Heating/Cooling Repairs And Maintenance	3,413
6590	Miscellaneous Operating And Maintenance - Uniforms $975; Payroll Processing Fee $320	1,295
6500T	Total Operating And Maintenance Expenses	93,531

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Operations Data
(Continued)

For The Year Ended December 31, 2016

TAXES AND INSURANCE			
6710	Real Estate Taxes	$	31,009
6720	Property And Liability Insurance (Hazard)		40,150
6722	Workmen's Compensation		1,132
6723	Health Insurance And Other Employee Benefits		10,217
6790	Miscellaneous Taxes, Licenses, Permits And Insurance - Other Insurance $310		310
6700T	Total Taxes And Insurance		82,818
FINANCIAL EXPENSES			
6820	Interest On Bonds Payable		131,214
6830	Interest On Notes Payable		59,702
6850	Mortgage Insurance Premium/Service Charge		9,605
6890	Miscellaneous Financial Expenses - Tax Credit Fees $3,060; Servicer Fees $2,414;		5,474
6800T	Total Financial Expenses		205,995
6000T	Total Expenses Before Depreciation		521,658
5060T	Profit Before Depreciation		101,838
6600	Depreciation		128,486
5060N	Operating Loss		(26,648)
ENTITY EXPENSES			
7190	Other Expenses - Asset Management Fee $5,000; Partnership Administration Fee $10,000; Incentive Management Fee $25,000		40,000
7100T	Total Entity Expenses		40,000
3250	Net Loss	$	(66,648)

S1000-010	Total bond principal payments required during the year -	$	41,443
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement -	$	7,008
S1000-030	Replacement reserves or residual receipts releases which are included as expense items on this profit and loss statement -	$	-
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement -	$	-

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Changes In Partners' Capital Data

For The Year Ended December 31, 2016

		General Partner 0.01%	Limited Partner 99.99%	Total 100.00%
S1100-010	PARTNERS' CAPITAL - BEGINNING OF YEAR	$ 38	$ 383,858	$ 383,896
3250	LESS: NET LOSS FOR THE YEAR	(7)	(66,641)	(66,648)
3130	PARTNERS' CAPITAL - END OF YEAR	$ 31	$ 317,217	$ 317,248

See Independent Auditors' Report

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Cash Flows Data

For The Year Ended December 31, 2016

	CASH FLOWS FROM OPERATING ACTIVITIES:	
	Cash Received For:	
S1200-010	Rental Income	$ 624,689
S1200-020	Interest Income	251
S1200-030	Other Income	1,725
S1200-040	Total Cash Receipts	626,665
	Cash Paid For Services And To Employees For:	
S1200-050	Administrative Expenses	(22,797)
S1200-070	Management Fees	(22,877)
S1200-090	Utilities	(64,309)
S1200-100	Salaries And Wages	(57,453)
S1200-110	Operating And Maintenance	(69,597)
S1200-120	Real Estate Taxes	(31,111)
S1200-140	Property Insurance	(40,123)
S1200-150	Miscellaneous Taxes And Insurance	(11,355)
S1200-160	Tenant Security Deposits	(30)
S1200-180	Interest - First Mortgage	(124,617)
S1200-210	Mortgage Insurance Premium	(9,222)
S1200-220	Miscellaneous Financial Expenses	(5,474)
S1200-230	Total Cash Disbursements	(458,965)
S1200-240	Net Cash Provided By Operating Activities	167,700
	CASH FLOWS FROM INVESTING ACTIVITIES:	
S1200-245	Net Increase In Mortgage Escrows	(19,179)
S1200-250	Net Increase In Replacement Reserve	(7,010)
S1200-255	Net Increase In Bond Reserves	(138)
S1200-350	Net Cash Used In Investing Activities	(26,327)
	CASH FLOWS FROM FINANCING ACTIVITIES:	
S1200-360	Bond Principal Payments	(41,443)
S1200-460	Net Cash Used In Financing Activities	(41,443)
S1200-470	Net Increase In Cash	99,930
S1200-480	Unrestricted Cash - Beginning Of Year	76,656
S1200T	Unrestricted Cash - End Of Year	$ 176,586

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Statement Of Cash Flows Data
(Continued)

For The Year Ended December 31, 2016

	RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
3250	Net Loss	$	(66,648)
	Adjustments To Reconcile Net Loss To Net Cash Provided By Operating Activities		
6600	Depreciation		128,486
S1200-486	Amortization Of Financing Fees		6,820
	(Increase) Decrease In Operating Assets		
S1200-490	Tenant Accounts Receivable		(2,741)
S1200-520	Prepaid Expenses		404
S1200-530	Tenant Security Deposits		(22)
	Increase (Decrease) In Operating Liabilities		
S1200-540	Accounts Payable		34,973
S1200-560	Accrued Expenses		1,047
S1200-570	Accrued Interest		59,479
S1200-580	Security Deposit Liability		(8)
S1200-590	Prepaid Revenue		5,910
S1200-610	Net Cash Provided By Operating Activities	$	167,700

See Independent Auditors' Report

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD
Schedule Of Surplus Cash

December 31, 2016

CASH		
S1300-010	Cash	$ 187,375
S1300-040	Total Cash	187,375
CURRENT OBLIGATIONS		
S1300-050	Accrued Mortgage (Or Bond) Interest Payable	10,263
S1300-075	Accounts Payable - 30 Days	16,477
S1300-100	Accrued Expenses Not Escrowed	1,815
S1300-110	Scheduled Mortgage Principal Payment	3,578
S1300-110	Scheduled Replacement Reserve Deposit	584
2210	Prepaid Revenues	6,081
2191	Tenant/Patient Deposits Held In Trust (Contra)	9,650
S1300-140	Total Current Obligations	48,448
S1300-150	Surplus Cash (Deficiency)	$ 138,927

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD

For The Year Ended December 31, 2016

CHANGES IN FIXED ASSETS:

		ASSETS			
		Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016
1410	Land	$ 69,095	$ -	$ -	$ 69,095
1410	Land Improvements	21,769	-	-	21,769
1420	Buildings	4,784,616	-	-	4,784,616
1465	Office Furniture And Equipment	94,240	-	-	94,240
	TOTAL	$ 4,969,720	$ -	$ -	$ 4,969,720

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD

For The Year Ended December 31, 2016

	ACCUMULATED DEPRECIATION				
	Balance 1/1/2016	Net Provisions	Deductions	Balance 12/31/2016	Net Book Value 12/31/2016
1495	$ -	$ -	$ -	$ -	$ 69,095
1495	16,151	1,451	-	17,602	4,167
1495	1,549,481	119,616	-	1,669,097	3,115,519
1495	71,616	7,419	-	79,035	15,205
	$ 1,637,248	$ 128,486	$ -	$ 1,765,734	$ 3,203,986

Meridian Manor-Chapin Street, L.P.
Supporting Data Required By HUD

December 31, 2016

MANAGEMENT FEE RATE: 3.7% of monthly collections

IDENTITY OF INTEREST FIRMS:

Michel Associates, Ltd. – Asset Manager
Meridian Manor, L.L.C – General Partner

LIST OF IDENTITY OF INTEREST COMPANIES AND ACTIVITIES
DOING BUSINESS WITH OWNER/AGENT:

Identity of interest amounts paid: None

Identity of interest amounts payable: $868,645

PARTNERSHIP EMPLOYER IDENTIFICATION NUMBER: 52-2282477

RESERVE FOR REPLACEMENTS:

In accordance with the provisions of the regulatory agreement, restricted cash is held by the District Of Columbia Housing Finance Agency, to be used for the replacement of the property with the approval of HUD, as follows:

Balance - January 1, 2016	$ 57,497
Monthly deposits ($584 x 12)	7,008
Interest Income	2
Balance - December 31, 2016 confirmed by mortgagee	$ 64,507

Independent Auditors' Report On Internal Control Over Financial Reporting

And On Compliance And Other Matters Based On An Audit

Of Financial Statements Performed In Accordance With

Government Auditing Standards

To The Partners
Meridian Manor-Chapin Street, L.P.
1101 30th Street, N.W., Suite 100A
Washington, DC 20007

We have audited, 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, the financial statements of Meridian Manor-Chapin Street, L.P., which comprise the balance sheet as of December 31, 2016, and the related statements of operations, 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 March 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Manor-Chapin Street, 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 Meridian Manor-Chapin Street, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian Manor-Chapin Street, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Meridian Manor-Chapin Street, L.P.'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 Meridian Manor-Chapin Street, L.P.'s financial statements are free from 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Meridian Manor-Chapin Street, 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 Meridian Manor-Chapin Street, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 15, 2017

Independent Auditors' Report On Compliance For

Each Major HUD Program And Report

On Internal Control Over Compliance Required By

The *Consolidated Audit Guide For Audits Of HUD Programs*

To The Partners
Meridian Manor-Chapin Street, L.P.
1101 30th Street, N.W., Suite 100A
Washington, DC 20007

Report on Compliance for Each Major HUD Program

We have audited Meridian Manor-Chapin Street, L.P.'s compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs (the Guide)*, that could have a direct and material effect on each of Meridian Manor-Chapin Street, L.P.'s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2016. Meridian Manor-Chapin Street, L.P.'s major HUD programs are as follows: 542(c) and Section 8.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its HUD programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Meridian Manor-Chapin Street, L.P.'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the*

Guide. Those standards and *the Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Meridian Manor-Chapin Street, L.P.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of Meridian Manor-Chapin Street, L.P.'s compliance.

Opinion on Each Major HUD Program

In our opinion, Meridian Manor-Chapin Street, L.P. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2016.

Report On Internal Control Over Compliance

Management of Meridian Manor-Chapin Street, L.P. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meridian Manor-Chapin Street, L.P.'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the *Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meridian Manor-Chapin Street, L.P.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.

Hertzbach & Company, P.A.

Owings Mills, Maryland
March 15, 2017

Meridian Manor-Chapin Street, L.P.
Schedule Of Findings, Questioned Costs, And Recommendations

December 31, 2016

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Meridian Manor-Chapin Street, L.P.
Schedule Of The Status Of Prior Audit Findings, Questioned Costs, And Recommendations

December 31, 2016

1. Prior Audit Period: January 1, 2015 – December 31, 2015

   Audit Report, dated March 9, 2016, for the period ended December 31, 2015, issued by Hertzbach & Company, P.A.

   There were no open findings from the prior period.

2. Current Audit Period: January 1, 2016 – December 31, 2016

   Report, dated August 5, 2016, by the District of Columbia Housing Finance Agency, titled 2015 Project Performance Review.

   There were no findings listed in the report.

3. Current Audit Period: January 1, 2016 – December 31, 2016

   There were no letters or reports issued by HUD management during the period covered by this audit.

Meridian Manor-Chapin Street, L.P.
Statement Of Mortgagor's Certification

December 31, 2016

Meridian Manor-Chapin Street, L.P.
HUD Project No: 000-98025

CERTIFICATION OF PARTNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Meridian Manor-Chapin Street, L.P. and, to the best of our knowledge and belief, the same are complete and accurate.

Meridian Manor, L.L.C.
Scott L. Kline
Managing Member

Date

Meridian Manor-Chapin Street, L.P.

Mortgagor Employer Identification Number:	52-2282477
Mortgagor Mailing Address:	Meridian Manor-Chapin Street, L.P. 1101 30th Street, N.W., Suite 100A Washington, DC 20007
Mortgagor Telephone: (202) 333-8931	Fax: (202) 833-1031
Mortgagor E-Mail Address:	Skline@NHTINC.org

Meridian Manor-Chapin Street, L.P.
Statement Of Management Agent's Certification

December 31, 2016

Meridian Manor-Chapin Street, L.P.
HUD Project No: 000-98025

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of Meridian Manor-Chapin Street, L.P. and, to the best of our knowledge and belief, the same are complete and accurate.

Edgewood Management Corporation
Mary Sweeney
Chief Financial Officer

Date

Edgewood Management Corporation

Management Agent Employer Identification Number:	54-1491854
Management Agent Mailing Address:	9711 Washingtonian Blvd., Suite 200 Gaithersburg, MD 20878
Management Agent Telephone: (301) 562-1600	Fax: (301) 562-1670
Management Agent E-Mail Address:	msweeney@emcmgmt.com

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

GOLDEN RULE LIMITED PARTNERSHIP

DECEMBER 31, 2016 AND 2015

GOLDEN RULE LIMITED PARTNERSHIP

TABLE OF CONTENTS

KOZAK, POLLEKOFF & GOLDMAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Partners
Golden Rule Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Rule Limited Partnership (a District of Columbia Limited Partnership), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of profit and loss, partner's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 auditors' 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.

1950 Old Gallows Road • Suite 440 • Vienna, Virginia 22182
Telephone: 703-506-9700 • Fax: 703-506-9707

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 19 to 21 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 19 to 21 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. Such 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 accompanying supplementary information shown on pages 19 to 21 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017 on our consideration of Golden Rule Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Golden Rule Limited Partnership's internal control over financial reporting and compliance.

Kay, Pelletoff & Goldman, P.C.

Vienna, Virginia
March 8, 2017

GOLDEN RULE LIMITED PARTNERSHIP

BALANCE SHEETS

DECEMBER 31,

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 242,156	$ 120,061
Tenant accounts receivable, net of allowance for doubtful accounts	33,095	27,243
Accounts receivable - other	-	3,661
Miscellaneous prepaid expenses	42,588	59,387
Total current assets	317,839	210,352
DEPOSITS HELD IN TRUST - FUNDED		
Tenant security deposits	49,027	48,606
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Mortgage escrow deposits	61,767	36,536
Reserve for replacements	379,425	181,991
Supportive service reserve	184,621	-
Operating reserve	1,873,370	512,294
Repairs escrow	354,228	-
	2,853,411	730,821
RENTAL PROPERTY ON LEASED LAND		
Building and improvements	16,040,305	15,901,934
Land improvements	476,888	437,641
Furnishings and equipment	664,836	650,060
	17,182,029	16,989,635
Less accumulated depreciation	(6,198,639)	(5,765,658)
	10,983,390	11,223,977
OTHER ASSETS		
Deposits	6,892	6,892
	6,892	6,892
	$ 14,210,559	$ 12,220,648

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

BALANCE SHEETS - CONTINUED

DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

		2016		2015
CURRENT LIABILITIES				
Accounts payable and accrued expenses		$ 145,717		$ 74,948
Accrued fees to affiliates		95,773		89,253
Accrued interest payable		-		29,821
Mortgage payable - current portion		71,193		66,810
Prepaid revenue		42,960		44,966
Total current liabilities		355,643		305,798
DEPOSITS LIABILITY				
Tenant security deposits		26,405		26,578
LONG-TERM LIABILITIES				
Accrued expense - ground lease		2,449,981		2,253,985
Mortgage payable, less current portion	$ 8,219,007		$ 5,525,182	
Debt issuance costs	(486,428)	7,732,579	(557,907)	4,967,275
Subordinated mortgages payable		4,450,000		4,450,000
Accrued interest - development fee		679,668		602,776
Development fee payable		1,636,002		1,636,002
		16,948,230		13,910,038
PARTNERS' EQUITY (DEFICIT)				
Partners' equity (deficit)		(3,119,719)		(2,021,766)
		$ 14,210,559		$ 12,220,648

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
REVENUE		
Rent Revenue - Gross Potential	$ 995,888	$ 971,375
Tenant Assistance Payments	402,855	338,576
Rent Revenue - Stores and commercial	-	-
Parking and garage spaces	-	-
Misc. rent revenue	-	-
Excess rent	-	-
Rent revenue/insurance	-	-
Retained excess income	-	-
Total rent revenue	1,398,743	1,309,951
VACANCIES		
Apartments	(40,799)	(39,149)
Stores and commercial	-	-
Rental concessions	(11,360)	(2,010)
Garbage and parking space	-	-
Miscellaneous	-	-
Total vacancies	(52,159)	(41,159)
Net rental revenue	1,346,584	1,268,792
Nursing homes/assisted living/board care/other	-	-
FINANCIAL REVENUE		
Financial revenue - project operation	-	22
Revenue from Investments - Residual Receipts	-	-
Revenue from Investments - Replacement Reserve	40	4
Revenue from Investments - Miscellaneous	33	-
Total financial revenue	73	26
OTHER REVENUE		
Laundry and vending revenue	14,251	13,807
Tenant charges	5,690	585
Gifts	-	-
Miscellaneous	906	315
Total other revenue	20,847	14,707
Total revenue	1,367,504	1,283,525
ADMINISTRATIVE EXPENSES		
Conventions and meetings	-	-
Management consultants	-	-
Advertising and marketing	1,151	12,094
Other Renting expenses	2,522	37
Office salaries	22,287	2,956
Office expenses	33,201	20,701
Office or model apartment	-	-
Management fee	67,996	64,395
Manager salaries	68,413	96,863
Administrative rent free unit	-	-
Legal expenses	300	8,628
Audit expenses	25,000	13,183
Bookkeeping /Accounting services	2,980	5,047
Bad debts	6,850	2,512
Misc. Administrative Expenses	21,260	16,868
Total Administrative Expenses	251,960	243,284

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

STATEMENTS OF PROFIT AND LOSS -CONTINUED
FOR THE YEARS ENDED DECEMBER 31,

UTILITIES	2016	2015
Fuel oil	-	-
Electricity	61,020	64,286
Water	92,610	77,890
Gas	661	199
Sewer	-	-
Total Utilities Expense	154,291	142,375
OPERATING AND MAINTENANCE		
Payroll	95,857	93,358
Supplies	81,692	67,246
Contracts	93,462	56,992
Operating and maintenance Rent Free Unit	-	-
Garbage and Trash Removal	26,525	25,858
Security Payroll/contract	3,587	3,906
Security Rent Free Unit	-	-
Heating/Cooling Repairs and Maintenance	5,753	3,718
Snow Removal	2,105	2,815
Vehicle and Maintenance Equipment Operation and Repairs	-	-
Misc. Operating and Maintenance Expenses	6,165	1,806
Total Operating and Maintenance Expenses	315,146	255,699
INSURANCE AND TAXES		
Real estate taxes	-	-
Payroll taxes	15,183	16,549
Property and liability insurance	38,453	50,592
Fidelity bond insurance	-	-
Workers compensation	-	-
Health insurance and other employee benefits	55,358	36,507
Miscellaneous taxes, licenses, permits and insurance	12,753	10,313
Total Taxes and insurance	121,747	113,961
FINANCIAL		
Interest on Mortgage Payable	848,265	357,032
Interest on Notes Payable (Long Term)	76,892	76,892
Interest on Notes Payable (Short Term)	-	-
Mortgage insurance premium/service charge	56,035	28,752
Miscellaneous financial expenses	1,914	3,845
Total financial expenses	983,106	466,521
ELDERLY CARE EXPENSES		
Nursing homes/assisted living/Board & care/other	-	-
Total Cost of Operations before Depreciation	1,826,250	1,221,840
Profit (Loss) before depreciation	(458,746)	61,685
Depreciation expenses	432,981	430,023
Amortization expenses	-	17,597
Operating profit or (Loss)	(891,727)	(385,935)
ENTITY EXPENSES		
Officer's salaries	-	-
Legal expenses	-	-
Interest income	-	-
Interest on notes payable	-	-
Ground lease	195,996	195,996
Other expense fees	10,230	14,456
Total entity expenses	206,226	210,452
Profit or (Loss) Net Income or (Loss)	$ (1,097,953)	$ (596,387)

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Partners' equity, January 1, 2015	$ (1,425,379)
Net loss	(596,387)
Partners' deficit, December 31, 2015	(2,021,766)
Net loss	(1,097,953)
Partners' deficit, December 31, 2016	$ (3,119,719)

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Rental receipts	$ 1,335,537	$ 1,298,924
Interest receipts	73	26
Other receipts	20,847	14,707
	1,356,457	1,313,657
Administrative	33,501	72,685
Management fees	77,060	54,317
Utilities	156,828	131,100
Salaries	195,841	209,854
Operating and maintenance	231,289	161,051
Property insurance	33,743	43,164
Other taxes and insurance	88,607	61,455
Tenant security deposits (net)	594	5,342
Interest on bonds	395,036	357,365
Mortgage insurance	30,029	30,491
Entity expenses	9,483	6,956
Other financial expense	1,914	3,845
	1,253,925	1,137,625
Net cash provided by operating activities	102,532	176,032
Cash flows from investing activities		
Purchase of rental property	(144,484)	(19,835)
Net deposits to mortgage escrows deposits	(25,231)	(19,532)
Net deposits to supportive services reserve	(184,621)	-
Net deposits to operating reserves	(1,361,076)	-
Net deposits to repairs escrow	(354,228)	-
Net deposits to reserve for replacements	(197,434)	(15,540)
Net cash used in investing activities	(2,267,074)	(54,907)
Cash flows from financing activities		
Decrease (increase) in finance fees	(411,571)	(66,017)
Proceeds from mortgage loan	8,290,200	-
Principal payments on bonds	(5,591,992)	(65,461)
Net cash provided by (used in) financing activities	2,286,637	(131,478)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,095	(10,353)
Cash and cash equivalents, beginning	120,061	130,414
Cash and cash equivalents, ending	$ 242,156	$ 120,061

See notes to financial statements

GOLDEN RULE LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss	$(1,097,953)	$ (596,387)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	432,981	430,023
Amortization of debt issuance costs	483,050	17,597
Change in assets and liabilities		
(Increase) decrease in assets		
Miscellaneous prepaid expenses	16,799	10,972
Tenant accounts receivable	(2,191)	(2,322)
Accounts receivable - other	-	4,959
Increase (decrease) in liabilities		
Accounts payable	22,859	6,470
Accrued fees to affiliates	6,520	7,500
Accrued interest payable	(29,821)	(333)
Accrued interest - development fee	76,892	76,892
Accrued expense - ground lease	195,996	195,996
Prepaid revenue	(2,006)	30,007
Tenant security deposits - net	(594)	(5,342)
Net cash provided by operating activities	$ 102,532	$ 176,032

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Golden Rule Limited Partnership (the Partnership), a District of Columbia limited partnership, was formed on March 8, 2002. The Partnership's purpose is to acquire, develop, finance, and operate a property consisting of a 119 unit residential apartment complex located in Washington, DC for qualifying low-income individuals and households. The property is operating under the name Golden Rule Plaza Apartments (the Project).

The Project has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

Additionally, the Partnership has entered into an Extended Use Housing Agreement with the District of Columbia Housing Finance Agency. This agreement requires the Project to maintain the provisions of Section 42 of the Internal Revenue Code for a minimum of 30 years. The Partnership is required to set aside all available units in the Project for low-income occupants.

Accounting Method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of the payments.

Rental Revenue

Rental revenue is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are considered to be operating leases.

Advertising

Advertising costs are charged to operations when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates 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.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash includes all cash balances and cash equivalents consisting of all highly liquid debt instruments purchased with a maturity of three months or less. These amounts are available for current operations and exclude amounts restricted for repayment of tenant security deposits, escrows and reserves.

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Investments in Rental Property

Investments in rental property are carried at cost and include all direct costs of acquisition and construction. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Depreciation is provided using the following methods and estimated useful lives.

	Method	Estimated Useful Lives
Building	Straight-line	40 years
Land improvements	Straight-line	20 years
Furnishings and equipment	Straight-line	10 years

For income tax purposes, accelerated lives and methods are used.

