

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

TRINITY TOWERS APARTMENTS, L.P. HUD PROJECT NO.: 000-98032

DECEMBER 31, 2006

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December 31, 2006

MORTGAGOR'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental 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

December 31, 2006

MANAGING AGENT'S CERTIFICATION

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

MANAGING AGENT

Charles Tini & Associates, LLC.

Fred Killian Property Manager

> Managing Agent Federal Identification Number: 52-2137427



Reznick Group, P.C. 7700 Old Georgetown Road Suite 400 Bethesda, MD 20814-6224 Tel: (301) 652-9100 Fax: (301) 652-1848 www.reznickgroup.com

INDEPENDENT AUDITORS' REPORT

To the Partners Trinity Towers Apartments, L.P.

We have audited the accompanying balance sheet of Trinity Towers Apartments, L.P. as of December 31, 2006, and the related statements of operations, partners' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinity Towers Apartments, L.P. as of December 31, 2006 and the results of its operations, the changes in partners' equity (deficit) and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated July 6, 2007, on our consideration of Trinity Towers Apartments, L.P.'s internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with <u>Government Auditing Standards</u>, we have also issued an opinion dated July 6, 2007, on Trinity Towers Apartments, L.P.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 24 through 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bethesda, Maryland July 6, 2007 Pagnick Group, P.C.

Taxpayer Identification Number:
52-1088612

Lead Auditor: James P. Martinko

BALANCE SHEET

December 31, 2006

ASSETS

CURRENT ASSETS		
Cash - operations	\$	2,375
Tenant accounts receivable		3,625
Due from affiliate		196,185
Prepaid expenses		26,651
Total current assets		228,836
DEPOSITS HELD IN TRUST - FUNDED		
Tenant deposits		5,873
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Escrow deposits		64,307
Reserve for replacements		105,179
Revenue reserve escrow		99,527
		269,013
RENTAL PROPERTY		
Land		641,255
Buildings and improvements	1	15,955,803
Furnishings		837,776
		17,434,834
Less accumulated depreciation		(2,325,323)
		15,109,511
OTHER ASSETS		
Deferred financing costs, net of accumulated		
amortization of \$119,476		717,548
	\$ 7	16,330,781

(continued)

BALANCE SHEET - CONTINUED

December 31, 2006

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

CURRENT LIABILITIES	
Accounts payable - operations	\$ 92,147
Accrued management fee	4,880
Accrued interest payable - first mortgage	41,963
Accrued property taxes payable	24,055
Mortgage payable - first mortgage, current maturities	84,829
Other loans/notes payable	298,995
Prepaid revenue	1,103
Total current liabilities	 547,972
DEPOSITS LIABILITY	
Tenant deposits held in trust (contra)	30,825
LONG-TERM LIABILITIES	
Accrued interest payable - second mortgage	907,539
Accrued interest payable - development fee	145,427
First mortgage, net of current maturities	8,089,829
Second mortgage	4,480,000
Other loans/notes payable - surplus cash	527,140
	_
	14,149,935
COMMITMENTS AND CONTINGENCIES	
COMMITMENTS AND CONTINGENCIES	-
PARTNERS' EQUITY (DEFICIT)	1,602,049
•	\$ 16,330,781

See notes to financial statements

STATEMENT OF OPERATIONS

RENTAL REVENUE	
Rent revenue - gross potential	\$ 252,676
Tenant assistance payments	1,107,608
Total rental revenue	1,360,284
VACANCIES	 (23,123)
Total vacancies	 (23,123)
Net rental revenue	 1,337,161
FINANCIAL REVENUE	
Revenue from investments - replacement reserve	3,140
Revenue from investments - miscellaneous	 5,185
OTHER REVENUE	
Laundry and vending	13,833
Tenant charges	7,452
Miscellaneous revenue	 31,044
Total other revenue	 52,329
Total revenue	1,397,815

