

GREENWOOD APARTMENTS, LLC
FINANCIAL STATEMENTS
For the years ended December 31, 2011 and 2010
with
Report of Independent Auditors

Report of Independent Auditors

To the Members of
Greenwood Apartments, LLC:

We have audited the accompanying balance sheets of Greenwood Apartments, LLC as of December 31, 2011 and 2010, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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. 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 audits provide 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 Greenwood Apartments, LLC as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


February 24, 2012

GREENWOOD APARTMENTS, LLC
BALANCE SHEETS
December 31, 2011 and 2010

ASSETS	2011	2010
RENTAL PROPERTY		
Buildings	\$ 9,371,094	\$ 9,370,626
Site improvements	685,080	683,580
Personal property	709,362	597,368
Less: accumulated depreciation	(3,720,632)	(3,503,114)
Less: accumulated impairment loss	(4,125,796)	(4,125,796)
Rental property, net	<u>2,919,108</u>	<u>3,022,664</u>
Land	600,000	600,000
CURRENT ASSETS		
Cash and cash equivalents	195,920	77,714
Accounts receivable-tenants	14,104	12,248
Prepaid expenses	41,025	39,437
Total current assets	<u>251,049</u>	<u>129,399</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenants' security deposits	50,212	49,960
Real estate tax and insurance escrow	65,557	55,474
Replacement reserve	25,610	46,688
Operating reserve	12,471	12,471
Total restricted deposits and funded reserves	<u>153,850</u>	<u>164,593</u>
OTHER ASSETS		
Permanent loan and LOC fees, less accumulated amortization of \$131,267 and \$109,018, respectively	368,963	391,212
Tax credit fees, less accumulated amortization of \$3,771 and \$3,377, respectively	2,131	2,525
Fair value of interest rate cap	16,916	65,052
Total other assets	<u>388,010</u>	<u>458,789</u>
Total assets	<u><u>\$ 4,312,017</u></u>	<u><u>\$ 4,375,445</u></u>

see accompanying notes

GREENWOOD APARTMENTS, LLC
BALANCE SHEETS (CONTINUED)
December 31, 2011 and 2010

LIABILITIES AND MEMBERS' DEFICIT

	<u>2011</u>	<u>2010</u>
LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE		
Mortgages payable	\$ 5,612,928	\$ 5,629,333
OTHER LIABILITIES		
Notes payable, affiliates	1,987,507	1,987,507
Accounts payable	720	720
Development fee payable	1,171,652	1,171,652
Accrued interest	704,885	618,767
Accrued expenses - other	28,266	28,224
Deferred rental income	2,774	2,696
Tenants' security deposits payable	50,212	49,960
Total other liabilities	<u>3,946,016</u>	<u>3,859,526</u>
MEMBERS' DEFICIT	<u>(5,246,927)</u>	<u>(5,113,414)</u>
Total liabilities and members' deficit	<u><u>\$ 4,312,017</u></u>	<u><u>\$ 4,375,445</u></u>

see accompanying notes

GREENWOOD APARTMENTS, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2011 and 2010

	2011	2010
REVENUE		
Rental revenue	\$ 1,234,655	\$ 1,262,310
Less: vacancies	(93,525)	(96,915)
Less: concessions	(58,004)	(73,584)
Net rental revenue	1,083,126	1,091,811
Other income	76,198	103,713
Total revenue	1,159,324	1,195,524
EXPENSES		
Administrative	148,912	155,952
Utilities	192,384	206,564
Payroll	269,493	263,291
Professional fees	25,177	23,764
Management fees	44,410	45,213
Repairs and maintenance	261,149	267,170
Insurance	64,474	63,786
Real estate taxes	65,567	70,008
Marketing and advertising	20,257	16,438
Interest expense	105,464	107,232
Depreciation and amortization	240,161	448,375
Other Company expenses	57,253	59,201
Impairment loss	-	4,125,796
Unrealized loss on interest rate cap	48,136	60,015
Total expenses	1,542,837	5,912,805
Net loss	\$ (383,513)	\$ (4,717,281)

see accompanying notes

GREENWOOD APARTMENTS, LLC
STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
For the years ended December 31, 2011 and 2010