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of assets, an impairment loss is recognized for the difference. There were no asset impairments during the years ended December 31, 2016 and 2015.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan. During 2016, amortization of debt issuance costs which has been included as a component of interest expense was $483,050. In 2015, amortization of debt issuance costs was $17,549.

Change in Accounting Principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis. As a result, the December 31, 2015 balance of debt issuance costs of $557,907, which are net of accumulated amortization and related to the Partnership's mortgage payable, were reclassified on the balance sheet from other assets to mortgage payable. Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on the Partnership's financial position, results of operations or cash flows. The cumulative effect of this change is immaterial and is included as additional interest expense in the statement of operations.

Income Taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. These financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. The Partnership's federal income tax returns for 2015, 2014 and 2013 are subject to examination by the IRS, generally three years after they were filed.

Subsequent Events

Subsequent events were evaluated through March 8, 2017, the date the financial statements were available to be issued.

NOTE B – OWNERSHIP

Ownership

The general partner is GRP Apartments, Inc., the special limited partner is RBC Tax Credit Manager II, Inc., and the investor limited partner is Nationwide Affordable Housing Fund VI – Apollo Tax Credit Fund XXVII, LP. The ownership percentage and allocations of profits and losses and tax credits of the partners are as follows:

	Percentage
General partner	0.001%
Special limited partner	0.009%
Investor limited partner	99.990 %
	100.000%

Distributions shall be allocated in accordance with the partnership agreement. Upon sale or refinancing, the partnership agreement requires special computations to determine profit allocation and cash distributions.

NOTE C – RESTRICTED DEPOSITS

Replacement Reserve

The Partnership is required to maintain a reserve for replacements account for use in funding future maintenance and replacement costs. In conjunction with the refinancing of the mortgage as described in Note D, the Partnership deposited $170,243 into the replacement reserve. Beginning on February 1, 2017, the required monthly deposit into the replacement reserve will be $4,314. Prior to December 1, 2016, the required monthly payment was $2,479. As of December 31, 2016 and 2015, the balance in the reserve for replacements was $379,425 and $181,991, respectively.

Operating Reserve

The Partnership is required to maintain an operating reserve in order to meet operating expenses and debt service of the partnership which exceeds operating income available to those payments. Disbursements from the Operating Reserve require the consent of the Limited Partner. In accordance with the First Amendment To The Agreement of Limited Partnership and as of the date of that Amendment, the required balance of the Operating Reserve will be reduced to $ 243,432.

NOTE C – RESTRICTED DEPOSITS (Continued)

Repairs Escrow

In conjunction with the refinancing of the mortgage, the Partnership entered into an Escrow Agreement which requires that a Repairs Escrow be established in the amount of $354,126 for the completion of the non-critical, deferred repairs and special non-critical repairs described in the Agreement. The special non-critical repairs are required to be completed within thirty-six months following endorsement of the note by HUD for mortgage insurance. All other repair work described in the Agreement is required to be completed within twelve months following endorsement of the note by HUD for mortgage insurance. Provided that an event of default does not exist, any remaining balance in the escrow account may be released to the Partnership provided that all work has been satisfactorily completed as determined by HUD, evidence of clean title has been provided to HUD and latent defects assurances are compliant with Program Obligations have been provided as described in the Agreement. As of December 31, 2016, the balance in this account was $354,228.

Supportive Services Reserve

In accordance with the First Amendment to the Agreement of Limited Partnership, the Partnership is required to deposit $225,000 into a Supportive Services Reserve established by Love Funding Corporation. The Supportive Service Reserve is to be used in accordance with the escrow agreement by and between the Partnership and Love Funding Corporation for the provision to provide supportive services to Qualified Tenants of the Apartment Complex. No more than $15,000 of the Supportive Service reserve shall be withdrawn annually for such services. All funds in the Supportive Services Reserve may be used by the General Partner to fund operating expenses and debt service in excess of operating revenues and the Operating Reserve upon the prior consent of Love Funding Corporation and the Limited Partner. The balance in the Supportive Services Reserve is $184,621 at December 31, 2016.

NOTE D – LONG TERM DEBT

Mortgage Payable

On December 1, 2016, the Partnership refinanced its mortgage payable and obtained a new mortgage note payable in the amount of $8,290,200. This note bears interest at 2.91%, requires monthly payments of principal and interest of $31,490 beginning on February 1, 2017 and all remaining principal and interest will be due on January 1, 2052. This note is secured by a mortgage and deed of trust on the rental property. No payments were required in 2016 and the balance outstanding at December 31, 2016 was $8,290,200. At closing of the refinancing, $ 20,104 was paid and charged to interest expense.

NOTE D – LONG TERM DEBT (Continued)

Prior to the refinancing described above, the Partnership had a mortgage payable that bore interest at an initial rate of 5.58% per annum, was to mature on December 1, 2044 and required monthly payments of principal and interest sufficient to amortize the debt over a 40 year term. On December 1, 2016, the balance of the loan in the amount of $5,528,234 was repaid. The outstanding balance of the loan at December 31, 2015 was $5,591,992. For the year ended December 31, 2016, interest expense of $848,265, including debt issuance costs amortization of $483,050 was charged to operations. Interest expense during 2015 was $357,032. Debt issuance costs is $486,428, net of accumulated amortization as of December 31, 2016.

The liability of the Partnership under the mortgage is limited to the underlying value of the real estate collateral and an assignment of the general and limited partners' interests in the Partnership.

Second Mortgage Payable

The second mortgage loan in the original amount of $3,500,000 was issued by GRP, Inc., is non-interest bearing and matures in 2046. The mortgage is collateralized by a second deed of trust on the Partnership's real property. The amount outstanding on this mortgage is $3,500,000 as of December 31, 2016 and 2015, respectively.

Additional Mortgages Payable

The Partnership received financing in the form of a $450,000 note from an affiliate of the general partner funded with the proceeds of an Affordable Housing Program Grant from the Federal Home Loan Bank of Atlanta. The note is secured by the property is non-interest bearing and matures in 2046.

The Partnership received financing in the form of a $500,000 note from an affiliate of the general partner funded with the proceeds of a Grant from the Square 456 Associates. The note is secured by the property, is non-interest bearing and matures in 2046.

NOTE D – LONG TERM DEBT (Continued)

Aggregate maturities of the mortgages payable for each of the next five years, following December 31, 2016, are as follows:

2017	$ 126,778
2018	142,210
2019	146,404
2020	150,722
2021	155,167

NOTE E - PROPERTY MANAGEMENT FEE

Effective May 1, 2010, the Partnership entered into a management agreement with Columbus Property Management & Development, Inc. This agreement provides for a management fee based on gross rent collections. During the years ended December 31, 2016 and 2015, management fees totaled $67,996 and $64,395, respectively and accrued management fee payable was $5,773 and $0, respectively.

CPM charges the Partnership for property management personnel as well as maintenance and administrative support personnel. These charges totaled $257,097 and $246,233 during the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, CPM charges for property management personnel and maintenance and administrative personnel of $24,948 and $15,074 were included in accrued expenses.

NOTE F - RELATED PARTY TRANSACTIONS

Asset Management Fee

The investor limited partner earns an annual fee for services equal to $5,000 initially which increases by 3% per year and accrues monthly for an annual review of the operations of the Partnership and the apartment complex. The fee is payable from net cash flows, as defined in the partnership agreement. For the years ended December 31, 2016 and 2015, a fee of $2,730 and $6,956, respectively, has been charged to expense. The accrued fee was $0 and $6,753 as of December 31, 2016 and 2015, respectively.

NOTE F - RELATED PARTY TRANSACTIONS (Continued)

Development Fee Payable

For services in connection with the development of the Project, the Partnership agreed to pay an affiliate of the general partner, Golden Rule Plaza, Inc., a development fee of $2,112,000. For the years ended December 31, 2016 and 2015, the outstanding balance was $1,636,002 which is expected to be paid from operating cash flows. The payable accrues interest at the rate of 4.7% per annum in accordance with the development agreement. Interest expense for the years ended December 31, 2016 and 2015, was $76,892 and $76,892, respectively. Accrued interest as of December 31, 2016 and 2015, was $679,668 and $602,776, respectively.

Ground Lease

The Partnership entered into a ground lease agreement with Golden Rule Plaza, Inc., an affiliate of the general partner, for a term of ninety-nine years. The rent began in June, 2002, the second anniversary date of the lease, and is payable solely from surplus cash. The annual rent is $196,000 per annum. The ground lease payable as of December 31, 2016 and 2015 was $2,449,981 and $2,253,985, respectively.

Incentive Management Fee

The Partnership entered into an incentive management fee agreement with GRP Apartments, Inc., the general partner, for services in managing and administering the business of the Partnership, maintaining the books and records and reporting to the partners and the lender. The fee is payable only from the net cash flows of the Partnership, as defined in the partnership agreement. The annual fee is limited to 75% of such cash flow and is noncumulative. For the years ended December 31, 2016 and 2015, no fee was charged to the Partnership.

Partnership Management Fee

The Partnership entered into an agreement with Mission First Development, LLC, an affiliate of the general partner for consulting services in connection with the day to day operations of the project. Such fee in the amount of $7,500, accrues annually and is payable from net cash flows, as defined in the partnership agreement. The fee is cumulative and as of December 31, 2016 and 2015 the accrued fee was $90,000 and $82,500, respectively.

NOTE G - RECONCILIATION BETWEEN LOSS PER TAX RETURN AND NET LOSS PER FINANCIAL STATEMENTS

The following is a reconciliation between the Partnership's loss as stated in the Partnership's Federal income tax returns and the net loss based on accounting principles generally accepted in the United States of America (GAAP) included in the accompanying statements of profit and loss for the years ended December 31:

	2016	2015
Loss per Federal income tax returns	$ (1,346,847)	$ (742,135)
Difference between tax return and GAAP		
Depreciation and amortization	246,888	175,755
Prepaid rent	2,006	(30,007)
Net loss per accompanying financial statements	$ (1,097,953)	$ (596,387)

NOTE H - LOW-INCOME HOUSING TAX CREDITS (UNAUDITED)

The Partnership was allocated low-income housing tax credits by the District of Columbia Housing Finance Agency amounting to $7,739,050 over a ten year period. All allocated credits have been taken as of December 31, 2014.

NOTE I – CONTINGENCY

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

SUPPLEMENTARY INFORMATION
SUPPORTING DATA REQUIRED BY HUD

GOLDEN RULE LIMITED PARTNERSHIP

SUPPLEMENTARY INFORMATION

SUPPORTING DATA REQUIRED BY HUD

DECEMBER 31, 2016 AND 2015

RESERVE FOR REPLACEMENTS

	2016	2015
Balance, January 1, 2016	$181,991	$166,451
Total deposits	197,429	29,750
Interest income	5	4
Withdrawals	-	(14,214)
Balance, December 31, 2016	$ 379,425	$181,991

DETAILS OF ACCOUNTS – STATEMENT OF OPERATIONS

MISC. ADMINISTRATIVE EXPENSES (ACCOUNT NO. 6390)

Professional services	$ 5,325	$ 6,940
Eviction service	-	4,509
Compliance monitoring	5,355	-
Meeting/conferences	1,361	1,226
Uniforms	3,790	2,443
Travel expenses	2,040	-
Late fees	565	265
Consulting fees	600	1,399
Miscellaneous	2,224	86
	$ 21,260	$16,868

OTHER ENTITY EXPENSE (ACCOUNT NO. 7190)

Partnership management consulting fee	$ 7,500	$ 7,500
Asset management fees	2,730	6,956
	$ 10,230	$ 14,456

GOLDEN RULE LIMITED PARTNERSHIP

SUPPLEMENTAL INFORMATION
CHANGES IN FIXED ASSET ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Assets				Accumulated Depreciation				Net
	Balance January 1, 2016	Additions	Reclassification	Balance December 31, 2016	Balance January 1, 2016	Provisions	Reclassification	Balance December 31, 2016	Book Value December 31, 2016
Building and improvements	$ 15,901,934	$ 141,097	$ (2,726)	$ 16,040,305	$ 4,869,844	$ 402,457	$ (714)	$ 5,271,587	$ 10,768,718
Land improvements	437,641	36,521	2,726	476,888	259,388	23,594	714	283,696	193,192
Furnishings and equipment	650,060	14,776	-	664,836	636,426	6,930		643,356	21,480
	$ 16,989,635	$ 192,394	$ -	$ 17,182,029	$ 5,765,658	$ 432,981	$ -	$ 6,198,639	$ 10,983,390

FOR THE YEAR ENDED DECEMBER 31, 2015

	Assets				Accumulated Depreciation				Net
	Balance January 1, 2015	Additions	Reclassification	Balance December 31, 2015	Balance January 1, 2015	Provisions	Reclassification	Balance December 31, 2015	Book Value December 31, 2015
Building	$ 15,901,934	$ -	$ -	$ 15,901,934	$ 4,471,786	$ 398,058	$ -	$ 4,869,844	$ 11,032,090
Land improvements	422,806	14,835	-	437,641	237,825	21,563	-	259,388	178,253
Furnishings and equipment	645,060	5,000	-	650,060	626,024	10,402	-	636,426	13,634
	$ 16,969,800	$ 19,835	$ -	$ 16,989,635	$ 5,335,635	$ 430,023	$ -	$ 5,765,658	$ 11,223,977

FIXED ASSETS ADDITIONS:

Building improvements	$ 147,893
Office cabinet	4,985
Land improvements	36,521
Access system	2,995
Total	$ 192,394

Computation of Surplus Cash, Distributions and Residual Receipts

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

Project Name:	Fiscal Period Ended:	Project Number
GOLDEN RULE LIMITED PARTNERSHIP	12/31/2016	

Part A - Compute Surplus Cash

Cash

1. Cash *(Accounts 1110, 1120, 1191, 1192)*	$ 291,183	
2. Tenant subsidy vouchers due for period covered by financial statement	$	
3. Other *(describe)*	$	
(a) Total Cash *(Add Lines 1,2, and 3)*		$ 291,183

Current Obligations

4. Accrued mortgage interest payable	$ -	
5. Delinquent mortgage principal payments	$	
6. Delinquent deposits to reserve for replacements	$	
7. Accounts payable *(due within 30 days)*	$ 145,717	
8. Loans and notes payable *(due within 30 days)*	$	
9. Deficient Tax Insurance or MIP Escrow Deposits	$	
10. Accrued Expenses *(not escrowed)*	$	
11. Prepaid Rents *(Account 2210)*	$ 42,960	
12. Tenant security deposit liability *(Account 2191)*	$ 26,405	
13. Other *(Describe)*	$	
(b) Less Total Current Obligations *(Add Lines 4 through 13)*		$ 215,082
(c) Surplus Cash (Deficiency) *(Line (a) minus Line (b))*		$ 76,101

Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts

1. Surplus Cash		$ 76,101

Limited Dividend Projects

2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	$	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	$	
2c. Distributions Paid During Fiscal Period Covered by Statement	$	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid *(Line 2a plus 2b minus 2c)*	$	
4. Amount Available for Distribution During Next Fiscal period		$ 76,101
5. Deposit Due Residual Receipts *(Must be deposited with Mortgagee within 60 days after Fiscal period ends)*		$ NONE

Prepared By		Reviewed By	
Loan Technician	Date	Loan Servicer	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Partners of
Golden Rule Limited Partnership

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 Golden Rule Limited Partnership, which comprise the balance sheet as of December 31, 2016, and the related statements of profit and loss, partner's equity (deficit), and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Golden Rule Limited Partnership'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 Golden Rule Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Golden Rule Limited Partnership'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 Golden Rule Limited Partnership's financial statements are free from 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kozak, Pelletoff & Goldman, P.C.

Vienna, Virginia
March 8, 2017

GOLDEN RULE LIMITED PARTNERSHIP

DECEMBER 31, 2016

CERTIFICATE OF PARTNERS

We hereby certify that we have examined the accompanying financial statements and supplemental information of Golden Rule Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

General Partner Date

Employer
Identification Number: 23-7121105

GOLDEN RULE LIMITED PARTNERSHIP

DECEMBER 31, 2016

MANAGING AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental information of Golden Rule Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

President　　　　　　　　Date

Managing Agent
Employer Identification Number:

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2016 and 2015

CohnReznick
Accounting • Tax • Advisory

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Index

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

December 31, 2016

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Trinity Towers Apartments, L.P. and, to the best of our knowledge and belief, the same are complete and accurate.

GENERAL PARTNERS

Bradley C. Jefferies, Chief Executive Officer Date

Trinity Towers Apartments Limited Partnership

By Trinity Towers Apartments GP, LLC, its
General Partner,

By The Community Partners GP Group, LLC, its
Managing Member

Telephone Number: (301) 296-4235

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

December 31, 2016

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Trinity Towers Apartments, L.P. and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT

E&G Property Services, Inc.

____

Thomas Gallagher
President

Managing Agent Federal
Identification Number:
54-1279500

Independent Auditor's Report

To the Partners
Trinity Towers Apartments, LP

Report on the Financial Statements

We have audited the accompanying financial statements of Trinity Towers Apartments, L.P., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, partners' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit 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 Trinity Towers Apartments, L.P., as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016, the Partnership adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 21 to 34 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. Such 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 accompanying supplementary information on pages 21 to 34 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of Trinity Towers Apartments 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* in considering Trinity Towers Apartments L.P.'s internal control over financial reporting and compliance.

CohnReznick LLP

Bethesda, Maryland
March 29, 2017

Taxpayer Identification Number:
22-1478099

Lead Auditor: James P. Martinko

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Balance Sheets
December 31, 2016 and 2015

Assets

	2016	2015
Current assets		
Cash - operations	$ 379,957	$ 312,935
Cash - entity	223,485	233,148
Tenant accounts receivable	67,395	57,609
Accounts receivable - HUD	5,177	26,692
Accounts and notes receivable - operations	7,992	15,469
Accounts and notes receivable - due from affiliate	167,895	167,895
Prepaid expenses	35,578	34,376
Total current assets	887,479	848,124
Deposits held in trust - funded		
Tenant deposits	36,844	36,788
Restricted deposits and funded reserves		
Escrow deposits	125,304	75,318
Reserve for replacements	189,513	183,143
Revenue reserve escrow	122,970	122,970
Total restricted deposits and funded reserves	437,787	381,431
Rental property		
Land	641,255	641,255
Buildings	15,883,594	15,848,269
Land improvements	889,138	889,138
Furnishings	191,974	191,974
	17,605,961	17,570,636
Less accumulated depreciation	(7,023,178)	(6,556,561)
Total rental property	10,582,783	11,014,075
Total assets	$ 11,944,893	$ 12,280,418

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Balance Sheets
December 31, 2016 and 2015

Liabilities and Partners' Equity (Deficit)

	2016	2015
Current liabilities		
Accounts payable - operations	$ 15,476	$ 52,253
Accrued wages payable	13,982	12,877
Accrued management fee payable	-	13
Accrued interest payable - first mortgage	36,132	36,889
Accrued property taxes payable	32,542	31,940
Mortgage payable - first mortgage, current maturities	156,814	147,469
Second mortgage payable, current maturities	64,665	54,606
Miscellaneous current liabilities	12,462	61,403
Prepaid revenue	11,168	15,470
Total current liabilities	343,241	412,920
Deposits liability		
Tenant deposits held in trust (contra)	36,188	35,428
Long-term liabilities		
Accounts payable - entity (long-term)	2,341,334	2,167,568
First mortgage, net of current maturities	6,403,162	6,537,623
Other mortgages, net of current maturities	4,188,464	4,253,129
Accrued interest payable - other mortgages payable (long-term)	2,261,953	2,217,073
Total long-term liabilities	15,194,913	15,175,393
Total liabilities	15,574,342	15,623,741
Partners' equity (deficit)	(3,629,449)	(3,343,323)
Total liabilities and partners' equity (deficit)	$ 11,944,893	$ 12,280,418

See Notes to Financial Statements.

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Rental revenue		
Rent revenue - gross potential	$ 409,390	$ 340,254
Tenant assistance payments	1,724,298	1,735,930
Total rental revenue	2,133,688	2,076,184
Vacancies		
Apartments	(8,859)	(40,712)
Total vacancies	(8,859)	(40,712)
Net rental revenue	2,124,829	2,035,472
Financial revenue		
Revenue from investments - replacement reserve	7	5
Total financial revenue	7	5
Other revenue		
Laundry and vending	10,192	11,452
Tenant charges	2,670	1,939
Miscellaneous revenue	78,118	71,309
Total other revenue	90,980	84,700
Total revenue	2,215,816	2,120,177

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Administrative expenses		
Office salaries	41,954	30,186
Office expenses	31,798	38,297
Management fee	110,519	107,891
Manager or superintendent salaries	61,806	45,293
Legal expense - project	11,102	9,491
Auditing expense	25,000	15,000
Bad debts	12,591	46,919
Miscellaneous administrative expenses	11,968	3,722
Total administrative expenses	306,738	296,799
Utilities expense		
Electricity	47,080	40,539
Water	91,504	86,795
Gas	22,662	26,017
Total utilities expense	161,246	153,351
Operating and maintenance expenses		
Payroll	95,170	92,934
Supplies	35,745	59,901
Contracts	146,101	195,532
Garbage and trash removal	21,079	23,387
Security payroll/contract	173,275	163,409
Miscellaneous operating and maintenance expenses	4,752	17,375
Total operating and maintenance expenses	476,122	552,538

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Taxes and insurance		
Real estate taxes	130,771	139,495
Payroll taxes and employee benefits	41,896	39,910
Property and liability insurance	39,682	30,267
Miscellaneous taxes, licenses, permits and insurance	1,000	373
Total taxes and insurance	213,349	210,045
Financial expenses		
Interest on first mortgage payable	460,145	469,691
Interest on other mortgages	196,628	199,078
Mortgage insurance premium/service charge	35,520	36,231
Miscellaneous financial expenses	11,811	5,490
Total financial expenses	704,104	710,490
Total cost of operations before depreciation and amortization	1,861,559	1,923,223
Income (loss) before depreciation and amortization	354,257	196,954
Depreciation and amortization		
Depreciation expense	466,617	459,227
Total depreciation and amortization	466,617	459,227
Operating income (loss)	(112,360)	(262,273)
Corporate or mortgagor entity revenue and expenses		
Other expenses	173,766	168,655
Net entity expenses	173,766	168,655
Total expenses	2,501,942	2,551,105
Net income (loss)	$ (286,126)	$ (430,928)

See Notes to Financial Statements.

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Partners' Equity (Deficit)
Years Ended December 31, 2016 and 2015

	General partner	Limited partners	Total
Partners' equity (deficit) December 31, 2014	$ (115,137)	$ (2,797,258)	$ (2,897,366)
Net income (loss)	(4,309)	(426,619)	(430,928)
Partners' equity (deficit) December 31, 2015	(119,446)	(3,223,877)	(3,343,323)
Net income (loss)	(2,861)	(283,265)	(286,126)
Partners' equity (deficit) December 31, 2016	$ (122,307)	$ (3,507,142)	$ (3,629,449)
Partners' percentage of losses	1.00%	99.00%	100.00%

See Notes to Financial Statements.