STATEMENT OF OPERATIONS - CONTINUED

Year ended December 31, 2006

ADMINISTRATIVE EXPENSES	
Other renting expenses	1,098
Office salaries	16,475
Office expenses	24,213
Management fee	57,673
Manager or superintendent salaries	46,639
Legal expense - project	9,122
Auditing expense	25,703
Bookkeeping fees/accounting services	8,052
Bad debts	4,375
Miscellaneous administrative expenses	5,076
Total administrative expenses	198,426
UTILITIES EXPENSE	
Electricity	44,145
Water	89,037
Gas	46,950
Total utilities expense	180,132
OPERATING AND MAINTENANCE EXPENSES	
Payroll	89,625
Supplies	36,688
Contracts	83,976
Garbage and trash removal	19,098
Heating/cooling repairs and maintenance	1,616
Vehicle and maintenance equipment operation and repairs	48
Miscellaneous operating and maintenance expenses	2,264
Total operating and maintenance expenses	233,315

(continued)

STATEMENT OF OPERATIONS - CONTINUED

Year ended December 31, 2006

TAXES AND INSURANCE	
Real estate taxes	100,355
Payroll taxes	14,622
Property and liability insurance	25,087
Workmen's compensation	5,567
Health insurance and other employee benefits	8,812
Miscellaneous taxes, licenses, permits and insurance	4,954
Total taxes and insurance	159,397
FINANCIAL EXPENSES	
Interest on mortgages payable	711,916
Mortgage insurance premium/service charge	40,611
Miscellaneous financial expenses	2,442
Total financial expenses	754,969
Total cost of operations before depreciation and amortization	1,526,239
Income (loss) before depreciation and amortization	(128,424)
DEPRECIATION AND AMORTIZATION	
Depreciation expense	572,024
Amortization expense	25,651
Total depreciation and amortization	597,675
Operating income (loss)	(726,099)
CORPORATE OR MORTGAGOR ENTITY REVENUE AND EXPENSES	
Interest expense	31,628
Other expenses	98,616
Net entity expenses	130,244
Total expenses	2,254,158
Net income (loss)	\$ (856,343)

See notes to financial statements

STATEMENT OF PARTNERS' EQUITY (DEFICIT)

	General partner		Limited partners		 Total
Partners' equity (deficit), December 31, 2005 as previously reported	\$	(124,918)	\$	2,484,960	\$ 2,360,042
Prior period adjustment (see note 2)		396		39,193	39,589
Contributions		-		58,761	58,761
Net income (loss)		(8,563)		(847,780)	 (856,343)
Partners' equity (deficit) December 31, 2006	\$	(133,086)	_\$_	1,735,135	\$ 1,602,049
Total ownership		1.00%		99.00%	100.00%

STATEMENT OF CASH FLOWS

Cash flows from operating activities Rental receipts Interest receipts Other operating receipts	\$ 1,333,715 8,325 52,329
Total receipts	1,394,369
Administrative expenses paid Management fees paid	(73,264)
Utilities paid	(52,793)
Salaries and wages paid	(180,132)
Operating and maintenance paid	(152,739)
Real estate taxes paid	(175,228) (96,219)
Property insurance paid	(90,219) $(21,707)$
Miscellaneous taxes and insurance paid	(4,954)
Net tenant security deposits paid	(365)
Other operating expenses paid	(61,612)
Interest paid on first mortgage	(506,246)
Miscellaneous financial expenses paid	(2,442)
Total disbursements	 (1,327,701)
Net cash provided by operating activities	 66,668
Cash flows from investing activities	
Net deposits to mortgage escrows	(1,490)
Net deposits to reserve for replacements	(37,666)
Net deposits to other reserves	 (5,377)
Net cash used in investing activities	(44,533)
Cash flows from financing activities	
Mortgage principal payments	(79,773)
Contributions by partners	58,761
Net cash used in financing activities	 (21,012)
NET INCREASE (DECREASE) IN CASH	1,123
Cash, beginning	1,252
Cash, end	\$ 2,375