	Class A Members	Investor Member	Total Members' Deficit
BALANCE, JANUARY 1, 2010	\$ 725,673	\$ (1,299,806)	\$ (574,133)
Capital contributions	178,000	-	178,000
Net loss	<u>(178,041)</u>	<u>(4,539,240)</u>	<u>(4,717,281)</u>
BALANCE, DECEMBER 31, 2010	725,632	(5,839,046)	(5,113,414)
Capital contributions	250,000	-	250,000
Net loss	<u>(250,013)</u>	<u>(133,500)</u>	<u>(383,513)</u>
BALANCE, DECEMBER 31, 2011	<u><u>\$ 725,619</u></u>	<u><u>\$ (5,972,546)</u></u>	<u><u>\$ (5,246,927)</u></u>

see accompanying notes

GREENWOOD APARTMENTS, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (383,513)	\$ (4,717,281)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	217,518	425,731
Amortization	22,643	22,644
Impairment loss	-	4,125,796
Unrealized gain on interest rate cap	48,136	60,015
Decrease (increase) in accounts receivable - tenants	(1,856)	23,445
Decrease (increase) in prepaid expenses	(1,588)	8,197
Increase in tenants' security deposits	(252)	(1,135)
Decrease (increase) in real estate tax and insurance escrow	(10,083)	41,680
Increase (decrease) in accounts payable	-	(10,356)
Increase in accrued expenses - other	42	810
Increase in accrued interest	86,118	86,116
Increase in deferred rental income	78	1,554
Increase in tenants' security deposits payable	252	1,135
Net cash provided by (used in) operating activities	<u>(22,505)</u>	<u>68,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of rental property	(113,962)	(140,750)
Decrease (increase) in replacement reserve	21,078	(18,296)
Net cash used in investing activities	<u>(92,884)</u>	<u>(159,046)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgages payable	(16,405)	(10,667)
Capital contributions	250,000	178,000
Net cash provided by financing activities	<u>233,595</u>	<u>167,333</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	118,206	76,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>77,714</u>	<u>1,076</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 195,920</u></u>	<u><u>\$ 77,714</u></u>

see accompanying notes

GREENWOOD APARTMENTS, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 19,346</u>	<u>\$ 21,116</u>

see accompanying notes

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

1. General

Greenwood Apartments, LLC (the “Company”), a Florida limited liability company, was formed in September 2001 to construct, develop and operate a 179-unit apartment project, known as Palmetto Park Apartments (the “Project”) in Tampa, Florida. The Project is rented to mixed-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code.

The Class A Members are Banc of America Community Development Corporation (“BACDC”) and Clearwater Neighborhood Housing Services, Incorporated (“CNHS”), collectively the “Class A Members”. The Investor Member is Banc of America Housing Fund IVB, L.L.L.P. (the “Investor Member”).

Profits, losses, and tax credits are allocated in accordance with the Second Amendment to the First Amended & Restated Operating Agreement dated July 1, 2008 (the “Operating Agreement”). Profits and losses from operations and low-income housing tax credits are allocated 99.99% to the Investor Member and 0.01% to the Class A Members.

Pursuant to the Operating Agreement, the Investor Member is required to provide capital contributions to the Company totaling \$6,347,118, subject to adjustments based on the amount of low-income housing tax credits allocated to the Project in addition to other occurrences as more fully explained in the Operating Agreement. As of December 31, 2011 and 2010, the Investor Member had provided all required capital contributions.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with maturities of three months or less at date of acquisition. Restricted cash is not considered cash equivalents. The carrying amounts of cash and restricted cash approximate their fair values.

Concentration of credit risk

The Company places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions’ federally insured limits. The Company has not experienced any losses in such accounts.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes

Income taxes on Company income are levied on the members at the member level. Accordingly, all profits and losses of the Company are recognized by each member on its respective tax return.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. The Company has determined whether any tax positions have met the recognition threshold and have measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Company operates one property located in Tampa, Florida. 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.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2011 and 2010, the Company incurred \$20,257 and \$16,438, respectively, in advertising costs.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

2. Summary of significant accounting policies and nature of operations (continued)

Accounts receivable and bad debts

Accounts receivable 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.