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Rental receipts	$ 2,119,665	$ 2,075,001
Interest receipts	7	5
Other operating receipts	90,980	84,700
Total receipts	2,210,652	2,159,706
Administrative expenses paid	(73,593)	(22,510)
Management fees paid	(110,532)	(123,136)
Utilities paid	(163,241)	(153,351)
Salaries and wages paid	(371,100)	(329,211)
Operating and maintenance paid	(291,400)	(296,195)
Real estate taxes paid	(130,169)	(135,685)
Property insurance paid	(39,682)	(30,267)
Miscellaneous taxes and insurance paid	(1,000)	(373)
Net tenant security deposits received (paid)	704	(322)
Other operating expenses paid	(41,896)	(39,910)
Interest paid on first mortgage	(438,550)	(448,051)
Interest paid on second mortgage	(151,748)	(154,198)
Mortgage insurance premium paid	(35,520)	(36,231)
Miscellaneous financial expenses paid	(11,811)	(5,490)
Total disbursements	(1,859,538)	(1,774,930)
Net cash provided by operating activities	351,114	384,776
Cash flows from investing activities		
Net (deposits to) withdrawals from mortgage escrows	(49,986)	(29,291)
Net (deposits to) withdrawals from reserve for replacement	(6,370)	13,828
Net purchases of fixed assets	(35,325)	(51,362)
Net cash used in investing activities	(91,681)	(66,825)
Cash flows from financing activities		
Mortgage principal payments - first mortgage	(147,468)	(138,680)
Mortgage principal payments - second mortgage	(54,606)	(52,156)
Net cash used in financing activities	(202,074)	(190,836)
Net increase in cash	57,359	127,115
Cash, beginning	546,083	418,968
Cash, end	$ 603,442	$ 546,083

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$ (286,126)	$ (430,928)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	466,617	459,227
Amortization of debt issuance costs	22,352	22,352
Bad debts	12,591	-
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable	(22,377)	31,581
Accounts receivable - other	28,992	53,716
Prepaid expenses	(1,202)	30,957
Tenant security deposits funded	(56)	(55)
Increase (decrease) in liabilities		
Accounts payable	(36,777)	24,129
Accrued liabilities	1,694	(8,824)
Accrued interest payable	44,123	44,168
Tenant security deposits held in trust	760	(267)
Prepaid revenue	(4,302)	(10,322)
Entity/construction liability accounts (include detail)		
Accrued partnership management fee	149,891	144,780
Accrued interest payable - development note	23,875	23,875
Other adjustments (include detail)		
Miscellaneous accrued expenses	(48,941)	387
Total adjustments	637,240	815,704
Net cash provided by operating activities	$ 351,114	$ 384,776

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Trinity Towers Apartments, L.P. (the "Partnership") was formed under the laws of the District of Columbia on April 19, 2001 for the purpose of building and operating a rental apartment project under Section 221(d)(4) of the National Housing Act. The Project consists of 122 units located in Washington, D.C. and is operating under the name Trinity Towers Apartments (the "Project").

Cash distributions are limited by agreements between the Partnership and the U.S. Department of Housing and Urban Development ("HUD") to the extent of surplus cash as defined by HUD.

The Project consists of one building that qualifies for and has been allocated low-income housing tax credits, pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The building must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the tax credits. In addition, the Partnership has executed a land use restriction agreement which requires the utilization of the Project, pursuant to Section 42, for a minimum of 30 years, even after disposition of the Project by the Partnership.

Note 2 - Significant accounting policies

Use of 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.

Rental property

Land, building and improvements, and furnishings are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations by use of the straight-line method over their estimated service lives of 40 years for buildings and improvements, 15 years for land improvements, and five years for furnishings. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statement of operations.

Impairment of long-lived assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized during the years ended December 31, 2016 and 2015.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes, and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Change in accounting principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis. As a result, as of December 31, 2015, $501,076 of debt issuance costs, net of accumulated amortization, related to the Partnership's mortgage payable were reclassified on the balance sheet from other assets to mortgage payable and for the year ended December 31, 2015, $22,352 of amortization expense related to such debt issuance costs was reclassified to interest expense in the statement of operations, with no effect on previously reported net income (loss). Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on the Partnership's financial position, results of operations or cash flows.

Note 3 - Mortgages payable

The Partnership has a first mortgage note in the original amount of $8,400,000, funded with proceeds from the issuance of Multifamily Housing Revenue Bonds, Series 2002 G by the District of Columbia Housing Finance Agency ("DCHFA"). The mortgage is insured by the Federal Housing Administration ("FHA") and is collateralized by a first deed of trust on the rental property. The mortgage bears interest at the rate of 6.16% per annum and requires monthly principal and interest payments in the amount of $48,835. The mortgage matures on November 1, 2038. The principal balance of the loan as of December 31, 2016 and 2015 is $7,038,700 and $7,186,168, respectively. Interest incurred during the years ended December 31, 2016 and 2015 was $437,793 and $447,339, respectively, of which $36,132 and $36,889, respectively, remains payable at December 31, 2016 and 2015.

Debt issuance costs, net of accumulated amortization, totaled $478,724 and $501,076 as of December 31, 2016 and 2015, respectively, and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 7.03%. During both 2016 and 2015, $22,352 of amortization expense was charged to interest.

Under agreements with the mortgage lender and FHA, the Partnership is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to partners. The Partnership is also required to maintain a revenue reserve escrow. Payments on mortgage payable are deposited into the revenue reserve escrow for payment of administrative expenses and repayment of bond interest and principal. Earnings are retained within the account.

The Partnership has a second loan agreement with the Department of Housing and Community Development in the original amount of $4,480,000. The proceeds from this loan were received in two installments. The first installment in the amount of $3,500,000 bears interest at a rate of 4.6% per annum with no payments of principal or interest due for the first 10 years. Payments of this note are made from surplus cash after certain priorities, as defined in the Amended and Restated Partnership Agreement. The principal balance of the first installment of the loan as of December 31, 2016 and 2015 is $3,273,129 and $3,327,735, respectively.

The second installment in the amount of $980,000 bears interest at a rate of 4.6% per annum with no payments of principal or interest due for the first 15 years. The principal balance of the second installment of the loan as of both December 31, 2016 and 2015 is $980,000.

Interest incurred during the years ended December 31, 2016 and 2015 was $196,628 and $199,078, respectively. At December 31, 2016 and 2015, $2,261,953 and $2,217,073, respectively, of accrued interest remains payable.

The liability of the Partnership under the above mortgages is limited to the underlying value of the real estate collateral, improvements, and assignment of leases, assignment of rents, personal property, and other amounts deposited with lender.

Aggregate annual maturities of the mortgages over each of the next five years and thereafter are as follows:

	First mortgage	Second mortgage - first installment	Second mortgage - second installment	Total
December 31, 2017	$ 156,814	$ 57,171	$ 7,494	$ 221,479
2018	166,751	59,858	13,322	239,931
2019	177,318	62,670	13,948	253,936
2020	188,554	65,614	14,604	268,772
2021	200,503	68,697	15,290	284,490
Thereafter	6,148,760	2,959,119	915,342	10,023,221
	$ 7,038,700	$ 3,273,129	$ 980,000	$ 11,291,829

Note 4 - Related party transactions

Operating deficit guarantee

Under the operating deficit guarantee, the general partner shall advance funds to the Partnership to defray project operating deficits. The general partner will provide these advances as special capital contributions until the Development Obligation Date ("DOD") is met. To reach the DOD, the Partnership must achieve breakeven, as defined, for a period of three consecutive calendar months. For three years after DOD, the advances made pursuant to this guarantee shall be project expenses loans repayable from surplus cash. Any such loans shall bear interest equal to prime rate charged by Bank of America. As of December 31, 2016 and 2015, no such advances have been made to the Partnership.

Development fee

The Partnership was obligated to pay a development fee in the amount of $2,000,000 to an affiliate of the general partners for services performed during development of the Project. The entire amount of the fee was incurred in prior years and capitalized to the cost basis of the rental property. Interest accrues on the unpaid balance at 6% per annum. The fee and related accrued interest is payable from surplus cash as defined by HUD. Interest incurred for both 2016 and 2015 was $23,875. At December 31, 2016 and 2015, $345,227 and $321,352, respectively, of interest remains payable. At both December 31, 2016 and 2015, $397,914 of the fee remains payable.

Priority distribution

In accordance with the Amended and Restated Partnership Agreement, the investor limited partner is entitled to a cumulative priority distribution of $7,500 a year, as defined. The distribution is payable only to the extent of available cash flow as defined in the Amended and Restated Partnership Agreement. At December 31, 2016, $67,548 of cumulative priority distributions are due to the investor limited partner.

Incentive management fee

Consultative services are provided to the Partnership by the general partner, for which it receives a fee of up to 8% of the gross revenue of the Project, as defined. The fee is non-cumulative and is payable only to the extent of available cash flow as defined in the Amended and Restated Partnership Agreement. No such fee was incurred during 2016 or 2015.

Partnership management fee

The general partner earns a partnership management fee equal to 7% of the gross revenue of the Project, as defined. The fee is cumulative and payable from cash flow as defined. During 2016 and 2015, $149,891 and $144,780, respectively, was incurred. At December 31, 2016 and 2015, $1,598,193 and $1,448,302, respectively, remains payable.

Due from affiliate

The general partner collected $167,895 of antenna income on behalf of the Partnership in prior years. This amount is reflected as a receivable due from the general partner. The amount is due on demand.

Note 5 - Management fee

The property is managed by E&G Property Services, Inc., an unrelated party, pursuant to a management agreement approved by HUD. The current management agreement provides for a management fee of 5% of gross revenue, as defined. During 2016 and 2015, $110,519 and $107,891, respectively, was charged to operations, of which $0 and $13, respectively, remains payable at December 31, 2016 and 2015.

Note 6 - Partner contributions

The general partner, Trinity Towers Apartments GP, LLC, has contributed $100 which entitles it to share in 1% of the profits, losses, and distributions. The Partnership has two limited partners, Lend Lease Trinity Towers, LLC, the investor limited partner, and SLP, Inc., the special limited partner, which have partnership interests of 99% and 0%, respectively.

The Amended and Restated Partnership Agreement requires the limited partners to make capital contributions totaling $6,393,000. Through December 31, 2016, capital contributions of $4,656,125 have been received. The remaining amount will be contributed based upon the achievement of certain milestones as discussed in the partnership agreement.

Note 7 - Housing assistance payment contract agreement

HUD has contracted with the Partnership pursuant to Section 8 of Title II of the Housing and Community Development Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants. The agreement expires November 8, 2022.

Note 8 - Commitments and contingencies

Tax credit compliance

The Project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. The partnership agreement provides for a guaranty from the general partners for recapture provisions during the compliance period.

Lender restrictions and requirements

The Partnership is subject to various lender restrictions and requirements, including: (1) the rental of not less than 40% of the dwelling units to individuals or families who qualify as lower-income tenants within the meaning of Section 42(d) of the Internal Revenue Code of 1986; (2) restrictions on the amount of cash flow which may be distributed to the partners; and (3) restrictions on the sale of the Project.

Note 9 - Concentration of credit risk

The Partnership maintains cash and cash equivalents with financial institutions. The Partnership also maintains bond funded escrows and reserves. All escrows and reserves are held in trust accounts in the Partnership's name. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2016.

Note 10 - Current vulnerability due to certain concentrations

The Partnership's sole asset is a 122-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 31, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by HUD

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Balance Sheet Data
December 31, 2016

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 379,957
1125	Cash - entity		223,485
1130	Tenant accounts receivable		67,395
1135	Accounts receivable - HUD		5,177
1140	Accounts and notes receivable - operations		7,992
1145	Accounts and notes receivable - entity		167,895
1200	Prepaid expenses		35,578
1100T	Total current assets		887,479
Deposits held in trust - funded			
1191	Tenant deposits		36,844
Restricted deposits and funded reserves			
1310	Escrow deposits	$ 125,304	
1320	Reserve for replacements	189,513	
1330	Other reserves	122,970	
1300T	Total deposits		437,787
Rental property			
1410	Land	641,255	
1420	Buildings	15,883,594	
1440	Building equipment - portable	889,138	
1450	Furniture for project/tenant use	191,974	
1400T	Total fixed assets	17,605,961	
1495	Less accumulated depreciation	(7,023,178)	
1400N	Net fixed assets		10,582,783
1000T	Total assets		$ 11,944,893

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Balance Sheet Data
December 31, 2016

Liabilities and Partners' Equity (Deficit)

Account No.					
Current liabilities					
2110	Accounts payable - operations			$	15,476
2120	Accrued wages payable				13,982
2131	Accrued interest payable - first mortgage				36,132
2150	Accrued property taxes payable				32,542
2170	Mortgage payable - first mortgage (short-term)				156,814
2172	Other mortgages payable (short-term)				64,665
2190	Miscellaneous current liabilities				12,462
2210	Prepaid revenue				11,168
2122T	Total current liabilities				343,241
Deposits liability					
2191	Tenant deposits held in trust (contra)				36,188
Long-term liabilities					
2305	Accounts payable - entity (long-term)	$	2,341,334		
2320	Mortgage payable - first mortgage		6,403,162		
2322	Other mortgages payable (long-term)		4,188,464		
2331	Accrued interest payable - other mortgages payable (long-term)		2,261,953		
2300T	Total long-term liabilities				15,194,913
2000T	Total liabilities				15,574,342
3130	Partners' equity (deficit)				(3,629,449)
2033T	Total liabilities and partners' equity (deficit)			$	11,944,893

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 409,390	
5121	Tenant assistance payments	1,724,298	
5100T	Total rental revenue		$ 2,133,688
Vacancies			
5220	Apartments	(8,859)	
5200T	Total vacancies		(8,859)
5152N	Net rental revenue		2,124,829
Financial revenue			
5440	Revenue from investments - replacement reserve	7	
5400T	Total financial revenue		7
Other revenue			
5910	Laundry and vending	10,192	
5920	Tenant charges	2,670	
5990	Miscellaneous revenue	78,118	
5900T	Total other revenue		90,980
5000T	Total revenue		2,215,816

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Administrative expenses			
6310	Office salaries	41,954	
6311	Office expenses	31,798	
6320	Management fee	110,519	
6330	Manager or superintendent salaries	61,806	
6340	Legal expense - project	11,102	
6350	Auditing expense	25,000	
6370	Bad debts	12,591	
6390	Miscellaneous administrative expenses	11,968	
6263T	Total administrative expenses		306,738
Utilities expense			
6450	Electricity	47,080	
6451	Water	91,504	
6452	Gas	22,662	
6400T	Total utilities expense		161,246
Operating and maintenance expenses			
6510	Payroll	95,170	
6515	Supplies	35,745	
6520	Contracts	146,101	
6525	Garbage and trash removal	21,079	
6530	Security payroll/contract	173,275	
6590	Miscellaneous operating and maintenance expenses	4,752	
6500T	Total operating and maintenance expenses		476,122

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Taxes and insurance			
6710	Real estate taxes	130,771	
6711	Payroll taxes	41,896	
6720	Property and liability insurance	39,682	
6790	Miscellaneous taxes, licenses, permits and insurance	1,000	
6700T	Total taxes and insurance		213,349
Financial expenses			
6820	Interest on first mortgage payable	460,145	
6825	Interest on other mortgages	196,628	
6850	Mortgage insurance premium/service charge	35,520	
6890	Miscellaneous financial expenses	11,811	
6800T	Total financial expenses		704,104
6000T	Total cost of operations before depreciation and amortization		1,861,559
5060T	Income (loss) before depreciation and amortization		354,257
Depreciation and amortization			
6600	Depreciation expense	466,617	
	Total depreciation and amortization		466,617
5060N	Operating income (loss)		(112,360)
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	173,766	
7100T	Net entity expenses		173,766
	Total expenses		2,501,942
3250	Net income (loss)		$ (286,126)

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 147,468
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 34,526
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ 28,163
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	$ -

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2016

Account No.		General partner	Limited partners	Total
S1100-010	Partners' equity (deficit) December 31, 2015	$ (119,446)	$ (3,223,877)	$ (3,343,323)
3250	Net income (loss)	(2,861)	(283,265)	(286,126)
3130	Partners' equity (deficit) December 31, 2016	$ (122,307)	$ (3,507,142)	$ (3,629,449)
	Partners' percentage of losses	1.00%	99.00%	100.00%

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	$ 2,119,665
S1200-020	Interest receipts	7
S1200-030	Other operating receipts	90,980
S1200-040	Total receipts	2,210,652
S1200-050	Administrative expenses paid	(73,593)
S1200-070	Management fees paid	(110,532)
S1200-090	Utilities paid	(163,241)
S1200-100	Salaries and wages paid	(371,100)
S1200-110	Operating and maintenance paid	(291,400)
S1200-120	Real estate taxes paid	(130,169)
S1200-140	Property insurance paid	(39,682)
S1200-150	Miscellaneous taxes and insurance paid	(1,000)
S1200-160	Net tenant security deposits received (paid)	704
S1200-170	Other operating expenses paid	(41,896)
S1200-180	Interest paid on first mortgage	(438,550)
S1200-181	Interest paid on second mortgage	(151,748)
S1200-210	Mortgage insurance premium paid	(35,520)
S1200-220	Miscellaneous financial expenses paid	(11,811)
S1200-230	Total disbursements	(1,859,538)
S1200-240	Net cash provided by operating activities	351,114
	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrows	(49,986)
S1200-250	Net deposits to reserve for replacements	(6,370)
S1200-330	Net purchases of fixed assets	(35,325)
S1200-350	Net cash used in investing activities	(91,681)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(147,468)
S1200-361	Mortgage principal payments - second mortgage	(54,606)
S1200-460	Net cash used in financing activities	(202,074)
S1200-470	Net increase in cash	57,359
S1200-480	Cash, beginning	546,083
S1200T	Cash, end	$ 603,442

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		$ (286,126)
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		466,617
S1200-486	Amortization of debt issuance costs		22,352
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(22,377)
S1200-500	Accounts receivable - other		28,992
S1200-520	Prepaid expenses		(1,202)
S1200-530	Tenant security deposits funded		(56)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(36,777)
S1200-560	Accrued liabilities		1,694
S1200-570	Accrued interest payable		44,123
S1200-580	Tenant security deposits held in trust		760
S1200-590	Prepaid revenue		(4,302)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accrued partnership management fee	$ 149,891	
S1200-606	Accrued interest payable - development note	23,875	
			173,766
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	12,591	
S1200-601	Miscellaneous accrued expenses	(48,941)	
			(36,350)
	Total adjustments		637,240
S1200-610	Net cash provided by operating activities		$ 351,114

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information
Year Ended December 31, 2016

Reserve for Replacements

Account No.			
1320P	Balance at December 31, 2015	$	183,143
1320DT	Total monthly deposits		34,526
1320INT	Interest income		7
1320WT	Approved withdrawals		(28,163)
1320	Balance at December 31, 2016	$	189,513

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information
Year Ended December 31, 2016

Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)	$	416,801
1135	Accounts receivable - HUD		5,177
S1300-040	Total cash		421,978
S1300-050	Accrued mortgage interest payable		36,132
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		15,476
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		13,982
2210	Prepaid revenue (Account 2210)		11,168
2191	Tenant security deposits liability (Account 2191)		36,188
S1300-140	Less total current obligations		112,946
S1300-150	Surplus cash (deficiency)	$	309,032
	Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
	Limited Dividend Projects		
S1300-160	Annual distribution earned during fiscal period covered by the statements	$	-
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period		-
S1300-180	Distributions and entity expenses paid during fiscal period covered by the statements		-
S1300-190	Amount remaining as distribution earned but unpaid		-
S1300-200	Amount available for distribution during next fiscal period	$	309,032
S1300-210	Deposit due residual receipts reserve	$	-

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information
Year Ended December 31, 2016

Changes in Fixed Asset Accounts

	Assets			
	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Land	$ 641,255	$ -	$ -	$ 641,255
Buildings	15,848,269	35,325	-	15,883,594
Building equipment - portable	889,138	-	-	889,138
Furniture for project/tenant use	191,974	-	-	191,974
	$ 17,570,636	$ 35,325	$ -	$ 17,605,961
Accumulated depreciation	$ 6,556,561	$ 466,617	$ -	$ 7,023,178
Total net book value				$ 10,582,783

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Building improvements	$ 35,325

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Operations (Account No. 1140)

Other	
Vendor accounts receivable	$ 7,992

Accounts and Notes Receivable - Entity (Account No. 1145)

Related party receivable	$ 167,895

Other Reserves (Account No. 1330)

Operating reserve	$ 122,970

Other Mortgages Payable (Short-Term) (Account No. 2172)

Second mortgage	$ 64,665

Miscellaneous Current Liabilities (Account No. 2190)

Accrued utilities	$ 12,462

Other Mortgages Payable (Long-Term) (Account No. 2322)

Second mortgage	$ 4,188,464

Accrued Interest Payable - Other Mortgages Payable (Long-Term) (Account No. 2331)

Second mortgage	$ 2,261,953
	$ 2,261,953

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Antenna fee income	$	69,691
Insurance proceeds		7,335
Other revenue		918
Miscellaneous rental income		150
Security deposit interest		24
	$	78,118

Other Entity Expenses (Account No. 7190)

Partnership management fee	$	149,891
Interest expense - development fee		23,875
	$	173,766

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*

To the Partners
Trinity Towers Apartments, L.P.

We have audited, 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, the financial statements of Trinity Towers Apartments, L.P., which comprise the balance sheets as of December 31, 2016, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trinity Towers Apartments, L.P.'s internal control over financial reporting ("internal control") to determine the auditing 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 Trinity Towers Apartments, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Trinity Towers Apartments, L.P.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, questioned costs and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is 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. We consider the deficiencies described in the accompanying schedule of findings, questioned costs and recommendations as items 2016-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity Towers Apartments, L.P.'s financial statements are free from 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.*

Trinity Towers Apartments, L.P.'s Response to Findings

Trinity Towers Apartments, L.P.'s response to the findings identified in our audit is described in the accompanying schedule of findings, questioned costs and recommendations. Trinity Towers Apartments, L.P.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CohnReznick LLP

Bethesda, Maryland
March 29, 2017

Independent Auditor's Report on Compliance for Each Major HUD Program and on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Partners
Trinity Towers Apartments, L.P.

Report on Compliance for Each Major HUD Program

We have audited Trinity Towers Apartments, L.P.'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on each of Trinity Towers Apartment L.P.'s major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2016. Trinity Towers Apartment L.P.'s major HUD programs are as follows:

- Section 8 rent subsidy program

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Trinity Towers Apartments, L.P.'s major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Trinity Towers Apartments L.P.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of Trinity Towers Apartments L.P.'s compliance.

Opinion on Each Major HUD-Assisted Program

In our opinion, Trinity Towers Apartments, L.P. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of Trinity Towers Apartments, L.P. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Trinity Towers Apartments L.P.'s internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trinity Towers Apartments L.P.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations to be material weaknesses.

Trinity Towers Apartments, L.P.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. Trinity Towers Apartments, L.P.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
March 29, 2017

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Schedule of Findings, Questioned Costs and Recommendations
December 31, 2016

Finding No. 2016-1

Statement of Condition

In 2006, the General Partner collected income on behalf of the property in the amount of $196,185 without prior approval of HUD or the Investor Limited Partner. As of December 31, 2016, the General Partner still owes $167,895 to the Partnership.

Criteria

Distributions are not allowed to be made from project assets without prior authorization from HUD.

Effect

The collections made are unauthorized distributions and therefore considered to be questioned costs.