STATEMENT OF CASH FLOWS - CONTINUED

Reconciliation of net income (loss) to net	
cash provided by (used in) operating activities	
Net income (loss)	\$ (856,343)
Adjustments to reconcile net income (loss) to net	
cash provided by (used in) operating activities	
Depreciation	572,024
Amortization	25,651
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	2,141
Prepaid expenses	3,380
Tenant security deposits funded	(365)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(14,522)
Accrued interest payable	205,670
Prepaid revenue	(1,212)
Entity/construction liability accounts (include detail)	
Accrued interest payable	31,628
Accrued partnership management fees	 98,616
Total adjustments	923,011
Net cash provided by operating activities	\$ 66,668

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 1 - ORGANIZATION

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. 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 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 - 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 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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

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.

Rental Property

Land, buildings 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 5 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.

Deferred Financing Costs and Amortization

Tax credit fees in the amount of \$32,340 are being amortized over 10 years using the straight-line method. Financing fees in the amount of \$804,684 are amortized over the term of the mortgage loans using the straight-line method. Amortization expense for 2006 was \$25,651. Estimated amortization expense for each of the ensuing years through December 31, 2011 is \$25,651.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal 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. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during 2006.

Prior Period Adjustment

Partners' equity (deficit) at December 31, 2005 has been restated to correct for an over-accrual of audit expense in 2005. The effect of this adjustment increases the amount of total partners' equity (deficit) in the amount of \$39,589. The effect of this adjustment decreases the net loss as previously reported for the year 2005 by \$39,589.

Carrying amounts of the second mortgage payable and the rental property were restated to reflect the correct balances on the balance sheet. Both the second mortgage and the rental property were increased by \$328,425. There was no effect on Partners' equity (deficit) at December 31, 2005.

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 percent per annum and requires monthly principal and interest payments in the amount of \$48,835. The mortgage matures on November 1, 2038.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

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 percent per annum with no payments of principal or interest due for the first ten years. The second installment in the amount of \$980,000 bears interest at a rate of 4.6 percent per annum with no payments of principal or interest due for the first fifteen years. Payments of this note are made from surplus cash after certain priorities, as defined in the Amended and Restated Partnership Agreement. Interest incurred during 2006 totaled \$206,080 and at December 31, 2006, \$907,539 remains payable.

The liability of the Partnership under the above mortgages is limited to the underlying value of the real estate collateral plus other amounts deposited with lender.

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

	Мо	ortgage Note	 ortgage Note 2	Total
December 31, 2007	\$	84,829	\$ -	\$ 84,829
2008		90,205		90,205
2009		95,925	-	95,925
2010		102,002	-	102,002
2011		108,463	-	108,463
Thereafter		7,693,234	 4,480,000	12,173,234
	\$	8,174,658	\$ 4,480,000	\$ 12,654,658

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

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 expense 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, 2006, 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 during 2006 totaled \$31,628 and at December 31, 2006, \$145,427 remains payable. The unpaid amount of the fee at December 31, 2006 is \$527,140.

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 2006.

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 in the Amended and Restated Partnership Agreement. Such fee incurred during 2006 totaled \$98,616 and at December 31, 2006, \$298,995 remains payable.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

Due from Affiliate

The general partner collected antenna income on behalf of the Partnership in prior years. This amount owed to the Partnership at December 31, 2006 is \$196,185. The amount is noninterest bearing and is due on demand.

NOTE 5 - MANAGEMENT FEE

The property is managed by Charles Tini & Associates, LLC, an unrelated party, pursuant to a management agreement approved by HUD. The current management agreement provides for a management fee of five percent of gross rental collections, as defined. Such fee charged to operations during 2006 totaled \$57,673, of which \$4,880 remains payable at December 31, 2006.

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 partnership agreement requires the limited partners to make capital contributions totaling \$6,393,000. During 2006, the Limited Partner made a capital contribution in the amount of \$58,761. As of December 31, 2006, capital contributions of \$4,689,475 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 the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants. The agreement expires November 8, 2012 and has one ten-year renewal option.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006

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 percent 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.