Cause

The procedures in place to ensure that HUD authorization is obtained, when necessary, were not followed.

Recommendation

As stated in Finding No. 2015-1, the General Partner should reimburse the money to the Partnership as soon as possible.

Auditor Noncompliance Code

H - Unauthorized distribution of project assets

Auditee's summary comments

The General Partner is negotiating a settlement with the Partnership involving this amount as well as amounts owed to the General Partner.

Trinity Towers Apartments, L.P.
HUD Project No.: 000-98032

Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations
December 31, 2016

Audit Report, dated March 22, 2016 for the year ended December 31, 2015, issued by CohnReznick LLP.

Finding No. 2015-1

Statement of Condition

In 2006, the General Partner collected income on behalf of the property in the amount of $196,185 without prior approval of HUD or the Investor Limited Partner. As of December 31, 2015, the General Partner still owes $167,895 to the Partnership.

Status

The General Partner has not repaid the Partnership but intends to reimburse the full amount.

There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

There were no letters or reports issued by HUD management during the period covered by this audit.

COHNREZNICK

ACCOUNTING • TAX • ADVISORY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA RISK SHARING PROJECT NO. 000-98030)

DECEMBER 31, 2016 AND 2015

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

TABLE OF CONTENTS

KOZAK, POLLEKOFF & GOLDMAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Partners of
FDS Residential I Limited Partnership:

Report on the Financial Statements

We have audited the accompanying financial statements of FDS Residential I Limited Partnership's (FHA Risk Sharing Project No. 000-98030), (a District of Columbia limited partnership), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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. Those standards require that we plan and perform the audit 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.

1950 Old Gallows Road • Suite 440 • Vienna, Virginia 22182

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Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 20 through 21 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017 on our consideration of FDS Residential I Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FDS Residential I Limited Partnership's internal control over financial reporting and compliance.

Katz, Pelletoff & Goldman, P.C.

Vienna, Virginia
January 17, 2017

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

BALANCE SHEETS
DECEMBER 31,

ASSETS

	2016	2015
Assets:		
Investment in rental property, net	$ 10,092,580	$ 10,474,000
Cash and cash equivalents - operations	325,808	370,594
Escrows	50,240	42,777
Tenant security deposits held in trust	42,621	42,562
Replacement reserve	155,194	144,388
Other reserves	280,859	293,274
Accounts receivable:		
Tenants	52,287	33,481
Subsidy	11,449	15,429
ACC Income	55,675	-
Due from affiliates	3,808	3,357
Prepaid expenses	45,352	51,560
Intangible assets	4,971	9,305
Total Assets	$ 11,120,844	$ 11,480,727

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

	2016	2015
Liabilities:		
Accounts payable and accrued expenses	$ 109,661	$ 115,579
Accrued interest - DCHA	516,650	478,574
Tenant security deposits payable	37,635	36,599
Accrued supervisory management fee	134,088	148,480
Accrued partnership administrative fee	5,661	5,496
Prepaid rents and deferred revenue	47,095	49,123
Note payable - DCHA	7,202,017	7,202,017
Note payable - DCHFA, net of debt issuances costs	3,289,771	3,326,699
Total liabilities	11,342,578	11,362,567
Partners' equity (deficit)		
General partner	(299,937)	(250,420)
Limited partners	78,203	368,580
Total partners' equity (deficit)	(221,734)	118,160
Total liabilities and partners' equity (deficit)	$ 11,120,844	$ 11,480,727

See accompanying notes to financial statements

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
REVENUE		
Rental income		
Tax credit	$ 870,725	$ 858,921
Public housing	493,339	415,532
Less: Vacancies	(66,935)	(75,368)
Other income (expense)	18,202	15,987
Total revenue	1,315,331	1,215,072
OPERATING EXPENSES		
General and administrative	128,772	134,867
Wages and benefits	219,422	193,671
Repairs and maintenance	240,306	305,754
Utilities	11,385	12,424
Property management fee	65,472	65,472
Bad debt expense	7,086	-
Insurance	57,670	63,108
Miscellaneous taxes and licenses	15,970	7,119
Total operating expenses	746,083	782,415
Net operating income	569,248	432,657
OTHER INCOME (EXPENSE)		
Interest income	1,292	1,383
Depreciation expense	(381,420)	(381,420)
Amortization expense	(4,334)	(4,334)
Interest expense	(263,767)	(304,304)
Annual local administrative fee	(5,661)	(5,496)
Supervisory management fee	(134,088)	(92,833)
Other financial expenses	(22,178)	(52,604)
Total other income (expense)	(810,156)	(839,608)
Net loss	$ (240,908)	$ (406,951)

See accompanying notes to financial statements

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	General Partner	Special Limited Partner	Investor Limited Partner	Total
Balance, beginning of year, January 1, 2015	$ (231,018)	$ (501)	$ 772,616	$ 541,097
Distributions	(19,363)	(4)	(19,360)	(38,727)
Change in accounting principle	2	2	22,737	22,741
Net loss	(41)	(41)	(406,869)	(406,951)
Balance, end of year, December 31, 2015	(250,420)	(544)	369,124	118,160
Distributions	(49,493)	(10)	(49,483)	(98,986)
Net loss	(24)	(24)	(240,860)	(240,908)
Balance, end of year, December 31, 2016	$ (299,937)	$ (578)	$ 78,781	$ (221,734)
Partners' Percentage of Partnership losses	0.01%	0.01%	99.98%	100.00%

See accompanying notes to financial statements

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	$ 1,217,514	$ 1,273,902
Interest receipts	1,292	1,383
Other receipts	18,202	15,987
	1,237,008	1,291,272
Administrative	121,103	149,254
Management fees	65,472	65,472
Utilities	11,385	12,424
Wages and benefits	219,873	197,028
Operating and maintenance	247,626	398,474
Property insurance	57,947	62,703
Miscellaneous taxes and insurance	15,970	7,119
Miscellaneous financial	21,960	52,407
Interest	217,541	258,437
Annual local administrative fee	5,496	5,336
Supervisory management fee	148,480	58,090
Tenant security deposit - net	(977)	2,727
	1,131,876	1,269,471
Net cash provided by operating activities	105,132	21,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Net deposits to escrows	(7,463)	(12,112)
Net (deposits to) withdrawals from replacement reserves	(10,806)	46,452
Net withdrawals from other reserves	12,415	67,708
Net cash (used in) provided by investing activities	(5,854)	102,048
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on note payable - DCHFA	(45,078)	(42,355)
Distributions	(98,986)	(38,727)
Net cash used in financing activities	(144,064)	(81,082)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,786)	42,767
Cash and cash equivalents, beginning	370,594	327,827
Cash and cash equivalents, ending	$ 325,808	$ 370,594

See accompanying notes to financial statements

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net loss	$ (240,908)	$ (406,951)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	381,420	381,420
Amortization	12,484	12,303
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable - tenants	(18,806)	21,395
Accounts receivable - subsidy	3,980	(3,487)
Accounts receivable - ACC Income	(55,675)	51,452
Due from affiliates	(451)	(3,357)
Prepaid expenses	6,208	(14,096)
Increase (decrease) in liaibilities		
Accounts payable and accrued expenses	(5,918)	(92,409)
Accrued interest - DCHA	38,076	37,898
Accrued supervisory management fee	(14,392)	34,743
Accrued partnership administrative fee	165	160
Prepaid rents	(2,028)	5,457
Tenant security deposits - net	977	(2,727)
Net cash provided by operating activities	$ 105,132	$ 21,801

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

FDS Residential I Limited Partnership (the "Partnership") was formed on August 2, 2001 as a limited partnership under the amended District of Columbia Uniform Limited Partnership Act of 1987 for the purpose of constructing and operating a low-income residential apartment complex consisting of 124 rental units, 68 of which are public housing units. The apartment complex is located in the District of Columbia and operates under the name of Henson Ridge Phase I (the "Property").

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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.

Accounting method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payment.

Classification of Assets and Liabilities

The financial affairs of the Partnership do not generally involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Partnership's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheets.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. These financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Years open for examination by the Internal Revenue Service are December 31, 2015, 2014 and 2013.

Cash and cash equivalents

Cash includes all cash balances and cash equivalents consisting of all highly liquid debt instruments purchased with a maturity of three months or less. These amounts are available for current operations and exclude amounts restricted for repayment of tenant security deposits, escrows and reserves.

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable and bad debts
Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Investment in rental property, net
Rental property is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses would be reflected in the statement of operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: Buildings and land improvements - 20 to 40 years; Furniture, fixtures and equipment - five years. Depreciation expense for 2016 and 2015 was $381,420 and $381,420, respectively.

Investment in rental property, net, is comprised of the following at December 31:

	2016	2015
Buildings	$ 14,979,420	$ 14,979,420
Land improvements	138,692	138,692
Furniture, fixtures and equipment	648,022	648,022
	15,766,134	15,766,134
Less: accumulated depreciation	(5,673,554)	(5,292,134)
	$10,092,580	$10,474,000

Impairment of long-lived assets
The Partnership reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There was no impairment loss recognized for 2016 and 2015.

Intangible Assets
Tax credit fees are being amortized over a period of 15 years using the straight-line method. Amortization expense related to loan costs for 2016 and 2015 was $4,334 and $4,334, respectively, and accumulated amortization was $60,034 and $55,700, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the Property are considered to be operating leases. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned.

Advertising expense

Advertising costs are expensed in the year incurred.

Concentration of credit risk

The Partnership deposits its cash in financial institutions. At times, the account balances may exceed an institution's federally insured limit. The Partnership has not experienced any losses on such amounts.

Economic concentrations

The Partnership operates one property located in the District of Columbia. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Change in Accounting Principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the partnership on a retrospective basis. As a result, the December 31, 2015 balance of debt issuance costs of $222,683, which are net of accumulated amortization and related to the Partnership's mortgage payable, were reclassified on the balance sheet from other assets to mortgage payable. The adoption of ASU 2015-03 had the cumulative effect of increasing beginning partners' equity by $22,741 and by increasing debt issuance costs by $22,741.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Subsequent events have been evaluated through January 17, 2017, the date these financial statements were available to be released.

NOTE 2- OWNERSHIP AND CAPITAL TRANSACTIONS

On October 1, 2002, the partnership agreement was amended as the Amended and Restated Partnership Agreement (the "Partnership Agreement") to admit new limited partners, and to permit the withdrawal of the existing limited partner. Coinciding with this change in the partners, the Partnership also changed the allocations of profits and losses and tax credits to reflect the investment contributions of the new partners as follows:

	Percentage
General partner	0.01%
Special limited partner	0.01%
Investor limited partner	99.98%
	100.00%

The General Partner is FDS Residential I GP Limited Partnership, the Special Limited Partner is RCHP SLP I, L.P. - Series 3, and the Investor Limited Partner is Centerline Housing Partnership, L. P. - Series 3.

Upon sale or refinancing, the Partnership Agreement requires special computations to determine profit allocations and cash distributions.

Cash distributions

Cash Flow, as defined in the partnership agreement, shall be distributed to and among the partners, in the following priority:

1. To pay any fee to the Management Agent that has been deferred;

2. To the Partners, other than the General Partner, an amount equal to the unpaid balance of the Voluntary Loan (including interest earned) made by them;

3. To the General Partner, an amount equal to the unpaid balance of the Voluntary Loan (including interest earned) made by it;

4. To the Special Limited Partner to pay the Annual Local Administrative Fee, including any amounts deferred;

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2- OWNERSHIP AND CAPITAL TRANSACTIONS (continued)

5. To the extent of 50% of the remaining Cash Flow, to the Guarantor an amount or amounts equal to the unpaid balance of any Operating Loan made by it;
6. To the General Partner, to pay the GP Supervisory Management Fee; and
7. The balance, 49.99% to the Investor Limited Partner, 50% to the General Partner and .01% to the Special Limited Partner.

Distributions from capital transactions differ from the above allocation and will be allocated in accordance with the Partnership Agreement.

During 2016, the Partnership paid out surplus cash of $252,962 from 2015 as follows:

1. Distribution to the Investor Limited Partner, Centerline Housing Partnership, L.P. - Series 3 of $49,483.
2. Distribution to the Special Limited Partner, RCHP SLP I, L.P. - Series 3 of $10.
3. Distribution to the General Partner, FDS Residential I GP LP of $49,493.
4. Annual local administration fee to the Special Limited Partner, RCHP SLP I, L.P. – Series 3 of $5,496.
5. Supervisory fee to the General Partner, FDS Residential I GP LP of $148,480

NOTE 3- ESCROWS AND RESERVES

Replacement Reserve
The Partnership Agreement and the Regulatory and Operating Agreement with the District of Columbia Housing Authority (the "DCHA") require the Partnership to make annual deposits to a reserve for replacement account for use in funding future maintenance and replacement costs. Monthly payments are required based on an amount of $328 per residential unit per annum, not to exceed $500 per unit for the public housing units.

A detail schedule of reserve activity is set forth below:

	2016	2015
Balance, beginning of year	$144,388	$190,840
Required deposits	40,767	40,767
Interest income	6	6
Approved withdrawals	(29,967)	(87,225)
Balance, end of year	$155,194	$144,388

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3- ESCROWS AND RESERVES (continued)

Escrows
The Partnership also funds insurance, tax and other such escrow reserves, as required, monthly in amounts determined by DCHA or the District of Columbia Housing Finance Agency (the "DCHFA").

A detail schedule of escrow activity is set forth below:

	2016	2015
Balance, beginning of year	$ 42,777	$ 30,665
Required deposits	82,836	84,549
Approved withdrawals	(75,373)	(72,437)
Balance, end of year	$ 50,240	$ 42,777

Affordability reserve
The Partnership was required to establish an affordability reserve with an initial deposit of $350,000 plus interest. The use of this reserve is restricted to the funding of certain shortfalls, as defined, relating to the public housing units. As of December 31, 2016 and 2015, the balance was $241,394 and $253,809, respectively.

Trustee reserves
The Partnership was required to deposit the proceeds of the mortgage loan and certain capital installments in trust accounts held by US Bank. As of December 31, 2016 and 2015, the balances in these trust accounts totaled $39,465 and $39,465, respectively.

Tenants' security deposits held in trust
Tenant security deposits are placed into an interest-bearing account and are generally held until the termination of the lease, at which time some or all deposits may be returned to the lessee. As of December 31, 2016 and 2015, the balance was $42,621 and $42,562, respectively.

NOTE 4 - MORTGAGE NOTES PAYABLE

Note payable - DCHFA
The Partnership has a loan agreement with DCHFA in the original principal amount of $3,919,924. Payment of the loan is insured by the Federal Housing Administration ("FHA") under the United States Department of Housing and Urban Development ("HUD") Risk Sharing Program and is secured by a first priority Leasehold Deed of Trust Agreement on the Property. The loan bears interest at the rate of 6.25% per annum and matures December 1, 2044. Principal and interest are payable in monthly installments of $22,255. Interest expense during 2016 and 2015 totaled $217,307 and $220,366, respectively. The outstanding loan balance at December 31, 2016 and 2015 was $3,527,045 and $3,572,123, respectively, and accrued interest was $18,370 and $18,604, respectively.

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - MORTGAGE NOTES PAYABLE (continued)

Note payable – DCHA
The Partnership received a loan totaling $7,202,017 from DCHA. The loan bears interest at 0.5% per annum and is secured by a second priority Leasehold Deed of Trust Agreement on the Property. Interest on the outstanding balance and any unpaid accrued interest on the loan compounds annually from the date of disbursement through the maturity date, October 24, 2042. The note is payable from Cash Flow, as defined, beginning April 2019. Any payments from Cash Flow will be applied first to interest and thereafter to principal. The outstanding principal balance and all accrued interest are payable in a single payment on the maturity date. Interest expense for the years ended December 31, 2016 and 2015 totaled $38,310 and $38,119, respectively, and accrued interest at December 31, 2016 and 2015 totaled $498,280 and $459,970, respectively. Debt issuance costs of $222,683, net of accumulated amortization as of December 31, 2016, are amortized using an imputed interest rate of 6.953%. Future minimum principal payments over each of the next five years and thereafter are due as follows:

2017	$ 47,978
2018	51,064
2019	54,349
2020	57,844
2021	61,565
Thereafter	10,456,262
	$10,729,062

NOTE 5 - RENTAL ASSISTANCE PAYMENTS CONTRACT

The Partnership and DCHA have entered into a Regulatory and Operating Agreement for the public housing units which provides for the Partnership to receive an operating subsidy. The amount of the operating subsidy is based on 95% of the amount of the Property's pro rata share of the operating subsidy received by DCHA from HUD or the amount specified in section 4.2 (ii) of the Regulatory and Operating Agreement. The agreement covers 68 units and has a term of 40 years. Operating subsidy payments for 2016 and 2015 are included in public housing rental income in the statements of operations and totaled $222,701 and $183,895, respectively.

	2016	2015
Annual reconciliation per regulatory agreement:		
PHA-assisted units' income (unsubsidized)	$ 222,394	$ 184,041
Operating subsidy payments	222,701	183,895
Other revenue (expense)	7,840	6,219
PHA-assisted units' expenditures	(345,994)	(349,798)
Deposits to replacement reserves	(22,246)	(22,246)
Deposits to tax and insurance reserves, net	(34,328)	(66,194)
Overage (Deficit)	$ 50,367	$ (64,083)

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6- RELATED PARTY TRANSACTIONS

Annual Local Administrative Fee
For its services in monitoring the operations of the Partnership, the Special Limited Partner receives a cumulative annual local administrative fee in an initial amount of $4,000 per annum beginning on the completion date (March 2004), which shall be increased each year by 3% per annum. The fee is payable only out of distributable cash flow as described in the Partnership Agreement or from sale or refinancing transaction proceeds. During 2016 and 2015, the Special Limited Partner earned $5,661 and $5,496, respectively, in annual local administrative fee, of which $5,661 and $5,496 remained payable at December 31, 2016 and 2015, respectively.

Supervisory management fee
In consideration for the General Partner's assuming the responsibility for managing the Property and supervising the performance of the management agent, the Partnership has agreed to pay the General Partner a non-cumulative fee equal to 60% of remaining distributable Cash Flow, as described in the Partnership Agreement. During the years ended December 31, 2016 and 2015, supervisory management fees of $134,088 and $92,833, respectively, were incurred. As of December 31, 2016 and 2015, the supervisory management fee payable was $134,088 and $148,480, respectively.

Property management fee
The Property is managed by Atlantic Coast Management, LLC, an affiliate of one of the partners of the General Partner, pursuant to a management agreement approved by DCHA. The agreement provides for management fee in the amount of $44 per unit per month as payment for its services. During the years ended December 31, 2016 and 2015, the Partnership incurred property management fees of $65,472 and $65,472, respectively, of which $1,296 remained unpaid as of December 31, 2016 and 2015.

Due from Affiliates
The Partnership shares some overhead costs with an adjacent property. At December 31, 2016 and 2015, $3,808 and $3,357 respectively, were due from the adjacent property.

NOTE 7 -VARIOUS PARTNERSHIP GUARANTEES

The Partnership Agreement provides for various agreements between the General Partner, affiliates of the General Partner (hereinafter referred to collectively as the Guarantors) and the Investor Limited Partner as follows:

NOTE 7 -VARIOUS PARTNERSHIP GUARANTEES (continued)

Recapture guaranty
The Guarantors have guaranteed that they will reimburse the Investor Limited Partner for certain amounts in the event there is a "Tax Credit Recapture Event," as defined in the agreements. If the "Tax Credit Recapture Event" is caused by events which are within the control of the Guarantors, then the amounts due are to be paid directly to the Limited Partners. However, if the "Tax Credit Recapture Event" is not within the control of the Guarantors, the Investor Limited Partner will be compensated from cash flow, as defined in the partnership agreement, or from sale or refinancing proceeds. As of December 31, 2016 and 2015, no advances had been made under this guaranty.

Replacement reserve guaranty
The Guarantors have guaranteed that they will contribute to the Partnership any funds required to ensure that $3,100 per month is funded into a replacement reserve account. The guaranty will terminate at the end of the compliance period, December 31, 2019. As of December 31, 2016 and 2015, no advances had been made under this guaranty.

NOTE 8 - EXTENDED USE LOW-INCOMING HOUSING COVENANTS

The Partnership has executed a number of agreements and covenants which requires the use of the Property as affordable housing, as defined, and in accordance with Internal Revenue Service Code Section 42. The extended use period terminates on the later of (a) the end of the Compliance Period which began in 2004; (2) when the mortgage is no longer insured by FHA; or (3) the expiration of the Regulatory and Operating Agreement. The covenants run with the land.

NOTE 9 - GROUND LEASE

The Partnership has entered into a ground lease with DCHA. The lease calls for annual payments of $1 for a period of 99 years. Payments for the entire term of the lease have been paid. The lease expires on October 24, 2101.

FDS RESIDENTIAL I LIMITED PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10 - FEDERAL LOW INCOME HOUSING TAX CREDITS

The Partnership is entitled to Low Income Housing Tax Credits (the "Tax Credits") in the amount of \$695,144 per annum for an aggregate of \$6,951,440. Such credits became available for use by the partners pro-rata over a ten year period that began in 2003. As of December 31, 2015, the Partnership generated a cumulative total of \$6,951,440 of Tax Credits.

The Property has qualified for the Tax Credits pursuant to the provisions of Internal Revenue Code Section 42 ("Section 42"), which regulates the use of Property as to occupant eligibility and unit gross rent, among other requirements. Each building of the Property must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the Tax Credits. Failure to maintain compliance with these provisions or to correct noncompliance within a specified time period could result in recapture of previously taken Tax Credits plus interest. Because Tax Credits are contingent on compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized and failure to meet all such requirements may result in generating less Tax Credits than expected.

NOTE 11 - INCOME TAXES

A reconciliation of the financial statement net loss to the income tax loss for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Financial statement net loss	\$ (240,908)	\$ (460,951)
Differences between financial statements and tax returns		
Depreciation	(79,496)	(79,496)
Amortization	181	
Supervisory management fee	(10,665)	34,743
Prepaid rent and other deferred revenue	(2,028)	5,457
Loss for tax purposes	\$ (332,916)	\$ (446,248)

SUPPLEMENTARY INFORMATION

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

COMPUTATION OF SURPLUS CASH

FOR THE YEAR ENDED DECEMBER 31, 2016

	Tax Credit	Public Housing	Total
PART A - COMPUTE SURPLUS CASH			
CASH			
1. Cash (accounts 1110, 1122,1126, 1127, 1192)	$ 331,507	$ 36,922	$ 368,429
2. Tenant subsidy vouchers due for period covered by financial statement	11,449	-	11,449
3. Other - Replacement for reserve withdrawals not yet funded		-	-
(a) Total Cash	342,956	36,922	379,878
CURRENT OBLIGATIONS			
4. Accrued mortgage interest payable	18,370	-	18,370
5. Delinquent mortgage principal payments	-	-	-
6. Delinquent deposits to reserve for replacements	-	-	-
7. Accounts payable (due within 30 days)	15,466	44,363	59,829
8. Loans and notes payable (due within 30 days)	-	-	-
9. Deficient tax insurance or MIP escrow deposits	-	-	-
10. Accrued expenses (not escrowed)	23,580	26,004	49,584
11. Prepaid rents (account 2210)	26,309	7,352	33,661
12. Tenant security deposits liability (account 2191)	29,082	8,553	37,635
13. Other : Due to Henson Ridge II	(5,293)	1,624	(3,669)
: Deferred cable revenue	6,067	7,367	13,434
(b) Less Total Current Obligations	113,581	95,263	208,844
(c) Surplus cash (deficiency)	$ 229,375	$ (58,341)	$ 171,034

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

SUPPORTING DATA REQUIRED BY DCHFA

FOR THE YEAR ENDED DECEMBER 31, 2016

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the Regulatory Agreement, a reserve fund for replacements was established in 2004 with the commencement of mortgage payments on the first mortgage.

	PHA Units
Beginning balance	$ 78,790
Deposits	22,246
Approved withdrawals	(6,317)
Interest	-
Ending balance	$ 94,719

AFFORDABILITY RESERVE

In accordance with the provisions of the Regulatory Agreement, a reserve fund for affordability was established in 2005.

Beginning balance	$ 253,809
Deposits	-
Approved withdrawals	(13,043)
Interest	628
Ending balance	$ 241,394

OTHER INFORMATION

Aggregate stated lease rents - Gross Monthly Rent Potential	$ 18,863
Uncollected rents from PHA Assisted Units - Tenants A/R	$ 17,689

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS*

To the Partners of
FDS Residential I Limited Partnership:

Report on Compliance for Each Major HUD Program

We have audited FDS Residential I Limited Partnership's (FHA Risk Sharing Project No. 000-98030), (a District of Columbia limited partnership) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) and DCHFA that could have a direct and material effect on each of FDS Residential I Limited Partnership's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2016. FDS Residential I Limited Partnership's major HUD programs and the related direct and material compliance requirements are as follows: (a) Section 8 Housing Assistance Program - applications, eligibility, recertification and security deposits; (b) HUD insured mortgage - mortgage status, replacement reserve, distributions to owners, unauthorized change of ownership/ acquisition of liabilities, unauthorized transfer of beneficial interest, unauthorized loans of project funds and distributions and electronic submission verification.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its DCHFA and HUD programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on each of FDS Residential I Limited Partnership's major DCHFA and HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major DCHFA and HUD program occurred. An audit includes examining, on a test basis, evidence about FDS Residential I Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major DCHFA and HUD program. However, our audit does not provide a legal determination of FDS Residential I Limited Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, FDS Residential I Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major DCHFA and HUD programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of FDS Residential I Limited Partnership is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered FDS Residential I Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on each major DCHFA and HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major DCHFA and HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FDS Residential I Limited Partnership's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Kirk, Pollard & Goldman, P.C.

Vienna, Virginia
January 17, 2017

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Partners of
FDS Residential I Limited Partnership:

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 Standard* issued by the Comptroller General of the United States, the financial statements of FDS Residential I Limited Partnership, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FDS Residential I Limited Partnership'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 FDS Residential I Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of FDS Residential I Limited Partnership'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 FDS Residential I Limited Partnership's financial statements are free from 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney, Pollakoff & Goldman, P.C.

Vienna, Virginia
January 17, 2017

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

Management Agent's Certificate

DECEMBER 31, 2016 AND 2015

We hereby certify that we have examined the accompanying financial statements and supplementary information of FDS Residential I Limited Partnership (FHA Risk Sharing Project No. 000-98030) and, to the best of our knowledge and belief, the same is complete and accurate.

Edgewood Management Corporation
Management Agent
By: Mary Sweeney
Chief Financial Officer

Mary E. Sweeney

Date: 3/2/17

Project Manager:
Management Agent
Federal Identification Number: 52-1491854

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

Mortgagor's Certificate

DECEMBER 31, 2016 AND 2015

I hereby certify that I have examined the accompanying financial statements and supplementary information of FDS Residential I Limited Partnership (FHA Risk Sharing Project No. 000-98030) and, to the best of my knowledge and belief, the same is complete and accurate.

FDS Residential I Limited Partnership
A District of Columbia Limited Partnership

By: FDS Residential I GP Limited Partnership
A District of Columbia Limited Liability Partnership
General Partner

By: FDS Residential Phase I LLC
A District of Columbia Limited Liability Company
General Partner

By: Mid-City FDS Rental I LLC
A District of Columbia Limited Liability Company
Managing Member

By: Urban Atlantic Development, LLC
A Delaware Limited Liability Company
Manager

By: ______________________
Lois Fried, Managing Partner
Telephone Number: (301) 562-1600
Partnership Federal
Identification Number: 52-2159604

FDS RESIDENTIAL I LIMITED PARTNERSHIP
(FHA Risk Sharing Project No. 000-98030)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2016 AND 2015

NONE

New Fairmont, L.P.
HUD Project No.: 000-98035

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2016

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

New Fairmont, L.P.
HUD Project No.: 000-98035

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New Fairmont, L.P.
HUD Project No.: 000-98035

December 31, 2016

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of New Fairmont, L.P. and, to the best of my knowledge and belief, the same are complete and accurate.

GENERAL PARTNER

New Fairmont L.L.C. Date
Robert Kettler
President

Telephone Number: (703) 641-9000

New Fairmont, L.P.
HUD Project No.: 000-98035

December 31, 2016

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of New Fairmont, L.P. and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT
Kettler Management Inc.

Cindy Clare
President

Patrick Cassada
Property Manager

Managing Agent Taxpayer
Identification Number:
52-1491854

Independent Auditor's Report

To the Partners
New Fairmont, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of New Fairmont, L.P. which comprise the balance sheet as of December 31, 2016, and the related statements of operations, partners' equity (deficit) and cash flows for the year 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 audit. We conducted our audit 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. Those standards require that we plan and perform the audit 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 New Fairmont, L.P. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 2 to the financial statements, in 2016 New Fairmont L.P., adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 24 to 39 is presented for purposes of additional analysis as required part of the financial statements.

The accompanying supplementary information on pages 24 to 39 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 accompanying supplementary information on pages 24 to 39 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017 on our consideration of New Fairmont, 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 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* in considering New Fairmont, L.P.'s internal control over financial reporting and compliance.

CohnReznick LLP

Bethesda, Maryland
March 10, 2017

Taxpayer Identification Number:
22-1478099

Lead Auditor: Peter M. Hodgson

New Fairmont, L.P.
HUD Project No.: 000-98035

Balance Sheet
December 31, 2016

Assets

Current assets	
Cash - operations	$ 416,703
Construction cash	3,257
Tenant accounts receivable, net	28,077
Prepaid expenses	59,112
Total current assets	507,149
Deposits held in trust - funded	
Tenant deposits	57,953
Restricted deposits and funded reserves	
Escrow deposits	226,232
Reserve for replacements	267,475
Total restricted deposits and funded reserves	493,707
Rental property	
Land	2,802,461
Buildings	28,150,843
Furnishings	1,860,699
	32,814,003
Less accumulated depreciation	(9,431,037)
Total rental property	23,382,966
Other assets	
Tax credit fees, net of accumulated amortization of $57,141	20,784
Total other assets	20,784
Total assets	$ 24,462,559

New Fairmont, L.P.
HUD Project No.: 000-98035

Balance Sheet
December 31, 2016

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable - operations	$ 296,283
Accounts payable - entity	20,000
Accrued management fee payable	11,480
Accrued interest payable - first mortgage	79,246
Accrued interest payable - other mortgages	19,652
Accrued property taxes payable	49,385
Mortgage payable - first mortgage (short-term)	323,028
Other mortgages payable (short-term)	198,191
Miscellaneous current liabilities	4,100
Prepaid revenue	1,471
Total current liabilities	1,002,836
Deposits liability	
Tenant deposits held in trust (contra)	52,807
Long-term liabilities	
Mortgage payable - first mortgage, net	14,444,232
Other mortgages payable (long-term)	6,212,052
Other loans and notes payable - surplus cash	1,600,000
Total long-term liabilities	22,256,284
Total liabilities	23,311,927
Contingency	-
Partners' equity (deficit)	1,150,632
Total liabilities and partners' equity (deficit)	$ 24,462,559

See Notes to Financial Statements.

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Operations
Year Ended December 31, 2016

Rental revenue	
Rent revenue - gross potential	$ 851,765
Tenant assistance payments	3,996,350
Total rental revenue	4,848,115
Vacancies	
Apartments	(20,376)
Total vacancies	(20,376)
Net rental revenue	4,827,739
Financial revenue	
Revenue from investments - replacement reserve	9
Total financial revenue	9
Other revenue	
Laundry and vending	32,971
Tenant charges	5,615
Miscellaneous revenue	56,626
Total other revenue	95,212
Total revenue	4,922,960

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Operations
Year Ended December 31, 2016

Administrative expenses	
Advertising and marketing	1,237
Other renting expenses	74,268
Office salaries	172,086
Office expenses	44,498
Management fee	137,760
Legal expense - project	27,429
Auditing expense	20,900
Bookkeeping fees/accounting services	5,900
Bad debts	11,065
Miscellaneous administrative expenses	29,127
Total administrative expenses	524,270
Utilities expense	
Fuel oil/coal	5,251
Electricity	281,352
Water	222,488
Gas	76,221
Total utilities expense	585,312
Operating and maintenance expenses	
Payroll	100,403
Supplies	291,743
Contracts	169,706
Garbage and trash removal	24,563
Security payroll/contract	405,484
Heating/cooling repairs and maintenance	107,343
Snow removal	2,713
Miscellaneous operating and maintenance expenses	170,552
Total operating and maintenance expenses	$ 1,272,507

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Operations
Year Ended December 31, 2016

Taxes and insurance	
Real estate taxes	178,437
Payroll taxes	23,318
Property and liability insurance	51,792
Workmen's compensation	1,776
Health insurance and other employee benefits	32,523
Miscellaneous taxes, licenses, permits and insurance	17,696
Total taxes and insurance	305,542
Financial expenses	
Interest on first mortgage payable	1,008,741
Interest on other mortgages	238,726
Mortgage insurance premium/service charge	81,945
Miscellaneous financial expenses	20,303
Total financial expenses	1,349,715
Total costs of operations before depreciation	4,037,346
Income before depreication	885,614
Depreciation	
Depreciation expense	863,257
Amortization expense	5,195
Total depreciation	868,452
Operating income	17,162
Corporate or mortgagor entity revenue and expenses	
Other expenses	364,778
Net entity expenses	364,778
Total expenses	5,270,576
Net loss	$ (347,616)

See Notes to Financial Statements.

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Partners' Equity (Deficit)
Year Ended December 31, 2016

	New Fairmont L.L.C.	BCP/Fairmont I and II LLC	Total
Partners' equity (deficit) December 31, 2015	$ (964,343)	$ 2,370,721	$ 1,406,378
Distributions	(36,779)	(4,086)	(40,865)
Contributions	132,735	-	132,735
Net loss	(35)	(347,581)	(347,616)
Partners' equity (deficit) December 31, 2016	$ (868,422)	$ 2,019,054	$ 1,150,632
Partners' percentage of losses	0.01%	99.99%	100.00%

See Notes to Financial Statements.

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities	
Rental receipts	$ 4,798,577
Interest receipts	9
Other operating receipts	89,062
Total receipts	4,887,648
Administrative expenses paid	(136,348)
Management fees paid	(137,760)
Utilities paid	(628,157)
Salaries and wages paid	(673,488)
Operating and maintenance paid	(728,708)
Real estate taxes paid	(171,008)
Property insurance paid	(50,351)
Miscellaneous taxes and insurance paid	(17,696)
Net tenant security deposits received (paid)	871
Other operating expenses paid	(57,617)
Interest paid on first mortgage	(957,274)
Interest paid on second mortgage	(239,251)
Mortgage insurance premium paid	(81,828)
Miscellaneous financial expenses paid	(20,303)
Entity/construction expenses paid (include detail)	
Incentive management fee	(323,463)
Asset management fee	(20,000)
Partnership management fee	(20,000)
Other	(1,315)
Total disbursements	(4,263,696)
Net cash provided by operating activities	623,952

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from investing activities	
Net deposits to mortgage escrows	(40,113)
Net deposits to reserve for replacements	(53,549)
Net purchases of fixed assets	(334,029)
Net cash used in investing activities	(427,691)
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(304,221)
Mortgage principal payments - second mortgage	(312,809)
Distributions to partners	(40,865)
Contributions by partners	132,735
Net cash used in financing activities	(525,160)
Net decrease in cash	(328,899)
Cash, beginning	748,859
Cash, end	$ 419,960

New Fairmont, L.P.
HUD Project No.: 000-98035

Statement of Cash Flows
Year Ended December 31, 2016

Reconciliation of net loss to net cash provided by operating activities	
Net loss	$ (347,616)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	863,257
Amortization	5,195
Amortization of debt issuance costs	54,274
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(15,110)
Prepaid expenses	462
Tenant security deposits funded	(920)
Increase (decrease) in liabilities	
Accounts payable	67,659
Accrued liabilities	7,429
Accrued interest payable	(3,332)
Tenant security deposits held in trust	1,791
Prepaid revenue	(2,987)
Other adjustments (include detail)	
Deferred revenue	(6,150)
Total adjustments	971,568
Net cash provided by operating activities	$ 623,952

See Notes to Financial Statements.

Note 1 - Organization

New Fairmont, L.P. (the "Partnership") was formed as a limited partnership under the laws of the Commonwealth of Virginia on November 20, 2002 for the purpose of acquiring, rehabilitating and operating a rental housing project under Section 542(c) of the Housing and Community Development Act of 1992 and Section 8 of the National Housing Act. The project consists of 205 units located in Washington, DC, and is currently operating under the name of Fairmont Apartments.

The Partnership consists of a General Partner, New Fairmont L.L.C. ("General Partner"), which owns a 0.01% interest and a Limited Partner, BCP/Fairmont I & II, LLC ("Limited Partner"), which owns a 99.99% interest.

Cash distributions are limited by agreement between the Partnership and the United States Department of Housing and Urban Development ("HUD") and the District of Columbia Housing Finance Agency ("DCHFA") to the extent of surplus cash as defined by HUD and DCHFA.

Each building of the project has qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, New Fairmont, L.P. has executed a Land Use Restriction Agreement which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the project.

Note 2 - Summary of significant accounting policies

Accounts receivable and bad debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. As of December 31, 2016, there was no allowance. It is reasonably possible that management's estimate of the allowance will change.

Rental property

Rental property is carried at cost. Depreciation is recorded using the following methods and estimated useful lives:

	Method	Estimated useful lives
Buildings	Straight-line	40 years
Builing equipment - portable	Declining balance	5 - 7 years
Furnishings	Declining balance	5 - 7 years

Impairment of long-lived assets
The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2016.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Costs related to obtaining low-income housing tax credits of $77,925 are being amortized over the mandatory 15-year compliance period.

Amortization expense for the year ended December 31, 2016 was $5,195. Accumulated amortization at December 31, 2016 was $57,141.

Estimated amortization expense for each of the ensuing years through December 31, 2019 is $5,195, and for the year ended December 31, 2020 is $5,199.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Deferred revenue
Deferred revenue is recognized over the term of the contract using the straight-line method.

Advertising
Advertising costs are charged to operations when incurred. Advertising expense for the year ended December 31, 2016 was $1,237.

Income taxes
The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Change in accounting principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis.

Use of 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.

Note 3 - Mortgage payable

The mortgage note, in the original amount of $15,500,000, was funded by the issuance of tax-exempt Series 2002 J bonds in the aggregate amount of $16,125,000 by the District of Columbia Housing Finance Agency ("DCHFA"), which includes $625,000 of proceeds used to fund a debt service reserve held by the DCHFA in order to comply with certain requirements of the bond trust indenture. On September 11, 2008, the Partnership entered into an additional mortgage note with DCHFA in the amount of $3,098,000. This loan was funded by the issuance of tax-exempt Series 2008 A bonds in the aggregate amount of $3,235,000 by DCHFA. The two notes were consolidated into a single mortgage and are insured by the Federal Housing Administration ("FHA"), are collateralized by a consolidated deed of trust on the rental property and are payable to DCHFA. The $15,500,000 note bears interest at the rate of 5.92% per annum. Commencing June 1, 2005, principal and interest are payable by the Partnership in monthly installments of $87,548 through maturity on May 1, 2040. The outstanding balance was $13,294,430 at December 31, 2016. At December 31, 2016, $64,201 of accrued interest is payable. The $3,098,000 note bears interest at the rate of 6.50% per annum. Commencing November 1, 2008, principal and interest are payable by the Partnership in monthly installments of $19,268 through maturity on May 1, 2040. The outstanding balance was $2,777,566, at December 31, 2016. At December 31, 2016, $15,045 of accrued interest is payable. The Partnership is also responsible for paying certain additional costs associated with the bonds if amounts paid in connection with the mortgage note are insufficient to cover all bond debt service and fees.

Debt issuance costs, net of accumulated amortization, totaled $1,304,736 as of December 31, 2016 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 7.1221%.

The liability of the Partnership under the mortgage note is limited to the underlying value of the real estate collateral, improvements, easements or other interests, assignment of rents, assignment of leases, personal property and other amounts deposited with the lender.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter are as follows:

December 31, 2017	$	323,028
2018		342,998
2019		364,204
2020		386,727
2021		410,692
Thereafter		14,244,347
Total	$	16,071,996

Note 4 - Note payable

The Partnership has entered into a note payable with the District of Columbia Department of Housing and Community Development ("DHCD") in the maximum amount of $8,750,000 to be used to renovate and rehabilitate the project. Interest on the loan accrues at 3.5% per annum and is payable in monthly installments of $34,944 beginning September of 2007, payable to the extent of available cash flow, as defined. The note matures during February 2045. The loan is secured by a second deed of trust on the rental property, improvements, easements, or other interests, assignment of rents, assignment of leases, personal property and other amounts deposited with the lender. Of the original maximum principal amount, all amounts have been drawn as of December 31, 2016. The outstanding balance was $6,410,243 at December 31, 2016. For the year ended December 31, 2016, $238,726 of interest was incurred. At December 31, 2016, accrued interest payable was $19,652.

Aggregate maturities of the mortgage payable over each of the next five years and thereafter are as follows:

December 31, 2017	$	198,191
2018		205,240
2019		212,539
2020		220,099
2021		227,927
Thereafter		5,346,247
Total	$	6,410,243

Note 5 - Restricted cash

Restricted cash is comprised of the following as of December 31, 2016:

Reserve for replacement balance at December 31, 2015	$	213,926
Monthly deposits		53,540
Interest earned		9
Reserve for replacement at December 31,2016		267,475
Tax escrow		123,469
Insurance escrow		44,100
Mortgage insurance escrow		58,663
Total restricted cash at December 31, 2016	$	493,707

Note 6 - Related party transactions

Partnership management fee

Commencing in 2004, the Partnership shall pay to the General Partner an annual, noncumulative partnership management fee of $20,000 for services in connection with the administration of the day-to-day business of the Partnership. The fee shall be paid from the distribution of cash flow as described in Section 10.3(a) of the partnership agreement. During the year ended December 31, 2016, $20,000 was incurred and paid.

Asset management fee

Commencing in 2004, the Partnership is required to pay an annual fee of $20,000 to an affiliate of the Limited Partner for its services in connection with accounting matters relating to the investment limited partner, and assisting with the preparation of tax returns and certain other reports. For the year ended December 31, 2016, $20,000 was incurred. As of December 31, 2016, $20,000 remains payable.

Incentive management fee

The Partnership shall pay to the General Partner an annual, noncumulative incentive management fee equal to 8% of the gross revenues of the project. For the year ended December 31, 2016, $323,463 was incurred or paid.

Due to affiliates

An affiliate of the General Partner has made advances of $1,600,000 to the Partnership to pay certain construction costs. The advances are noninterest-bearing and are to be repaid from the distribution of cash flow from capital transactions as described in Section 10.3(b) of the partnership agreement.

Credit recovery loan

In the event of a tax credit shortfall, the Limited Partner is to make a constructive advance to the Partnership as a Credit Recovery Loan, which is to be repaid from the first available surplus cash. During 2016, no additional capital funded by the limited partner was repaid.

Operating cash flow

Subject to Agency and Lender approval, cash flow for each fiscal year or portion thereof of the Partnership shall be applied in the following priority:

1. Payment to the limited partner for the full amount (including interest) of any credit recovery loans;
2. Payment of the asset management fee for such year and for any previous years when the asset management fee was not paid in full;
3. Repayment of any deferred portion of the construction and development fee;
4. Repayment of any subordinated loans;
5. Payment of the partnership management fee attributable to such year;
6. Payment of the incentive management fee
7. The balance, if any, shall be distributed 10% to the limited partner and 90% to the general partner.

Note 7 - Cable revenue

The Partnership entered into a five year, $30,750 contract with Comcast for Comcast's exclusive right to provide cable services to the project. The upfront fees for both contracts were received in a prior year. As of December 31, 2016, $4,100 remains in deferred revenue, of which $513 is included in the surplus cash calculation.

Note 8 - Management fee

The Partnership had entered into a management agreement with Kettler Management Inc., an affiliate of the General Partner. The agreement provided for a management fee of the greater of $2,000 per month or 4% of gross rental collections. Effective June 4, 2015, a new management agreement was entered into with Kettler Management Inc. The new agreement provides for a management fee equal to $56 per unit per month. The new agreement will expire on May 31, 2016. For the year ended December 31, 2016, management fees of $137,760 were incurred, of which $11,480 remains payable at December 31, 2016.

Note 9 - Housing assistance payment contract agreement

The Federal Housing Administration ("FHA") has contracted with the Partnership under Section 8 of Title II of the Housing and Community Development Act of 1974 to make tenant assistance payments to the Partnership on behalf of qualified tenants. The agreement has a term of 16 years and expires December 31, 2023.

Note 10 - Contingency

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

Note 11 - Concentration of credit risk

The Partnership maintains its cash balances in several accounts in one bank. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2016.

Note 12 - Current vulnerability due to certain concentrations

The Partnership's principal asset is a 205-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 13 - Economic dependency

The Partnership operates the property located in Washington, DC. Future operations could be affected by changes in economic or other conditions in that geographical area or the demand for such housing.