SUPPLEMENTAL INFORMATION $\label{eq:supplemental} \text{SUPPORTING DATA REQUIRED BY HUD}$

SUPPLEMENTAL INFORMATION

BALANCE SHEET DATA

December 31, 2006

ASSETS

Account No.	
CURRENT ASSETS	·
1120 Cash - operations	\$ 2,375
1130 Tenant accounts receivable	3,625
1140 Accounts and notes receivable - operations	196,185
1200 Prepaid expenses	26,651
1100T Total current assets	228,836
DEPOSITS HELD IN TRUST - FUNDED	
1191 Tenant deposits	5,873
RESTRICTED DEPOSITS AND FUNDED RESERVES	
1310 Escrow deposits \$ 64,307	
Reserve for replacements 105,179	
1330 Other reserves 99,527	
1300T Total deposits	269,013
RENTAL PROPERTY	
1410 Land 641,255	
1420 Buildings 15,955,803	•
1450 Furniture for project/tenant use 837,776	
1400T Total fixed assets 17,434,834	•
1495 Less accumulated depreciation (2,325,323)	
1400N Net fixed assets	15,109,511
OTHER ASSETS	
Deferred financing costs, net of accumulated	
amortization of \$119,476 717,548	
1500T Total other assets	717,548
1000T Total assets	\$ 16,330,781

SUPPLEMENTAL INFORMATION - CONTINUED

BALANCE SHEET DATA - CONTINUED

December 31, 2006

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

Account No			
	LIABILITIES		
2110	Accounts payable - operations		\$ 92,147
2123	Accrued management fee		4,880
2131	Accrued interest payable - first mortgage		41,963
2150	Accrued property taxes payable		24,055
2170	Mortgage payable - first mortgage, current matu	rities	84,829
2174	Other loans/notes payable, current maturities		298,995
2210	Prepaid revenue	1	1,103
			 _
2122T	Total current liabilities		 547,972
	LIABILITY		
2191	Tenant deposits held in trust (contra)		30,825
LONG TEE	RM LIABILITIES		
		ф 007 <i>5</i> 20	
2132	1 7 8 8	\$ 907,539	
2133	Accrued interest payable - other loans/notes		
	(surplus cash)	145,427	
2320	Mortgage payable - first mortgage, net		
	of current maturities	8,089,829	
2322	Other mortgages payable, net of current		
	maturities	4,480,000	
2323	Other loans/notes payable - surplus cash, net		
	of current maturities	527,140	
2300T	Total long-term liabilities		14,149,935
	5		
3130	PARTNERS' EQUITY (DEFICIT)		1,602,049
	, ,		
2033T	Total liabilities and partners' equity (deficit)		\$ 16,330,781

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF OPERATIONS DATA

Account No. RENTAL RE 5120 5121	VENUE Rent revenue - gross potential Tenant assistance payments	\$ 252,676 1,107,608	
5100T	Total rental revenue		\$ 1,360,284
VACANCIES 5220	Apartments	(23,123)	
5200T	Total vacancies		(23,123)
5152N	Net rental revenue		1,337,161
FINANCIAL	REVENUE		
5440	Revenue from investments - replacement reserve	3,140	•
5440	Revenue from investments - replacement		
	reserve	5,185	
5400T	Total financial revenue		8,325
OTHER REV	ENUE		
5910	Laundry and vending	13,833	
5920	Tenant charges	7,452	
5990	Miscellaneous revenue	31,044	
5900Т	Total other revenue		52,329
5000T	Total revenue		1,397,815

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF OPERATIONS DATA - CONTINUED