Note 14 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 10, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required By HUD

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Balance Sheet Data
December 31, 2016

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 416,703
1121	Construction cash		3,257
1130	Tenant accounts receivable		28,077
1200	Prepaid expenses		59,112
1100T	Total current assets		507,149
Deposits held in trust - funded			
1191	Tenant deposits		57,953
Restricted deposits and funded reserves			
1310	Escrow deposits	$ 226,232	
1320	Reserve for replacements	267,475	
1300T	Total deposits		493,707
Rental property			
1410	Land	2,802,461	
1420	Buildings	28,150,843	
1460	Furnishings	1,860,699	
1400T	Total fixed assets	32,814,003	
1495	Less accumulated depreciation	(9,431,037)	
1400N	Net fixed assets		23,382,966
Other assets			
1590	Miscellaneous other assets	20,784	
1500T	Total other assets		20,784
1000T	Total assets		$ 24,462,559

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Balance Sheet Data
December 31, 2016

Liabilities and Partners' Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 296,283
2113	Accounts payable - entity		20,000
2123	Accrued management fee payable		11,480
2131	Accrued interest payable - first mortgage		79,246
2132	Accrued interest payable - other mortgages		19,652
2150	Accrued property taxes payable		49,385
2170	Mortgage payable - first mortgage (short-term)		323,028
2172	Other mortgages payable (short-term)		198,191
2190	Miscellaneous current liabilities		4,100
2210	Prepaid revenue		1,471
2122T	Total current liabilities		1,002,836
Deposits liability			
2191	Tenant deposits held in trust (contra)		52,807
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 14,444,232	
2322	Other mortgages payable (long-term)	6,212,052	
2323	Other loans and notes payable - surplus cash	1,600,000	
2300T	Total long-term liabilities		22,256,284
2000T	Total liabilities		23,311,927
3130	Partners' equity (deficit)		1,150,632
2033T	Total liabilities and partners' equity (deficit)		$ 24,462,559

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 851,765	
5121	Tenant assistance payments	3,996,350	
5100T	Total rental revenue		$ 4,848,115
Vacancies			
5220	Apartments	(20,376)	
5200T	Total vacancies		(20,376)
5152N	Net rental revenue		4,827,739
Financial revenue			
5440	Revenue from investments - replacement reserve	9	
5400T	Total financial revenue		9
Other revenue			
5910	Laundry and vending	32,971	
5920	Tenant charges	5,615	
5990	Miscellaneous revenue	56,626	
5900T	Total other revenue		95,212
5000T	Total revenue		4,922,960

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Administrative expenses			
6210	Advertising and marketing	1,237	
6250	Other renting expenses	74,268	
6310	Office salaries	172,086	
6311	Office expenses	44,498	
6320	Management fee	137,760	
6340	Legal expense - project	27,429	
6350	Auditing expense	20,900	
6351	Bookkeeping fees/accounting services	5,900	
6370	Bad debts	11,065	
6390	Miscellaneous administrative expenses	29,127	
6263T	Total administrative expenses		524,270
Utilities expense			
6420	Fuel oil/coal	5,251	
6450	Electricity	281,352	
6451	Water	222,488	
6452	Gas	76,221	
6400T	Total utilities expense		585,312
Operating and maintenance expenses			
6510	Payroll	100,403	
6515	Supplies	291,743	
6520	Contracts	169,706	
6525	Garbage and trash removal	24,563	
6530	Security payroll/contract	405,484	
6546	Heating/cooling repairs and maintenance	107,343	
6548	Snow removal	2,713	
6590	Miscellaneous operating and maintenance expenses	170,552	
6500T	Total operating and maintenance expenses		1,272,507

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Taxes and insurance			
6710	Real estate taxes	178,437	
6711	Payroll taxes	23,318	
6720	Property and liability insurance	51,792	
6722	Workmen's compensation	1,776	
6723	Health insurance and other employee benefits	32,523	
6790	Miscellaneous taxes, licenses, permits and insurance	17,696	
6700T	Total taxes and insurance		305,542
Financial expenses			
6820	Interest on first mortgage payable	1,008,741	
6825	Interest on other mortgages	238,726	
6850	Mortgage insurance premium/service charge	81,945	
6890	Miscellaneous financial expenses	20,303	
6800T	Total financial expenses		1,349,715
6000T	Total cost of operations before depreciation and amortization		4,037,346
5060T	Income (loss) before depreciation and amortization		885,614
Depreciation and amortization			
6600	Depreciation expense	863,257	
6610	Amortization expense	5,195	
	Total depreciation and amortization		868,452
5060N	Operating income (loss)		17,162
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	364,778	
7100T	Net entity expenses		364,778
	Total expenses		5,270,576
3250	Net income		$ (347,616)

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 304,221
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 53,540
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	$ -

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2016

Account No.		New Fairmont L.L.C.	BCP/Fairmont I and II LLC	Total
S1100-010	Partners' equity (deficit) December 31, 2015	$ (964,343)	$ 2,370,721	$ 1,406,378
S1200-420	Distributions	(36,779)	(4,086)	(40,865)
S1200-430	Contributions	132,735	-	132,735
3250	Net income	(35)	(347,581)	(347,616)
3130	Partners' equity (deficit) December 31, 2016	$ (868,422)	$ 2,019,054	$ 1,150,632
	Partners' percentage of losses	0.01%	99.99%	100.00%

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.			
	Cash flows from operating activities		
S1200-010	Rental receipts		$ 4,798,577
S1200-020	Interest receipts		9
S1200-030	Other operating receipts		89,062
S1200-040	Total receipts		4,887,648
S1200-050	Administrative expenses paid		(136,348)
S1200-070	Management fees paid		(137,760)
S1200-090	Utilities paid		(628,157)
S1200-100	Salaries and wages paid		(673,488)
S1200-110	Operating and maintenance paid		(728,708)
S1200-120	Real estate taxes paid		(171,008)
S1200-140	Property insurance paid		(50,351)
S1200-150	Miscellaneous taxes and insurance paid		(17,696)
S1200-160	Net tenant security deposits received (paid)		871
S1200-170	Other operating expenses paid		(57,617)
S1200-180	Interest paid on first mortgage		(957,274)
S1200-181	Interest paid on second mortgage		(239,251)
S1200-210	Mortgage insurance premium paid		(81,828)
S1200-220	Miscellaneous financial expenses paid		(20,303)
S1200-225	Entity/construction expenses paid (include detail)		
S1200-226	Incentive management fee	$ (323,463)	
S1200-226	Asset management fee	(20,000)	
S1200-226	Partnership management fee	(20,000)	
S1200-226	Other	(1,315)	
			(364,778)
S1200-230	Total disbursements		(4,263,696)
S1200-240	Net cash provided by operating activities		623,952

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrows	(40,113)
S1200-250	Net deposits to reserve for replacements	(53,549)
S1200-330	Net purchases of fixed assets	(334,029)
S1200-350	Net cash used in investing activities	(427,691)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(304,221)
S1200-361	Mortgage principal payments - second mortgage	(312,809)
S1200-420	Distributions to partners	(40,865)
S1200-430	Contributions by partners	132,735
S1200-460	Net cash used in financing activities	(525,160)
S1200-470	Net decrease in cash	(328,899)
S1200-480	Cash, beginning	748,859
S1200T	Cash, end	$ 419,960

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.			
	Reconciliation of net income to net cash provided by operating activities		
3250	Net loss		$ (347,616)
	Adjustments to reconcile net income to net cash provided by operating activities		
6600	Depreciation		863,257
6610	Amortization		5,195
S1200-486	Amortization of debt issuance costs		54,274
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(15,110)
S1200-520	Prepaid expenses		462
S1200-530	Tenant security deposits funded		(920)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		67,659
S1200-560	Accrued liabilities		7,429
S1200-570	Accrued interest payable		(3,332)
S1200-580	Tenant security deposits held in trust		1,791
S1200-590	Prepaid revenue		(2,987)
S1200-600	Other adjustments (include detail)		
S1200-601	Deferred revenue	$ (6,150)	
			(6,150)
	Total adjustments		971,568
S1200-610	Net cash provided by operating activities		$ 623,952

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Reserve for Replacements

Account No.			
1320P	Balance at December 31, 2015	$	213,926
1320DT	Total monthly deposits		53,540
1320INT	Interest income		9
1320	Balance at December 31, 2016	$	267,475

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)		$ 474,656
1135	Accounts receivable - HUD		-
S1300-040	Total cash		474,656
S1300-050	Accrued mortgage interest payable		79,246
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		296,283
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		11,480
2210	Prepaid revenue (Account 2210)		1,471
2191	Tenant security deposits liability (Account 2191)		52,807
S1300-110	Other current obligations (describe in detail)		
S1300-120	Deferred revenue	$ 513	
			513
S1300-140	Less total current obligations		441,800
S1300-150	Surplus cash (deficiency)		$ 32,856
	Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
	Limited Dividend Projects		
S1300-160	Annual distribution earned during fiscal period covered by the statements		$ -
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period		-
S1300-180	Distributions and entity expenses paid during fiscal period covered by the statements		-
S1300-190	Amount remaining as distribution earned but unpaid		-
S1300-200	Amount available for distribution during next fiscal period		$ 32,856
S1300-210	Deposit due residual receipts reserve		$ -

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Changes in Fixed Asset Accounts

	Assets			
	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Land	$ 2,802,461	$ -	$ -	$ 2,802,461
Buildings	28,061,777	89,066	-	28,150,843
Furnishings	1,615,736	244,963	-	1,860,699
	$ 32,479,974	$ 334,029	$ -	$ 32,814,003
Accumulated depreciation	$ 8,567,780	$ 863,257	$ -	$ 9,431,037
Total net book value				$ 23,382,966

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Sprinkler	$ 60,894
Insulation	28,172
	$ 89,066

Additions to Furnishings Account

Item and quantity	Amount
HVAC replacements	$ 196,660
Boiler	30,000
Appliances	18,303
	$ 244,963

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Balance Sheet

Miscellaneous Other Assets (Account No. 1590)		
Other		
Tax credit fees, net of accumulated amortization of $57,141	$	20,784
Accrued Interest Payable - Other Mortgages (Account No. 2132)		
Second mortgage - DHCD	$	19,652
	$	19,652
Other Mortgages Payable (Short-Term) (Account No. 2172)		
Second mortgage - Current maturities (DHCD)	$	198,191
Miscellaneous Current Liabilities (Account No. 2190)		
Deferred revenue - current portion	$	4,100
Other Mortgages Payable (Long-Term) (Account No. 2322)		
Second mortgage - long-term (DHCD)	$	6,212,052

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Insurance income	$	47,299
Cable income		7,635
Other		1,117
Pet rent		450
NSF charges		125
	$	56,626

Miscellaneous Operating and Maintenance Expenses (Account No. 6590)

Insurance repairs	$	118,541
Fire alarms		44,118
Uniforms		2,735
Vehicle maintenance		1,954
Miscellaneous		1,424
Janitor		970
Decorating		710
Utility conservation		100
	$	170,552

Other Entity Expenses (Account No. 7190)

Incentive management fee	$	323,463
Asset management fee		20,000
Partnership management fee		20,000
Other partnership expenses		1,315
	$	364,778

New Fairmont, L.P.
HUD Project No.: 000-98035

Supplementary Information
Year Ended December 31, 2016

Other Information

Schedule of notes payable:

Account No.	Creditor	Lien placed on project assets? (Yes/No)	Amount due
S3100-140	New Fairmont, L.L.C.	No	$ 1,600,000
S3100-190			$ 1,600,000

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	New Fairmont, L.L.C. - partnership management fee and incentive management fee	$ 343,463
S3100-210	Kettler Management, Inc. - property management fee	137,760
S3100-210	Boston Capital - asset management fee	20,000
		$ 501,223

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*

To the Partners
New Fairmont, L.P.

We have audited, 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, the financial statements of New Fairmont, L.P. which comprise the balance sheet as of December 31, 2016, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2017, which includes an emphasis of matter paragraph as indicated on page 5.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Fairmont, 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 New Fairmont, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of New Fairmont, 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 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 New Fairmont, 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
March 10, 2017

Independent Auditor's Report on Compliance for One Major HUD Program and on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Partners
New Fairmont, L.P.

Report on Compliance for One Major HUD Program

We have audited New Fairmont, L.P.'s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on New Fairmont, L.P.'s one major U.S. Department of Housing and Urban Development ("HUD") program for the year ended December 31, 2016. New Fairmont, L.P.'s one major HUD program is Section 8 rent subsidy program.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its one HUD program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for New Fairmont, L.P.'s one major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about New Fairmont, L.P.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for one major program. However, our audit does not provide a legal determination of New Fairmont, L.P.'s compliance.

Opinion on One Major HUD Program

In our opinion, New Fairmont, L.P. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its one major HUD program for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of New Fairmont, L.P. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Fairmont, L.P.'s internal control over compliance with the requirements that could have a direct and material effect on it's one HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with its one major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Fairmont, L.P.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
March 10, 2017

New Fairmont, L.P.
HUD Project No.: 000-98035

Schedule of Findings, Questioned Costs and Recommendations
December 31, 2016

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

New Fairmont, L.P.
HUD Project No.: 000-98035

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
December 31, 2016

1. Audit Report, date March 11, 2016, for the year ended December 31, 2015, issued by CohnReznick LLP.

   There are no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. There were no letters or reports issued by HUD management during the period covered by this audit.

COHNREZNICK

ACCOUNTING • TAX • ADVISORY

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2016

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

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Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

December 31, 2016

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Wayne Place Senior Living Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

GENERAL PARTNER

Wayne Place Investment Company, LLC

____

Carl Williams   Date
President

Telephone Number: (410) 562-9693

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

December 31, 2016

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Wayne Place Senior Living Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT

American Apartment Management Company, Inc.

Deedra A. Burroughs, Chief Financial Officer

Debe Venable
Property Manager

Managing Agent Taxpayer
Identification Number:
62-0882160

Independent Auditor's Report

To the Partners
Wayne Place Senior Living Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne Place Senior Living Limited Partnership, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, partners' equity (deficit) and cash flows for the year 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 audit. We conducted our audit 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. Those standards require that we plan and perform the audit 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 Wayne Place Senior Living Limited Partnership as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 2 to the financial statements, in 2016, Wayne Place Senior Living Limited Partnership adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 21 to 34 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. Such 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 accompanying supplementary information on pages 21 to 34 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of Wayne Place Senior Living Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne Place Senior Living Limited Partnership's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
March 31, 2017

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Balance Sheet
December 31, 2016

Assets

Current assets	
Cash - operations	$ 10,640
Tenant accounts receivable	10,953
Accounts and notes receivable - entity	20,000
Prepaid expenses	13,201
Total current assets	54,794
Deposits held in trust - funded	
Tenant deposits	16,714
Restricted deposits and funded reserves	
Escrow deposits	19,642
Reserve for replacements	89,943
Bond reserves	120,000
Total restricted deposits and funded reserves	229,585
Rental property	
Land	600,000
Buildings	6,941,689
Building equipment - portable	20,899
Miscellaneous fixed assets	47,900
	7,610,488
Less accumulated depreciation	(1,759,889)
Total rental property	5,850,599
Other assets	
Miscellaneous other assets	12,961
Total other assets	12,961
Total assets	$ 6,164,653

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Balance Sheet
December 31, 2016

Liabilities and Partners' Equity (Deficit)

Current liabilities		
Accounts payable - operations	$	14,355
Accrued management fee payable		2,500
Accrued interest payable - first mortgage		16,480
Mortgage payable - first mortgage (short-term)		42,731
Prepaid revenue		3,183
Total current liabilities		79,249
Deposits liability		
Tenant deposits held in trust (contra)		16,139
Long-term liabilities		
Mortgage payable - first mortgage, net of unamortized debt issuance costs of $524,841		2,677,014
Other mortgages payable (long-term)		2,925,000
Accrued interest payable - other mortgages payable (long-term)		731,661
Miscellaneous long-term liabilities		408,871
Total long-term liabilities		6,742,546
Total liabilities		6,837,934
Contingency		-
Partners' equity (deficit)		(673,281)
Total liabilities and partners' equity (deficit)	$	6,164,653

See Notes to Financial Statements.

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Statement of Operations
Year Ended December 31, 2016

Revenue	
Rental	$ 667,877
Vacancies	(27,030)
Net rental revenue	640,847
Financial	20
Other	140
Total revenue	641,007
Expenses	
Administrative	112,492
Utilities	62,519
Operating and maintenance	135,440
Taxes and insurance	33,652
Financial (including interest of $218,988)	237,553
Total cost of operations before depreciation and amortization	581,656
Income before depreciation and amortization	59,351
Depreciation and amortization	178,183
Operating loss	(118,832)
Mortgagor entity expenses	71,843
Net loss	$ (190,675)

See Notes to Financial Statements.

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Statement of Partners' Equity (Deficit)
Year Ended December 31, 2016

	General partner	Special limited partner	Investor limited partner	Total
Partners' equity (deficit) December 31, 2015	$ 37,739	$ (248)	$ (520,097)	$ (482,606)
Net loss	(19)	(19)	(190,637)	(190,675)
Partners' equity (deficit) December 31, 2016	$ 37,720	$ (267)	$ (710,734)	$ (673,281)
Partners' percentage of income (losses)	0.01%	0.01%	99.98%	100.00%

See Notes to Financial Statements.

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities	
Rental receipts	$ 648,502
Interest receipts	20
Other operating receipts	140
Total receipts	648,662
Administrative expenses paid	(38,859)
Management fees paid	(27,500)
Utilities paid	(62,519)
Salaries and wages paid	(104,914)
Operating and maintenance paid	(65,282)
Property insurance paid	(13,032)
Miscellaneous taxes and insurance paid	(84)
Net tenant security deposits received (paid)	172
Other operating expenses paid	(20,536)
Interest paid on first mortgage	(202,838)
Mortgage insurance premium paid	(17,442)
Total disbursements	(552,834)
Net cash provided by operating activities	95,828
Cash flows from investing activities	
Net withdrawals from mortgage escrows	858
Net deposits to reserve for replacements	(14,003)
Net purchases of fixed assets	(47,900)
Other investing activities (include detail)	
Due from owner	(10,000)
Net cash used in investing activities	(71,045)
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(40,161)
Net cash used in financing activities	(40,161)
Net decrease in cash	(15,378)
Cash, beginning	26,018
Cash, end	$ 10,640

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Statement of Cash Flows
Year Ended December 31, 2016

Reconciliation of net loss to net cash provided by operating activities		
Net loss	$	(190,675)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation		175,546
Amortization		2,637
Bad debts		3,813
Amortization of debt issuance costs		16,354
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable		6,128
Prepaid expenses		1,123
Tenant security deposits funded		(128)
Increase (decrease) in liabilities		
Accounts payable		5,064
Accrued liabilities		2,500
Accrued interest payable		64,296
Tenant security deposits held in trust		300
Prepaid revenue		1,527
Other adjustments (include detail)		
Accrued local administrative fee		7,343
Total adjustments		286,503
Net cash provided by operating activities	$	95,828

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Wayne Place Senior Living Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the District of Columbia on February 16, 1999, and amended and restated on August 1, 2003. The Partnership was formed to construct and operate a residential rental housing project. The property consists of a 56-unit multifamily apartment complex located in Washington, D.C. Initial occupancy occurred in December 2006.

The Partnership consists of one general partner, Wayne Place Investment Company LLC, which owns a 0.01 percent interest, one special limited partner, Wayne Place Investment Company LLC, which owns a 0.01 percent interest and one investor limited partner, Related Corporate Partners XXIV, L.P., which owns a 99.98 percent interest. All profits, losses and credits shall be allocated to the partners in accordance with their percentage interests.

Cash distributions are limited by agreements between the Partnership and District of Columbia Housing Finance Agency ("DCHFA") to the extent of surplus cash as defined by DCHFA.

The project qualified for and was allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The building must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the tax credits. In addition, the Partnership executed a Declaration of Restrictive Covenant for Low-Income Housing Tax Credits which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if disposition of the project by the Partnership occurs.

The Partnership will continue to operate until December 31, 2100, unless dissolved earlier in accordance with the partnership agreement.

Note 2 - Summary of significant accounting policies

Use of 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.

Accounts receivable and bad debt

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America ("GAAP") require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental property
Rental property is recorded at cost. Depreciation of rental property is computed primarily using the straight-line method and the following estimated useful lives:

Buildings	40 years
Site improvements	15 years
Furniture and fixtures	5 - 7 years

Impairment of long-lived assets
The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2016.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Deferred tax credit fees and amortization
Deferred tax credit fees are amortized over the 15-year compliance period using the straight-line method. Amortization expense for the year ended December 31, 2016 was $2,637. Estimated amortization expense for each of the ensuing years through December 31, 2021 is as follows:

2017	$	2,637
2018		2,637
2019		2,637
2020		2,637
2021		2,413

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Advertising costs
Advertising costs are charged to operations when incurred.

Income taxes
The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the

Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Change in accounting principle
During 2016, the partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis.

Note 3 - Bond reserves

The Partnership is required to maintain a Debt Service Reserve Fund of $120,000. As of December 31, 2016, the balance in the Debt Service Reserve Fund was $120,000.

Note 4 - Mortgages payable

The Partnership has a nonrecourse mortgage in the original amount of $4,180,000 payable to District of Columbia Housing Finance Agency ("DCHFA"), which has financed the project through the issuance of FHA-Insured Multifamily Housing Revenue Bonds Series 2003 (the "Bonds"). The mortgage is secured by the rental property. The bonds bear interest at a rate of 6.22 percent per annum and mature on September 8, 2045. During the construction period, $600,000 of the bonds were repaid. Pursuant to the terms of the loan agreement, the Partnership is required to make monthly escrow payments for taxes and insurance and payments to a bond reserve for bond principal repayments. The repayments began in December 2005. For the year ended December 31, 2016, interest expense of $202,634 was incurred and charged to operations. As of December 31, 2016, the outstanding balance on the bonds was $3,244,586 and accrued interest of $16,480 remains payable.

Debt issuance costs, net of accumulated amortization, totaled $524,841 as of December 31, 2016 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 7.54%.

The Partnership entered into a nonrecourse loan agreement with D.C. Department of Housing and Community Development ("DHCD") in the amount of $825,000. The loan is secured by a second deed of trust on the property and bears an annual interest rate of 2.0 percent. The loan is payable out of cash flow and matures on May 1, 2045. For the year ended December 31, 2016, interest of $16,500 was incurred and charged to operations. As of December 31, 2016, accrued interest of $187,661 remains payable.

The Partnership received an additional nonrecourse loan from DHCD in the amount of $1,600,000. The loan is secured by a deed of trust on the property and bears an annual interest rate of 3.00 percent. Monthly principal and interest payments have been deferred until September 1, 2016. In the event the Partnership does not have adequate available cash flow to make the regularly scheduled payments of $80,196 per year beginning September 1, 2016, the Partnership is required to make a minimum payment equal to at least 50% of the outstanding interest for that period and the unpaid interest shall be accrued. Following the eighth year of operations (December 2014), the Partnership will begin making accelerated principal and interest payments, from available cash flow, until all accruals have been repaid. The loan matures on September 8, 2045. For the year ended December 31, 2016, interest of $48,000 was incurred and charged to operations. As of December 31, 2016, accrued interest of $544,000 remains payable.

The Partnership received a nonrecourse loan from St. Paul Community Development Corporation, the guarantor, in the amount of $500,000 from the proceeds of a HOME grant. The loan is secured by a fourth deed of trust. The loan does not bear interest and is payable solely from cash flow and matures upon sale of the property.

Aggregate annual maturities of the mortgages payable over each of the next five years and thereafter following December 31, 2016 are as follows:

	DCHFA	DHCD	DHCD	Loan	Total
2017	$ 42,731	$ -	$ -	$ -	$ 42,731
2018	45,466	-	-	-	45,466
2019	48,376	-	-	-	48,376
2020	51,473	-	-	-	51,473
2021	54,767	-	-	-	54,767
Thereafter	3,001,773	825,000	1,600,000	500,000	5,926,773
Total	3,244,586	$ 825,000	$ 1,600,000	$ 500,000	6,169,586
Less current maturities	42,731				42,731
Less unamortized debt issuance cost	524,841				524,841
Total	$ 2,677,014				$ 2,677,014

Note 5 - Related party transactions

Supervisory management fee

The Partnership has entered into a supervisory management fee agreement with the general partner for its services in administering and directing the business of the Partnership, maintaining the books and records, and reporting to the partners and the lender. The fee is limited to 7% of gross rental income per year and is payable only from the net cash flow of the Partnership as defined in the partnership agreement. The annual fee is limited for any calendar year and is not cumulative. For the year ended December 31, 2016, no fees have been charged to the Partnership.