Account N	o.		
ADMINIS	TRATIVE EXPENSES		
6250	Other renting expenses	1,098	
6310	Office salaries	16,475	
6311	Office expenses	24,213	
6320	Management fee	57,673	
6330	Manager or superintendent salaries	46,639	
6340	Legal expense - project	9,122	
6350	Auditing expense	25,703	
6351	Bookkeeping fees/accounting services	8,052	
6370	Bad debts	4,375	
6390	Miscellaneous administrative expenses	5,076	
6263T	Total administrative expenses		198,426
UTILITIE	S EXPENSE		
6450	Electricity	44,145	
6451	Water	89,037	
6452	Gas	46,950	
6400T	Total utilities expense		180,132
OPERATI	NG AND MAINTENANCE EXPENSES		
6510	Payroll	89,625	
6515	Supplies	36,688	
6520	Contracts	83,976	
6525	Garbage and trash removal	19,098	
6546	Heating/cooling repairs and maintenance	1,616	
6570	Vehicle and maintenance equipment operation	48	
6590	Miscellaneous operating and maintenance	2,264	
6500T	Total operating and maintenance expenses		233,315

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF OPERATIONS DATA - CONTINUED

Account No.	_		
	INSURANCE		
6710	Real estate taxes	100,355	
6711	Payroll taxes	14,622	
6720	Property and liability insurance	25,087	
6722	Workmen's compensation	5,567	
6723	Health insurance and other employee benefits	8,812	
6790	Miscellaneous taxes, licenses, permits and insurance	4,954_	
·6700T	Total taxes and insurance		159,397
FINANCIAL	EXPENSES		
6820	Interest on mortgage payable	711,916	
6850	Mortgage insurance premium/service charge	40,611	
6890 .	Miscellaneous financial expenses	2,442	
6800T	Total financial expenses		754,969
6000T	Total cost of operations before depreciation and amortization	n .	1,526,239
5060T	Income (loss) before depreciation and amortization		(128,424)
DEPRECIAT	ION AND AMORTIZATION		
6600	Depreciation expense	572,024	
6610	Amortization expense	25,651	
	Total depreciation and amortization		597,675
5060N	Operating income (loss)		(726,099)
CORPORATI	OR MORTGAGOR ENTITY REVENUE AND EXPENSES		
7141	Interest on notes payable	31,628	
7190	Other expenses	•	•
7190	Other expenses	98,616	
7100T	Net entity expenses		130,244
	Total expenses		2,254,158
3250	Net income (loss)		\$ (856,343)

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF OPERATIONS DATA - CONTINUED

Account No.	_	
S1000-010	Total mortgage principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured mortgages. Any HUD-approved second mortgages are included.	79,773
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 are temporarily suspended or reduced.	\$ 34,526
S1000-030	Replacement reserve and residual receipts reserve 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.	\$ <u> </u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	\$ -

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF PARTNERS' EQUITY (DEFICIT) DATA

		General partner		Limited partners		Total	
3130	Partners' equity (deficit) December 31, 2005	\$	(124,918)	\$	2,484,960	\$	2,360,042
S3100-030	Prior period adjustment		396		39,193		39,589
S1200-430	Contributions		-		58,761		58,761
3250	Net income (loss)		(8,563)		(847,780)	_	(856,343)
3130	Partners' equity (deficit) December 31, 2006	\$	(133,086)	\$	1,735,135	\$	1,602,049

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF CASH FLOWS DATA

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 1,333,715
S1200-020	Interest receipts	8,325
S1200-030	Other operating receipts	52,329
S1200-040	Total receipts	1,394,369
S1200-050	Administrative expenses paid	(73,264)
S1200-070	Management fees paid	(52,793)
S1200-090	Utilities paid	(180,132)
S1200-100	Salaries and wages paid	(152,739)
S1200-110	Operating and maintenance paid	(175,228)
S1200-120	Real estate taxes paid	(96,219)
S1200-140	Property insurance paid	(21,707)
S1200-150	Miscellaneous taxes and insurance paid	(4,954)
S1200-160	Net tenant security deposits paid	(365)
S1200-170	Other operating expenses paid	(21,001)
S1200-180	Interest paid on first mortgage	(506,246)
S1200-210	Mortgage insurance premium paid	(40,611)
S1200-220	Miscellaneous financial expenses paid	(2,442)
S1200-230	Total disbursements	(1,327,701)
S1200-240	Net cash provided by (used in) operating activities	. 66,668
	Cash flows from investing activities	
S1200-245	Net (deposits to) withdrawals from mortgage escrows	(1,490)
S1200-250	Net (deposits to) withdrawals from reserve for replacements	(37,666)
S1200-255	Net deposits to other reserves	(5,377)
S1200-340	Other investing activities (include detail)	
S1200-350	Net cash provided by (used in) investing activities	(44,533)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments	(79,773)
S1200-420	Contributions from partners	58,761
S1200-460	Net cash provided by (used in) financing activities	(21,012)
S1200-470	NET INCREASE (DECREASE) IN CASH	1,123
S1200-480	Cash, beginning	1,252
S1200T	Cash, end	\$ 2,375