Operating deficit loans

The Guarantor ("St. Paul Community Development Corporation") will provide loans to the Partnership for operating deficits incurred, as defined in the partnership agreement. Commencing on the breakeven date, any operating deficits funded after breakeven operations are noninterest-bearing and payable out of net cash flow. As of December 31, 2016, no operating deficit funding has been provided.

Annual local administrative fee

Beginning on the admission date, as defined as the date the investor limited partner acquires its partnership interest, the Partnership agreed to pay the special limited partner an annual fee of

$5,000, increasing annually by 3%, for monitoring the operations of the Partnership and the apartment complex. For the year ended December 31, 2016, $7,343 was incurred and charged to operations. As of December 31, 2016, $85,434 remains payable and is included in miscellaneous long-term liabilities.

Payable to general partner and affiliates
The Partnership was advanced funds from an affiliate of the general partner in the amount of $323,437. These advances do not bear interest and are payable from surplus cash. As of December 31, 2016, the entire amount remains payable and is included in miscellaneous long-term liabilities.

In addition, the Partnership has inadvertently paid the general partner $20,000, which is due to the Partnership and is included in accounts and notes receivable - entity on the balance sheet.

Cash flow
Cash distributions shall be made to the partners following the breakeven date as follows:

a) If monthly cash flow is sufficient to pay the monthly principal and interest payments on the second mortgage loan, then cash flow shall be applied as follows:

   i. To the mortgage lender in payment of the DHCD monthly debt service, and of the remaining balance;

   ii. To the management agent, an amount equal to any portion of the management fee which has been deferred pursuant to the provisions of the partnership agreement;

   iii. To the investor limited partner, an amount or amounts equal to the unpaid balance of any voluntary loan made by it;

   iv. To the developer, to pay any outstanding deferred development fee pursuant to the partnership agreement;

   v. To the general partner, an amount equal to the amount, if any, by which the actual tax credits allocated to the investor limited partner in respect to 2004 exceed the first year credits, which difference shall be multiplied by 0.84;

   vi. To the partners, an amount or amounts equal to the unpaid balance of any voluntary loan made by them, but not including any operating loans or other loans made by the general partner in order to fulfill any obligation of the general partner;

   vii. To the Guarantor an amount not to exceed $100,000 in the aggregate, equal to the amounts paid by the Guarantor to fund development deficits pursuant to the development deficit guaranty agreement;

   viii. To the extent of 50% of the cash flow remaining after distributions under the partnership agreement have been made, to the Guarantor an amount or amounts equal to the unpaid balance of any operating loan made by it;

ix. To the extent of 60% of the cash flow remaining after distributions under the partnership agreement have been made, to the general partner for the supervisory management fee payable pursuant to the partnership agreement;

x. 100% of the cash flow remaining shall be used to pay principal on the fourth mortgage loan; and

xi. The balance 49.99% to the investor limited partner, 50% to the general partner, and 0.01% to the special limited partner.

b) Notwithstanding the foregoing, in the event there is insufficient cash flow to pay the full amount of the DHCD monthly debt service, then until the expiration of the 12th anniversary after completion, cash flow shall be distributed as follows:

i. 30% of the cash shall be paid to the second mortgage lender to be applied to the then due and owing DHCD monthly debt service; and

ii. 70% of the cash flow shall be paid to the developer to pay any outstanding deferred development fee pursuant to the partnership agreement.

c) Notwithstanding the foregoing, in the event there is insufficient cash flow to pay the full amount of the DHCD monthly debt service from and after the expiration of the 12th anniversary after completion, then, from and after the 12th anniversary of completion, cash flow shall be distributed as follows:

i. 50% of the cash flow shall be paid to the second mortgage lender to be applied to the then due and owing DHCD monthly debt service; and

ii. The remaining 50% of the cash flow shall be distributed by the Partnership in accordance the partnership agreement.

Notwithstanding the foregoing, prior to the breakeven date, excess development cash flow, shall be applied in the priorities set forth in items (a) through (c) above and then to the payment of the lease-up fee. Following the breakeven date, excess development cash shall be applied as set forth in items (a), (b) and (c) above, as applicable.

Note 6 - Property management fees

The property is managed by American Apartment Management Company, Inc. ("AAMCI"), an unrelated party, under a management agreement that provides for a monthly fee equal to $2,500. For the year ended December 31, 2016, fees of $30,000 were charged to operations all of which has been paid.

Note 7 - Real estate taxes

The property is exempt from real estate taxes so long as the real property is owned and maintained by the Partnership, operated as a senior living facility, and not used for commercial purposes.

Note 8 - Commitment and contingency

Construction payable

The Partnership entered into a construction contract with Bozzuto Building Company, an unrelated entity, for the amount of $4,725,646. In order to meet the requirements of the bond 50% test, the construction payable was assumed by the general partner. The contractor filed a lawsuit against the Partnership for the remaining balance on the contract. On May 23, 2008, the lawsuit was settled and the contractor was awarded $602,055. The liability is the obligation of the general partner.

Low-income tax credit contingency

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

Concentration of credit risk

The Partnership maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2016.

In accordance with the regulatory agreement and other loan documents, the Partnership maintains mortgage escrow deposits, a reserve for replacements and a debt service fund with the lender at December 31, 2016. Investment options of these deposits are limited to those provided by the lender.

Note 9 - Low-Income Housing tax credits

The Partnership received tax credit reservations from the District of Columbia Department of Housing and Community Development ("DCHFA") amounting to $3,051,250 over a 10-year period. Annual credits claimed have been limited based upon qualified occupancy.

Note 10 - Mortgagor entity expenses

Mortgagor entity expenses included in the statement of operations do not represent operating expenses of the project and, accordingly, cannot be paid and are not paid out of project operations. Rather, they are entity expenses, which can only be paid out of surplus cash or mortgagor entity funds. Such expenses have been segregated from project operations in the statement of operations for that reason. Unpaid mortgagor entity expenses included in the statement of operations represent accruals only and are recorded only where required under accounting principles generally accepted in the United States of America. These accruals result only in increased liabilities in the balance sheet. The liability that results from any accrual is also subject to surplus cash restrictions and is payable only to the extent of surplus cash or mortgagor entity funds. The statement of cash flows reflects those mortgagor entity expenses actually paid during the period. Below is a summary of mortgagor entity expenses expensed and paid:

Description	Beginning liability	Expense	Payments	Ending liability
DHCD mortgages - interest	$ 667,161	$ 64,500	$ -	$ 731,661
Local administrative fee	78,091	7,343	-	85,434
	$ 745,252	$ 71,843	$ -	$ 817,095

Note 11 - Housing assistance payment contract agreement

DC Housing Authority has contracted with the Partnership pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants. The agreement expires December 1, 2021.

Note 12 - Current vulnerability due to certain concentrations

The Partnership's principal asset is a 56-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, DCHFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by DCHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 13 - Subsequent events

Events that occur after the balance sheet date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 31, 2017, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by DCHFA

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Balance Sheet Data
December 31, 2016

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 10,640
1130	Tenant accounts receivable		10,953
1145	Accounts and notes receivable - entity		20,000
1200	Prepaid expenses		13,201
1100T	Total current assets		54,794
Deposits held in trust - funded			
1191	Tenant deposits		16,714
Restricted deposits and funded reserves			
1310	Escrow deposits	$ 19,642	
1320	Reserve for replacements	89,943	
1355	Bond reserves	120,000	
1300T	Total deposits		229,585
Rental property			
1410	Land	600,000	
1420	Buildings	6,941,689	
1440	Building equipment - portable	20,899	
1490	Miscellaneous fixed assets	47,900	
1400T	Total fixed assets	7,610,488	
1495	Less accumulated depreciation	(1,759,889)	
1400N	Net fixed assets		5,850,599
Other assets			
1590	Miscellaneous other assets	12,961	
1500T	Total other assets		12,961
1000T	Total assets		$ 6,164,653

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Balance Sheet Data
December 31, 2016

Liabilities and Partners' Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 14,355
2123	Accrued management fee payable		2,500
2131	Accrued interest payable - first mortgage		16,480
2170	Mortgage payable - first mortgage (short-term)		42,731
2210	Prepaid revenue		3,183
2122T	Total current liabilities		79,249
Deposits liability			
2191	Tenant deposits held in trust (contra)		16,139
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 2,677,014	
2322	Other mortgages payable (long-term)	2,925,000	
2331	Accrued interest payable - other mortgages payable (long-term)	731,661	
2390	Miscellaneous long-term liabilities	408,871	
2300T	Total long-term liabilities		6,742,546
2000T	Total liabilities		6,837,934
3130	Partners' equity (deficit)		(673,281)
2033T	Total liabilities and partners' equity (deficit)		$ 6,164,653

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 191,128	
5121	Tenant assistance payments	476,749	
5100T	Total rental revenue		$ 667,877
Vacancies			
5220	Apartments	(20,281)	
5250	Rental concessions	(6,749)	
5200T	Total vacancies		(27,030)
5152N	Net rental revenue		640,847
Financial revenue			
5410	Financial revenue - project operations	17	
5440	Revenue from investments - replacement reserve	3	
5400T	Total financial revenue		20
Other revenue			
5920	Tenant charges	140	
5900T	Total other revenue		140
5000T	Total revenue		641,007

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Administrative expenses			
6210	Advertising and marketing	893	
6250	Other renting expenses	637	
6311	Office expenses	10,738	
6320	Management fee	30,000	
6330	Manager or superintendent salaries	39,820	
6350	Auditing expense	11,775	
6370	Bad debts	3,813	
6390	Miscellaneous administrative expenses	14,816	
6263T	Total administrative expenses		112,492
Utilities expense			
6450	Electricity	27,860	
6451	Water	14,334	
6452	Gas	1,128	
6453	Sewer	19,197	
6400T	Total utilities expense		62,519
Operating and maintenance expenses			
6510	Payroll	65,094	
6515	Supplies	13,349	
6520	Contracts	47,146	
6546	Heating/cooling repairs and maintenance	6,011	
6590	Miscellaneous operating and maintenance expenses	3,840	
6500T	Total operating and maintenance expenses		135,440

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.			
Taxes and insurance			
6711	Payroll taxes	10,059	
6720	Property and liability insurance	13,032	
6722	Workmen's compensation	2,215	
6723	Health insurance and other employee benefits	8,262	
6790	Miscellaneous taxes, licenses, permits and insurance	84	
6700T	Total taxes and insurance		33,652
Financial expenses			
6820	Interest on first mortgage payable	218,988	
6850	Mortgage insurance premium/service charge	18,565	
6800T	Total financial expenses		237,553
6000T	Total cost of operations before depreciation and amortization		581,656
5060T	Income (loss) before depreciation and amortization		59,351
Depreciation and amortization			
6600	Depreciation expense	175,546	
6610	Amortization expense	2,637	
	Total depreciation and amortization		178,183
5060N	Operating income (loss)		(118,832)
Corporate or mortgagor entity revenue and expenses			
7142	Interest on mortgage payable	64,500	
7190	Other expenses	7,343	
7100T	Net entity expenses		71,843
	Total expenses		831,682
3250	Net income (loss)		$ (190,675)

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2016

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 40,161
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 14,000
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	$ -

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2016

Account No.		General partner	Special limited partner	Investor limited partner	Total
S1100-010	Partners' equity (deficit) December 31, 2015	$ 37,739	$ (248)	$ (520,097)	$ (482,606)
3250	Net income (loss)	(19)	(19)	(190,637)	(190,675)
3130	Partners' equity (deficit) December 31, 2016	$ 37,720	$ (267)	$ (710,734)	$ (673,281)
	Partners' percentage of losses	0.01%	0.01%	99.98%	100.00%

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.			
	Cash flows from operating activities		
S1200-010	Rental receipts		$ 648,502
S1200-020	Interest receipts		20
S1200-030	Other operating receipts		140
S1200-040	Total receipts		648,662
S1200-050	Administrative expenses paid		(38,859)
S1200-070	Management fees paid		(27,500)
S1200-090	Utilities paid		(62,519)
S1200-100	Salaries and wages paid		(104,914)
S1200-110	Operating and maintenance paid		(65,282)
S1200-140	Property insurance paid		(13,032)
S1200-150	Miscellaneous taxes and insurance paid		(84)
S1200-160	Net tenant security deposits received (paid)		172
S1200-170	Other operating expenses paid		(20,536)
S1200-180	Interest paid on first mortgage		(202,838)
S1200-210	Mortgage insurance premium paid		(17,442)
S1200-230	Total disbursements		(552,834)
S1200-240	Net cash provided by operating activities		95,828
	Cash flows from investing activities		
S1200-245	Net withdrawals from mortgage escrows		858
S1200-250	Net deposits to reserve for replacements		(14,003)
S1200-330	Net purchases of fixed assets		(47,900)
S1200-340	Other investing activities (include detail)		
S1200-341	Due from owner	$ (10,000)	
			(10,000)
S1200-350	Net cash used in investing activities		(71,045)
	Cash flows from financing activities		
S1200-360	Mortgage principal payments - first mortgage		(40,161)
S1200-460	Net cash used in financing activities		(40,161)
S1200-470	Net decrease in cash		(15,378)
S1200-480	Cash, beginning		26,018
S1200T	Cash, end		$ 10,640

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2016

Account No.			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net loss		$ (190,675)
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		175,546
6610	Amortization		2,637
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		6,128
S1200-520	Prepaid expenses		1,123
S1200-530	Tenant security deposits funded		(128)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		5,064
S1200-560	Accrued liabilities		2,500
S1200-570	Accrued interest payable		64,296
S1200-580	Tenant security deposits held in trust		300
S1200-590	Prepaid revenue		1,527
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	$ 3,813	
S1200-601	Amortization of debt issuance costs	16,354	
S1200-601	Accrued local administrative fee	7,343	
			27,510
	Total adjustments		286,503
S1200-610	Net cash provided by operating activities		$ 95,828

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information
Year Ended December 31, 2016

Reserve for Replacements

Account No.			
1320P	Balance at December 31, 2015	$	75,940
1320DT	Total monthly deposits		14,000
1320INT	Interest income		3
1320	Balance at December 31, 2016	$	89,943

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information
Year Ended December 31, 2016

Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)	$	27,354
1135	Accounts receivable - HUD		-
S1300-040	Total cash		27,354
S1300-050	Accrued mortgage interest payable		16,480
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		14,355
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		2,500
2210	Prepaid revenue (Account 2210)		3,183
2191	Tenant security deposits liability (Account 2191)		16,139
S1300-140	Less total current obligations		52,657
S1300-150	Surplus cash (deficiency)	$	(25,303)
	Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
	Limited Dividend Projects		
S1300-160	Annual distribution earned during fiscal period covered by the statements	$	-
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period		-
S1300-180	Distributions and entity expenses paid during fiscal period covered by the statements		-
S1300-190	Amount remaining as distribution earned but unpaid		-
S1300-200	Amount available for distribution during next fiscal period	$	-
S1300-210	Deposit due residual receipts reserve	$	-

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information
Year Ended December 31, 2016

Changes in Fixed Asset Accounts

	Assets			
	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Land	$ 600,000	$ -	$ -	$ 600,000
Buildings	6,941,689	-	-	6,941,689
Building equipment - portable	20,899	-	-	20,899
Miscellaneous fixed assets	-	47,900	-	47,900
	$ 7,562,588	$ 47,900	$ -	$ 7,610,488
Accumulated depreciation	$ 1,584,343	$ 175,546	$ -	$ 1,759,889
Total net book value				$ 5,850,599

Fixed Asset Detail

Additions to Miscellaneous Fixed Assets Account

Item and quantity	Amount
Construction in progress - door replacement project	$ 47,900

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Entity (Account No. 1145)

Other		
Account receivable from owner	$	20,000

Miscellaneous Other Assets (Account No. 1590)

Other		
Tax credit fees, net of accumulated amortization of $26,590	$	12,961

Other Mortgages Payable (Long-Term) (Account No. 2322)

Second mortgage - DHCD	$	825,000
Third mortgage - DHCD		1,600,000
Fourth mortgage - St. Paul CDC		500,000
	$	2,925,000

Accrued Interest Payable - Other Mortgages Payable (Long-Term) (Account No. 2331)

First mortgage - DHCD	$	187,661
Second mortgage - DHCD		544,000
	$	731,661

Miscellaneous Long-Term Liabilities (Account No. 2390)

Due to affiliate	$	323,437
Annual local administrative fee payable		85,434
	$	408,871

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Supplementary Information
Year Ended December 31, 2016

Detail of Accounts - Statement of Operations

Miscellaneous Administrative Expenses (Account No. 6390)

Professional fees - legal and compliance monitoring	$	10,979
Training expense		2,424
Bank service charge - operating		1,119
Bank service charge - security		180
Application processing		114
	$	14,816

Other Entity Expenses (Account No. 7190)

Annual local administration fee	$	7,343

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*

To the Partners
Wayne Place Senior Living Limited Partnership

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 Wayne Place Senior Living Limited Partnership, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, partners' equity (deficit), and cash flows or the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2017, as indicated on the emphasis of matter paragraph on page 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne Place Senior Living Limited Partnership'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 Wayne Place Senior Living Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne Place Senior Living Limited Partnership'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, questioned costs and recommendations as items 2016-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne Place Senior Living Limited Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under

Government Auditing Standards and which are described in the accompanying schedule of findings, questioned costs and recommendations as item 2016-1.

Wayne Place Senior Living Limited Partnership's Response to Findings

Wayne Place Senior Living Limited Partnership's response to the findings identified in our audit is described in the accompanying schedule of findings, questioned costs and recommendations. Wayne Place Senior Living Limited Partnership's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CohnReznick LLP

Baltimore, Maryland
March 31, 2017

Independent Auditor's Report on Compliance for the Major DCHFA Program and on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Partners
Wayne Place Senior Living Limited Partnership

Report on Compliance for the Major DCHFA Program

We have audited Wayne Place Senior Living Limited Partnership's compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on Wayne Place Senior Living Limited Partnership's major DCHFA program for the year ended December 31, 2016. Wayne Place Senior Living Limited Partnership's major DCHFA program is as follows:

Section 207 mortgage insurance program

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its DCHFA program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Wayne Place Senior Living Limited Partnership's major DCHFA program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major DCHFA program occurred. An audit includes examining, on a test basis, evidence about Wayne Place Senior Living Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of Wayne Place Senior Living Limited Partnership's compliance.

Basis for Qualified Opinion on Section 207 mortgage insurance program

As described in the accompanying schedule of findings, questioned costs, and recommendations, Wayne Place Senior Living Limited Partnership did not comply with requirements regarding Section 207 mortgage insurance program as further described in 2016-1. Compliance with such requirements is necessary, in our opinion, for Wayne Place Senior Living Limited Partnership to comply with the requirements applicable to that program.

Qualified Opinion on Section 207 mortgage insurance program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Wayne Place Senior Living Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Section 207 mortgage insurance program for the year ended December 31, 2016.

Other Matters

Wayne Place Senior Living Limited Partnership's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. Wayne Place Senior Living Limited Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Wayne Place Senior Living Limited Partnership is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne Place Senior Living Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wayne Place Senior Living Limited Partnership's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Baltimore, Maryland
March 31, 2017

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Schedule of Findings, Questioned Costs and Recommendations
December 31, 2016

1. **<u>Corrective Action Not Started or in Process</u>**

Finding No. 2016-1

Statement of Condition

During 2016, the project paid a fee of $10,000 to an affiliate of the general partner for the evaluation of debt refinancing. This payment has been reflected as a receivable and deemed a distribution which was made without sufficient surplus cash.

Criteria

Distributions are limited to available surplus cash.

Cause

Payments were made without consideration of available surplus cash.

Effect or Potential Effect

The payment made is an unauthorized distribution and therefore considered to be questioned costs.

Recommendation

The project should collect the amount from the owner immediately and follow its procedures to ensure payments of this nature are not made in the future.

Auditor Noncompliance Code: H - Unauthorized distribution of project assets

Reporting Views of Responsible Officials: Unauthorized distributions will be refunded through loan proceeds from the refinance.

Wayne Place Senior Living Limited Partnership
DCHFA Project No.: 000-98034

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
December 31, 2016

1. Audit Report dated March 24, 2016, for the year ended December 31, 2015, issued by CohnReznick LLP.

   Finding No. 2013-1

   In 2013, the project paid a fee of $10,000 to an affiliate of the general partner for the evaluation of debt refinancing. This payment has been reflected as a receivable and deemed a distribution which was made without sufficient surplus cash.

   Status

   Unauthorized distributions will be refunded and repayment is expected to take place in 2017.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. There were no letters or reports issued by HUD management during the period covered by this audit.

COHNREZNICK

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J.W. KING SENIORS LIMITED PARTNERSHIP

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016 AND 2015

J.W. KING SENIORS LIMITED PARTNERSHIP

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Partners
J. W. King Seniors Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of J.W. King Seniors Limited Partnership, (a District of Columbia Limited Partnership) which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of profit and loss, changes in partners' equity, 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.

Auditors' 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. Those standards require that we plan and perform the audit 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 auditors' 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 J.W. King Seniors Limited Partnership, as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 through 22 is presented for purposes of additional analysis and not a required part of the financial statements.

The accompanying supplementary information on pages 21 through 22 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 accompanying supplementary information on pages 21 through 22 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017 on our consideration of J.W. King Seniors Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering J.W. King Seniors Limited Partnership's internal control over financial reporting and compliance.

Vienna, Virginia
March 3, 2017
Lead Auditor: Robert A. Kozak

EIN: 54-1639552

J. W. KING SENIORS LIMITED PARTNERSHIP

BALANCE SHEETS

DECEMBER 31,

ASSETS

	2016	2015
CURRENT ASSETS		
1120 Cash and cash equivalents	$ 83,749	$ 90,756
1121 Cash and cash equivalents - development	4,065	4,065
1130 Tenant accounts receivable, net of allowance for doubtful accounts	59,987	10,241
1140 Accounts receivable - other	2,681	-
1200 Miscellaneous prepaid expenses	35,259	40,091
Total current assets	185,741	145,153
DEPOSITS HELD IN TRUST - FUNDED		
1191 Tenant security deposits	18,090	18,088
RESTRICTED DEPOSITS AND FUNDED RESERVES		
1310 Mortgage escrow deposits	66,176	50,547
1320 Reserve for replacements	166,236	144,032
1330 Bond trustee reserves	508,717	647,285
	741,129	841,864
RENTAL PROPERTY		
1410 Land	512,469	512,469
1420 Building	10,434,873	10,301,452
1430 Land improvements	104,677	104,677
1460 Equipment	241,624	241,624
	11,293,643	11,160,222
1495 Less accumulated depreciation	(3,102,307)	(2,822,044)
	8,191,336	8,338,178
	$ 9,136,296	$ 9,343,283

J. W. KING SENIORS LIMITED PARTNERSHIP

BALANCE SHEETS (CONTINUED)

DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY

		2016		2015
CURRENT LIABILITIES				
2110 Accounts payable		$ 21,481		$ 27,893
2113 Accrued social services fee		54,814		46,403
2115 Accrued expenses		149,021		13,104
2150 Accrued real estate tax payable		9,740		27,638
2130 Accrued interest		18,589		22,589
2170 Loan payable - current portion		65,000		60,000
2210 Prepaid revenue		4,658		5,872
Total current liabilities		323,303		203,499
DEPOSITS LIABILITY				
2191 Tenant security deposits		14,650		15,100
LONG-TERM LIABILITIES				
2320 Loan payable-DCHFA, less current portion	$ 4,680,000		$ 4,745,000	
2340 Debt issuance costs	(311,977)	4,368,023	(322,705)	4,422,295
2325 Loan payable		2,120,000		2,120,000
2330 Sponsor loan		620,000		620,000
2331 Accrued interest - sponsor loan		358,005		325,703
2335 Accrued interest - development fee		335,587		301,650
2340 Development fee payable		651,386		651,386
		8,453,001		8,441,034
PARTNERS' EQUITY				
3130 Partners' equity		345,342		683,650
		$ 9,136,296		$ 9,343,283

See notes to financial statements

J. W. KING SENIORS LIMITED PARTNERSHIP

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

		2016	2015
	REVENUE		
5120	Rent Revenue - Gross Potential	$ 170,721	$ 180,725
5121	Tenant Assistance Payments	692,567	684,496
5140	Rent Revenue - Stores and commercial	60,000	60,000
5170	Parking and garage spaces	-	-
5180	Flexible subsidy revenue	-	-
5190	Misc. rent revenue	-	-
5191	Excess rent	-	-
5192	Rent revenue/insurance	-	-
5193	Special claims revenue	-	-
5194	Retained excess income	-	-
5100 T	Total rent revenue	923,288	925,221
	VACANCIES		
5220	Apartments	(34,972)	(54,265)
5240	Stores and commercial	-	-
5250	Rental concessions	-	(3,825)
5270	Garbage and parking space	-	-
5290	Miscellaneous	-	-
5200 T	Total vacancies	(34,972)	(58,090)
5152 N	Net rental revenue	888,316	867,131
5300	Nursing homes/assisted living/board care/other	-	-
	FINANCIAL REVENUE		
5410	Financial revenue - project operation	6	-
5430	Revenue from Investments - Residual Receipts	-	-
5440	Revenue from Investments - Replacement Reserve	3	1
5490	Revenue from Investments - Miscellaneous	6,411	6,395
5400 T	Total financial revenue	6,420	6,396
	OTHER REVENUE		
5910	Laundry and vending revenue	4,462	4,070
5920	Tenant charges	756	2,649
5970	Gifts	-	-
5990	Miscellaneous	5,514	-
5900 T	Total other revenue	10,732	6,719
5000 T	Total revenue	905,468	880,246
	ADMINISTRATIVE EXPENSES		
6203	Conventions and meetings	-	-
6204	Management consultants	-	-
6210	Advertising and marketing	-	951
6250	Other renting expenses	4,259	736
6310	Office salaries	324	-
6311	Office expenses	23,089	15,575
6312	Office or model apartment	-	-
6320	Management fee	42,851	42,709
6330	Manager salaries	41,508	54,656
6331	Administrative rent free unit	11,234	-
6340	Legal expenses	-	190
6350	Audit expenses	26,042	12,500
6351	Bookkeeping /Accounting services	-	-
6370	Bad debts	-	11,961
6390	Misc. Administrative Expenses	3,602	5,066
6263 T	Total Administrative Expenses	152,909	144,344

See notes to financial statements

J. W. KING SENIORS LIMITED PARTNERSHIP

STATEMENTS OF PROFIT AND LOSS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

		2016	2015
	UTILITIES		
6420	Fuel oil	-	-
6450	Electricity	33,081	31,934
6451	Water	47,302	42,454
6452	Gas	8,042	8,731
6452	Sewer	-	-
6400 T	Total Utilities Expense	88,425	83,119
	OPERATING AND MAINTENANCE		
6510	Payroll	48,507	45,340
6515	Supplies	27,195	49,007
6520	Contracts	30,763	33,989
6521	Operating and maintenance Rent Free Unit	-	-
6525	Garbage and Trash Removal	12,303	12,269
6530	Security Payroll/contract	4,996	2,995
6531	Security Rent Free Unit	-	-
6546	Heating/Cooling Repairs and Maintenance	-	-
6548	Snow Removal	1,227	700
6570	Vehicle and Maintenance Equipment Operation and Repairs	-	-
6590	Misc. Operating and Maintenance Expenses	-	-
6500 T	Total Operating and Maintenance Expenses	124,991	144,300
	INSURANCE AND TAXES		
6710	Real estate taxes	21,060	38,391
6711	Payroll taxes	7,334	8,763
6720	Property and liability insurance	19,133	32,540
6721	Fidelity bond insurance	-	-
6722	Workers compensation	-	-
6723	Health insurance and other employee benefits	18,978	24,808
6790	Miscellaneous taxes, licenses, permits and insurance	1,908	2,060
6700 T	Total Taxes and insurance	68,413	106,562
	FINANCIAL		
6820	Interest on Mortgage Payable	259,023	253,646
6830	Interest on Notes Payable (Long Term)	66,239	66,239
6840	Interest on Notes Payable (Short Term)	-	-
6850	Mortgage insurance premium/service charge	24,298	24,298
6890	Miscellaneous financial expenses	32,592	29,391
6800 T	Total financial expenses	382,152	373,574
	ELDERLY CARE EXPENSES		
6900	Nursing homes/assisted living/Board & care/other	-	-
6000 T	Total Cost of Operations before Depreciation	816,890	851,899
5060	Profit (Loss) before depreciation	88,578	28,347
6600	Depreciation expenses	280,263	288,794
6610	Amortization expenses	-	-
5060 N	Operating profit or (Loss)	(191,685)	(260,447)
	ENTITY EXPENSES		
7110	Officer's salaries	-	-
7120	Legal expenses	-	-
7130	Federal, state and other income taxes		
7140	Interest income	-	-
7141	Interest on notes payable	-	-
7142	Social services fee	6,718	6,523
7190	Other expense - Asset management fee	6,771	7,114
7100 T	Total entity expenses	13,489	13,637
3250	Profit or (Loss)	$ (205,174)	$ (274,084)

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See notes to financial statements

J. W. KING SENIORS LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2016 AND 2015

Partners' equity, January 1, 2015	$ 957,734
Net loss	(274,084)
Partners' equity, December 31, 2015	683,650
Net loss	(205,174)
Distributions	(133,134)
Partners' equity, December 31, 2016	$ 345,342

See notes to financial statements

J. W. KING SENIORS LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Rental receipts	$ 834,675	$ 878,378
Interest receipts	6,420	6,396
Other receipts	10,732	2,894
	851,827	887,668
Administrative	63,884	47,920
Management fees	53,770	43,346
Utilities	90,095	83,242
Salaries	75,515	110,508
Operating and maintenance	79,427	101,235
Real estate taxes	38,958	38,959
Property insurance	19,133	34,183
Other taxes and insurance	38,682	30,644
Tenant security deposits (net)	452	(295)
Interest on bonds	252,295	243,191
Mortgage insurance	21,502	4,673
Other financial expense	32,592	11,361
Entity expenses	(8,733)	29,391
	757,572	778,358
Net cash provided by operating activities	94,255	109,310
Cash flows from investing activities		
Purchase of fixed assets	(8,863)	(20,470)
Net deposits to mortgage escrows	(15,629)	(7,692)
Net withdrawals from (deposits to) bond reserve	138,568	(589)
Net deposits to reserve for replacements	(22,204)	(15,415)
Net cash provided by (used in) investing activities	91,872	(44,166)
Cash flows from financing activities		
Distributions	(133,134)	-
Principal payments on bonds	(60,000)	(60,000)
Net cash used in financing activities	(193,134)	(60,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,007)	5,144
Cash and cash equivalents, beginning	90,756	85,612
Cash and cash equivalents, ending	$ 83,749	$ 90,756

See notes to financial statements

J. W. KING SENIORS LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	2016	2015
Net loss	$ (205,174)	$ (274,084)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	280,263	288,794
Amortization of debt issuance costs	10,728	10,727
Changes in assets and liabilities		
(Increase) decrease in assets		
Tenant accounts receivable	(52,427)	6,911
Miscellaneous prepaid expenses	4,832	21,403
Increase (decrease) in liabilities		
Accounts payable	(6,413)	7,843
Accrued social services fee	8,411	2,276
Accrued expenses	11,359	(20,765)
Accrued real estate tax payable	(17,898)	(568)
Prepaid revenue	(1,213)	511
Tenant security deposits - net	(452)	295
Accrued interest - bonds	(4,000)	(272)
Accrued interest - sponsor loan	32,302	32,302
Accrued interest - development fee	33,937	33,937
Net cash provided by operating activities	$ 94,255	$ 109,310

See notes to financial statements

J.W. KING SENIORS LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE A –ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

J.W. King Seniors Limited Partnership (the Partnership), a District of Columbia limited partnership, was formed on September 23, 1998 to acquire, develop, construct, lease, operate, finance and manage 74 units of multifamily housing for rental to households with a head of household age 62 and older in compliance with the low-income housing tax credit requirements of Section 42 of the Internal Revenue Code. The project is known as J.W. King Senior Center and is located in the City of Washington, District of Columbia ("Project").

The Project has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

Additionally, the Partnership has entered into an Extended Use Housing Agreement with the District of Columbia Housing Finance Agency. This agreement requires the Project to maintain the provisions of Section 42 of the Internal Revenue Code for a minimum of 30 years. The Partnership is required to set aside all available units in the Project for low and moderate-income occupants.

Accounting Method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of the payments.

Rental Revenue

Rental revenue is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are considered to be operating leases.

Advertising

Advertising costs are charged to operations when incurred.

Cash and cash equivalents

Cash includes all cash balances and cash equivalents consisting of all highly liquid debt instruments purchased with a maturity of three months or less. These amounts are available for current operations and exclude amounts restricted for repayment of tenant security deposits, escrows and reserves.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates 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.

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Investments in Rental Property

Rental property is carried at cost and includes all direct costs of acquisition and construction. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Depreciation is provided using the following methods and estimated useful lives.

	Method	Estimated Useful Lives
Building	Straight-line	40 years
Land improvements	Straight-line	20 years
Equipment	Straight-line	10 years

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of assets, an impairment loss is recognized for the difference. There were no asset impairments during 2016 and 2015.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method. The effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. These financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Years open for examination by the Internal Revenue Service are December 31, 2015, 2014 and 2013.

Change in Accounting Principle

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis. As a result, the December 31, 2015 balance of debt issuance costs of $322,705, which are net of accumulated amortization and related to the Partnership's mortgage payable, were reclassified on the balance sheet from other assets to mortgage payable. Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on the Partnership's financial position, results of operations or cash flows. The cumulative effect of this change is immaterial and is included as additional interest expense in the statement of operations.

Subsequent Events

Subsequent events have been evaluated through March 3, 2017, the date these financial statements were available to be released.

NOTE B – OWNERSHIP

Ownership

The general partner is First Rock Seniors Housing, Inc., the special limited partner is RBC Tax Credit Manager II, Inc., and the investor limited partner is Apollo Tax Credit Fund XVI, LP. The ownership percentage and allocations of profits and losses and tax credits of the partners are as follows:

	Percentage	Contribution
General partner	0.009%	$100
Special limited partner	0.001%	$10
Investor limited partner	99.990%	$3,718,398
	100.000%	

NOTE B – OWNERSHIP (Continued)

Distributions shall be allocated in accordance with the partnership agreement. Upon the sale or refinancing, the partnership agreement requires special computations to determine profit allocation and cash distributions.

NOTE C – RESTRICTED DEPOSITS

Replacement Reserve

The Partnership is required to maintain a reserve for replacements account for use in funding future maintenance and replacement costs. As of December 31, 2016 and 2015, the balance in the replacement reserve was $166,236 and $144,032, respectively.

Bond Trustee Reserves

Releases from the restricted bond fund accounts are permitted under the terms and conditions set forth in the Bond Indenture and Investment Agreement.

The Partnership established a separate fund, the revenue fund, held by the Trustee. The amounts in escrow are being disbursed to pay the interest due on the bonds.

The Partnership established a separate fund, the debt service reserve fund, held by the Trustee. The amounts in escrow are being disbursed to pay or reimburse for the payment of principal and redemption of the bonds.

The Partnership has established an operating reserve. Approval by the investor limited partner is required before withdrawals can be made in accordance with the partnership agreement.

The bond trustee has other reserves established in the name of the Partnership to handle specific needs.

The bond trustee reserves are comprised of the following funds as of December 31,:

	2016	2015
Revenue fund	$ 63,844	$ 65,297
Debt service reserve fund	170,000	170,000
Operating reserve fund	273,873	274,855
Other reserves	-	137,133
Total	$508,717	$647,285

NOTE D – LOANS PAYABLE

The Partnership entered into a loan agreement with the D.C. Department of Housing and Community Development (DHCD) whereby DHCD advanced to the Partnership $2,120,000 for development of the Project. The loan is payable to DHCD and is collateralized by a deed of trust on the rental property. The loan is non-interest bearing and payments are deferred for eleven years from the loan closing (August 31, 2015). The loan is amortized over 42 years and payable from surplus cash. The maturity date of the note is August 31, 2046. At December 31, 2016 and 2015, the balance of the loan payable was $2,120,000.

The Partnership entered into a loan agreement with the District of Columbia Housing Finance Agency (DCHFA) whereby DCHFA advanced to the Partnership $5,255,000 for development of the Project. The loan is collateralized by a security agreement on the real estate owned by the Partnership and bears interest at 5%. As of December 31, 2016 and 2015, the balance due was $4,745,000 and $4,805,000, respectively. Debt issuance costs are $311,977 and $322,705, net of accumulated amortization as of December 31, 2016 and 2015, respectively. Aggregate maturities of the mortgages payable for each of the next five years, following December 31, 2016, are as follows:

2017	$ 65,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000

NOTE E – SPONSOR LOAN

The Partnership entered into a note agreement with the First Rock Baptist Church Foundation, an affiliate of the general partner, whereby the Foundation advanced to the Partnership $620,000 for development of the Project. The note is collateralized by a security agreement on the real estate owned by the Partnership and bears interest at 5.21% per annum compounded annually. Payments of principal and interest are payable from available cash flow as defined in the agreement. The note is due upon the earlier of the sale or refinance of the property or 40 years from the date of the note (August 21, 2044). Accrued interest on the note as of December 31, 2016 and 2015 was $358,005 and $325,703, respectively. Interest charged to operations for the years ended December 31, 2016 and 2015 was $32,302 and $32,302, respectively.

NOTE F - PROPERTY MANAGEMENT FEE

The Partnership entered into a property management agreement with Columbus Property Management and Development, Inc. (CPM), a related party, to manage the operations of the Project. Under this agreement, CPM charges a property management fee of 5% of gross collections, as defined in the Agreement. During the years ended December 31, 2016 and 2015, property management fees totaling $42,851 and $42,709 were charged to operations. CPM is also entitled to additional compensation for achieving certain operating benchmarks as defined in the Agreement.

NOTE F - PROPERTY MANAGEMENT FEE (Continued)

CPM charges the Partnership for property management personnel, as well as maintenance and administrative support personnel. These charges totaled $116,327 and $137,654 during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, CPM charges for property management personnel and maintenance and administrative personnel totaling $16,873 and $18,571, respectively, were included in accrued expenses.

NOTE G - RELATED PARTY TRANSACTIONS

Asset Management Fee

The Partnership incurs an annual asset management fee of $5,000 payable to the special limited partner for a review of the operations of the Partnership and the apartment complex. This fee increases by 3% per year, accrues monthly, is cumulative and is payable quarterly. For the years ended December 31, 2016 and 2015, an asset management fee totaling $6,771 and $7,114, respectively, has been charged to operations.

Development Fee Payable

For services in connection with the development of the project, the Partnership agreed to pay affiliates of the general partners, MissionFirst Development, LLC and First Rock Baptist Church Foundation Incorporated a development fee of $1,375,000. As of both December 31, 2016 and 2015, the balance owed was $651,386, and is expected to be paid from future operating cash flow.

The development fee payable accrues simple interest at the rate of 5.21% per annum in accordance with the development agreement. For the years ended December 31, 2016 and 2015, interest expense charged to operations was $33,937. Accrued interest as of December 31, 2016 and 2015 was $335,587 and $301,650, respectively.

Incentive Management fee

The Partnership entered into an incentive management fee agreement with First Rock Seniors Housing, Inc., the general partner, for services in managing and administering the business of the Partnership, maintaining the books and records and reporting to the partners and the lender. The fee is payable only from the net cash flow of the Partnership, as defined in the Partnership Agreement. The annual fee is limited to 75% of such cash flow and is noncumulative. For the years ended December 31, 2016 and 2015, no fee was charged to the Partnership.

NOTE G - RELATED PARTY TRANSACTIONS (Continued)

Social Services Fee

The Partnership incurs an annual social service fee of $5,000 to the general partner for social services rendered to the property for the benefit of the Partnership and the Project. This fee is cumulative, is payable quarterly, and increases annually by three percent (3%). During the year ended December 31, 2016 and 2015, $6,718 and $6,523, respectively, has been charged to operations. As of December 31, 2016 and 2015, unpaid social services fees were $54,814 and $44,127, respectively.

NOTE H - RECONCILIATION BETWEEN LOSS PER TAX RETURN AND NET LOSS PER FINANCIAL STATEMENTS

The following is a reconciliation between the Partnership's loss as stated in the Partnership's Federal income tax returns and the net loss based on accounting principles generally accepted in the United States of America (GAAP) included in the accompanying statements of profit and loss for the years ended December 31:

	2016	2015
Loss per Federal income tax returns	$(311,143)	$(369,748)
Difference between tax return and GAAP		
Prepaid rent	1,214	(511)
Reversal of related party fees	(8,411)	(2,276)
Depreciation expense	113,166	98,451
Net loss per accompanying financial statements	$(205,174)	$(274,084)

NOTE I - LOW-INCOME HOUSING TAX CREDITS (UNAUDITED)

The Partnership was allocated low-income housing tax credits by the District of Columbia Housing Finance Agency in the amount of $4,652,486. The credits are over ten years, with one units' credit over fifteen years. The expected remaining available tax credits are as follows:

2017	$ 4,196
2018	4,196
2019	4,196
2020	4,196
2021	4,196
	$ 20,980

SUPPLEMENTAL INFORMATION

J. W. KING SENIORS LIMITED PARTNERSHIP

SUPPLEMENTAL INFORMATION
CHANGES IN FIXED ASSET ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	Assets			Accumulated Depreciation			Net
	Balance January 1, 2016	Additions	Balance December 31, 2016	Balance January 1, 2016	Provisions	Balance December 31, 2016	Book Value December 31, 2016
Land	$ 512,469	$ -	$ 512,469	$ -	$ -	$ -	$ 512,469
Building	10,301,452	133,421	10,434,873	2,550,118	259,700	2,809,818	7,625,055
Land improvements	104,677	-	104,677	51,904	5,234	57,138	47,539
Equipment	241,624	-	241,624	220,022	15,329	235,351	6,273
	$ 11,160,222	$ 133,421	$ 11,293,643	$ 2,822,044	$ 280,263	$ 3,102,307	$ 8,191,336

	Assets			Accumulated Depreciation			Net
	Balance January 1, 2015	Additions	Balance December 31, 2015	Balance January 1, 2015	Provisions	Balance December 31, 2015	Book Value December 31, 2015
Land	$ 512,469	$ -	$ 512,469	$ -	$ -	$ -	$ 512,469
Building	10,289,802	11,650	10,301,452	2,292,876	257,242	2,550,118	7,751,334
Land improvements	104,677	-	104,677	46,670	5,234	51,904	52,773
Equipment	232,805	8,819	241,624	193,704	26,318	220,022	21,602
	$ 11,139,753	$ 20,469	$ 11,160,222	$ 2,533,250	$ 288,794	$ 2,822,044	$ 8,338,178

Computation of Surplus Cash, Distributions and Residual Receipts

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

Project Name:	Fiscal Period Ended:	Project Number
J. W. KING SENIORS LIMITED PARTNERSHIP	12/31/2016	

Part A - Compute Surplus Cash

Cash

1. Cash *(Accounts 1110, 1120, 1191, 1192)*	$ 101,839	
2. Tenant subsidy vouchers due for period covered by financial statement	$	
3. Other *(describe)*	$	
(a) Total Cash *(Add Lines 1,2, and 3)*		$ 101,839

Current Obligations

4. Accrued mortgage interest payable	$ 18,589	
5. Delinquent mortgage principal payments	$	
6. Delinquent deposits to reserve for replacements	$	
7. Accounts payable *(due within 30 days)*	$ 21,481	
8. Loans and notes payable *(due within 30 days)*	$	
9. Deficient Tax Insurance or MIP Escrow Deposits	$	
10. Accrued Expenses *(not escrowed)*	$ 149,021	
11. Prepaid Rents *(Account 2210)*	$ 4,658	
12. Tenant security deposit liability *(Account 2191)*	$ 14,650	
13. Other *(Describe)*	$	
(b) Less Total Current Obligations *(Add Lines 4 through 13)*		$ 208,399
(c) Surplus Cash (Deficiency) *(Line (a) minus Line (b))*		$ (106,560)

Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts

1. Surplus Cash		$ 0
Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	$	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	$	
2c. Distributions Paid During Fiscal Period Covered by Statement	$	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid *(Line 2a plus 2b minus 2c)*	$	
4. Amount Available for Distribution During Next Fiscal period		$ 0
5. Deposit Due Residual Receipts *(Must be deposited with Mortgagee within 60 days after Fiscal period ends)*		$ NONE

Prepared By		Reviewed By	
Loan Technician	Date	Loan Servicer	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Partners
J. W. King Seniors Limited Partnership

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 J. W. King Seniors Limited Partnership, which comprise the balance sheet as of December 31, 2016, and the related statements of profit and loss, partners' equity, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered J. W. King Seniors Limited Partnership'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 J. W. King Seniors Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of J. W. King Seniors Limited Partnership'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 J. W. King Seniors Limited Partnership's financial statements are free from 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vienna, Virginia
March 3, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS*

To the Partners
J. W. King Seniors Limited Partnership

Report on Compliance for Each Major HUD Program

We have audited J. W. King Seniors Limited Partnership's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on each of J. W. King Seniors Limited Partnership's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2016. J. W. King Seniors Limited Partnership's major HUD program and the related direct and material compliance requirements is (a) HUD insured mortgage - mortgage status, replacement reserve, distributions to owners, unauthorized change of ownership/ acquisition of liabilities, unauthorized transfer of beneficial interest, unauthorized loans of project funds and distributions and electronic submission verification.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on each of J. W. King Seniors Limited Partnership's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about J. W. King Seniors Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of J. W. King Seniors Limited Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, J. W. King Seniors Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of J. W. King Seniors Limited Partnership is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered J. W. King Seniors Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of J. W. King Seniors Limited Partnership's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Vienna, Virginia
March 3, 2017

J.W. KING SENIORS LIMITED PARTNERSHIP

DECEMBER 31, 2016

CERTIFICATE OF PARTNERS

We hereby certify that we have examined the accompanying financial statements and supplemental information of J.W. King Seniors Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

General Partner Date

Employer Identification Number: 23-7121105

J.W. KING SENIORS LIMITED PARTNERSHIP

DECEMBER 31, 2016

MANAGING AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental information of J. W. King Seniors Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

Executive Director   Date

Managing Agent
Employer Identification Number:

Property Manager