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF CASH FLOWS DATA - CONTINUED

Account No.	_	
	Reconciliation of net income (loss) to net	
	cash provided by (used in) operating activities	
3250	Net income (loss)	\$ (856,343)
	Adjustments to reconcile net income (loss) to net	
	cash provided by (used in) operating activities	
6600	Depreciation	572,024
6610	Amortization	25,651
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	2,141
S1200-520	Prepaid expenses	3,380
S1200-530	Tenant security deposits funded	(365)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable and Accrued expenses	(14,522)
S1200-570	Accrued interest payable	205,670
S1200-590	Prepaid revenue	(1,212)
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accrued interest payable	31,628
S1200-606	Accrued partnership management fee	98,616
	Total adjustments	923,011
S1200-610	Net cash provided by (used in) operating activities	\$ 66,668

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2006

RESERVE FOR REPLACEMENTS

Balance at December 31, 2005	\$ 67,513
Total monthly deposits	34,526
Interest income	3,140
Balance at December 31, 2006	\$ 105,179

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2006

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS

Part A - Compute Surplus Cash Cash (Accounts 1120, 1170 and 1191) Accounts receivable - HUD	\$	8,248
Total cash		8,248
Accrued mortgage interest payable Accounts payable (due within 30 days) Accrued expenses (not escrowed) Prepaid revenue (Account 2210) Tenant security deposits liability (Account 2191) Accrued interest - other loans/notes		41,963 92,147 4,880 1,103 30,825
Less total current obligations		170,918
Surplus cash (deficiency)	\$	(162,670)
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
Surplus cash	\$	
<u>Limited Dividend Projects</u> Annual distribution earned during fiscal period covered by the statements Distribution accrued and unpaid as of the end of the prior fiscal period Distributions and entity expenses paid during fiscal period covered by the statements		- - -
Amount remaining as distribution earned but unpaid		
Amount available for distribution during next fiscal period	\$.	
Deposit due residual receipts reserve	\$	_

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2006

CHANGES IN FIXED ASSET ACCOUNTS

	Assets						
		Balance					Balance
		12/31/05		Additions	De	eletions	12/31/06
Land	\$	641,255	\$	<u></u>	\$	_	\$ 641,255
Buildings Furniture for		15,955,803		-	`.	-	15,955,803
project/tenant use		837,776		-			 837,776
	\$	17,434,834	\$	<u> </u>	\$	-	\$ 17,434,834
Accumulated							
depreciation	\$	1,753,299	\$	572,024	\$	· <u>-</u>	\$ 2,325,323
Total net book value							\$ 15,109,511

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2006

DETAIL OF ACCOUNTS - BALANCE SHEET

ACCOUNTS AND NOTES RECEIVABLE - OPER	ATIONS (ACCOUNT	Γ NO. 1	140)
Due from general partner		196,185	
DETAIL OF ACCOUNTS - STATEMENT OF OPER	ATIONS		•
MISCELLANEOUS OTHER REVENUE (ACCOUNT	NT NO. 5990)		
Antenna income Other miscellaneous revenue	\$	30,776 268	
		<u>\$</u>	31,044
OTHER ENTITY EXPENSES (ACCOUNT NO. 719	90)		
Partnership management fee		\$	98,616
OTHER INFORMATION			
Schedule of notes payable:			
	Lien placed on project assets?		
Creditor	(Yes/No)	_ An	nount due
The Community Partners Development Group	No	_\$	527,140



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Partners
Trinity Towers Apartments, L.P.

We have audited the financial statements of Trinity Towers Apartments, L.P., as of and for the year ended December 31, 2006, and have issued our report thereon dated July 6, 2007. We have also audited Trinity Towers Apartments, L.P.'s compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated July 6, 2007.

We conducted our audits 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 "Consolidated Audit Guide for Audits of HUD Programs" (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Trinity Towers Apartments, L.P. complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of the Partnership is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that would have a direct and material effect on a major HUD-assisted program in order to determine our audit procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees on a timely basis, in the normal course of performing their assigned functions, to prevent or detect misstatements in the financial statements or noncompliance with applicable requirements of laws and regulations in relation to a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, or to administer HUD-assisted programs in accordance with applicable laws and regulations such that there is more than a remote likelihood that a misstatement of the Partnership's financial statements or noncompliance with applicable laws and regulations that is more than inconsequential will not be prevented or detected by the Partnership's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements or that material noncompliance with applicable requirements of laws and regulations in relation to a HUD-assisted program will not be prevented or detected by the Partnership's internal control.

Our consideration of internal control was for the limited purpose described in the third paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the partners, management and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Reguet Group, P.C.

Bethesda, Maryland July 6, 2007



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS

To the Partners
Trinity Towers Apartments, L.P.

We have audited Trinity Towers Apartments, L.P. compliance with the specific program requirements governing federal financial reports; mortgage status; replacement reserve; distributions to owners; tenant application, eligibility and recertification; management functions; unauthorized change of ownership/acquisition of liabilities; unauthorized loans of project funds; unauthorized transfer of beneficial interest; and electronic submission verification that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2006. Compliance with those requirements is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's compliance based on our audit.

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 "Consolidated Audit Guide for Audits of HUD Programs" (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted 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. Our audit does not provide a legal determination of the Partnership's compliance with those requirements.

The results of our audit procedures for the FHA insured mortgage and Section 8 Housing Assistance Payments program disclosed that Trinity Towers Apartments, L.P. did not fully fund the tenant security deposit liability, as described as Statement of Condition No. 2006-1 in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instance of noncompliance with the requirements applicable the FHA insured mortgage and Section 8 Housing Assistance Payments program referred to in the third paragraph of this report and identified in the accompanying Schedule of Findings and Questioned Costs, Trinity Towers Apartments, L.P. complied, in all material respects, with the requirements described above that are applicable to its major HUD-assisted programs for the year ended December 31, 2006.



This report is intended solely for the information and use of the partners, management and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Regnick Group, P.C.

Bethesda, Maryland July 6, 2007



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION

To the Partners
Trinity Towers Apartments, L.P.

We have applied procedures to test Trinity Towers Apartments, L.P.'s compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs for the year ended December 31, 2006.

Our procedures were limited to the applicable compliance requirement described by the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide) issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Trinity Towers Apartments, L.P.'s compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and use of the partners, management and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Bethesda, Maryland July 6, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2006

Statement of Condition No. 2006-1

The project has not fully funded the security deposits liability at December 31, 2006. The tenant security deposit amount underfunded as of December 31, 2006 is \$24,952.

Recommendation

The project should ensure that the tenant security deposit is fully funded at all times.

Auditor Noncompliance Code: Security deposits

Auditee's Summary Comments

The management of the Partnership will fund security deposit liability as soon as possible

AUDITEE'S COMMENTS ON AUDIT RESOLUTION MATTERS RELATED TO HUD PROGRAMS

December 31, 2006

Finding No. 1 In 2005, the project's tenant security deposits liability exceeded the tenant security deposit escrow by \$25,317. Status: Outstanding Reporting Period: December 31, 2005 Previous Finding Reference Number: 2005-1 Finding No. 2 Cumulative differences had arisen between the balances transmitted by the management company and those of the Partnership as recorded by the general partner personnel. Status: Cleared Reporting Period: December 31, 2005 Previous Finding Reference Number:

2005-2