Other assets

Other assets include permanent loan fees, letter of credit fees, and tax credit fees of \$465,510, \$34,720 and \$5,902, respectively. Permanent loan fees are amortized over the terms of the respective loans. Tax credit fees are amortized over the tax credit compliance period. Letter of credit fees are amortized over the letter of credit period. Amortization expense for 2011 and 2010 was \$22,643 and \$22,644, respectively.

Rental property

Rental property is recorded at cost. Residential rental buildings are depreciated over their estimated useful lives of 27.5 years using the straight-line method. Site improvements are depreciated over 15 years using the straight-line method. Personal property is depreciated over 5 years using the straight-line method. Depreciation expense for 2011 and 2010 was \$217,518 and \$425,731, respectively. On December 31, 2010, the long-lived assets were determined to be impaired.

Impairment of long-lived assets

The Company 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 flows analysis, or other valuation technique.

During 2010, the Company continued to incur operating and cash flow losses, and had a history of such losses associated with its long-lived assets. This, together with the economic downturn, provided indication of impairment to the long-lived assets. The amount of impairment was determined based on a discounted cash flows method, for which the Company recognized an impairment loss of \$4,125,796.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements

The Company applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost). Upon adoption of the fair value measurement provisions that apply to recurring and nonrecurring fair value measurements of financial assets and liabilities and other provisions, the Company determined that no transition adjustments were required.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Company's own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

The table below presents amounts at December 31, 2011 for significant items measured at fair value on a recurring basis. The fair value of our interest rate cap is based on notional amounts, interest rates, maturity date and other contract terms. The fair value of interest rate swap contract is valued using a third-party. The interest rate cap is classified as Level 2 measurements.

	<u>Level 2</u>
Interest rate cap	\$ <u>16,916</u>

Derivatives and hedging activities

On March 6, 2008, an interest rate cap instrument was purchased by the Company. The fair value of this derivative instrument as of December 31, 2011 and 2010 was \$16,916 and \$65,052, respectively. The Company's objective for holding the derivative asset is to manage risk related to interest rate movement. The Company recognizes all derivatives on the balance sheets at fair value. Derivatives that are not hedges are adjusted to fair value through income.

The Company's interest rate risk management strategy is to protect against increases in the interest rate above the cap rate of 3.5%. Net amounts paid or received under the cap arrangement are reflected as adjustments to interest expense.

Derivatives are held only for the purpose of hedging or limiting such risks, not for speculation. As of December 31, 2011 and 2010, none of the Company's derivative financial instruments qualify as hedges.

Subsequent events

Subsequent events have been evaluated through February 24, 2012, which is the date the financial statements were available to be issued. BACDC is in the process of transferring its General Partner interest in the Company, but as of the audit report date, this event had not occurred.

3. Restricted deposits and funded reserves

Tenants' security deposits

Tenants' security deposits are placed into an interest-bearing account and are generally held until termination of the leases, at which time some or all deposits may be returned to the lessees.

Real estate tax and insurance escrow

Monthly deposits are made for the payment of property insurance and taxes. All deposits are pledged as additional security for the property mortgages.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

3. Restricted deposits and funded reserves (continued)

Replacement reserve

Pursuant to the Operating Agreement, the replacement reserve account is funded in the amount of \$200 per unit per year, increasing 3% annually. This account is used to fund major repairs, capital expenditures, and replacement of capital items in the Project. The replacement reserve is deposited in an interest-bearing account with Enterprise Social Investment Corporation ("ESIC") as a cosignatory.

Operating reserve

The Operating Agreement requires the operating reserve account to be funded in the amount of \$100,000 with proceeds from the second and third capital contribution installments. The Class A Members was required to fund the operating reserve from net cash flow in order to maintain a balance of at least \$100,000 throughout the term of the Company. The operating reserve was deposited in an interest-bearing account in a bank designated by the Investor Member with ESIC as a cosignatory on the account. During 2008, the Company received approval from ESIC to withdraw funds from the operating reserve and is no longer required to replenish the account to the required minimum balance.

4. Mortgages payable

City of Clearwater

On March 28, 2003, the Company obtained a mortgage note payable not to exceed \$1,000,000 for the Project from City of Clearwater. The loan matures on May 1, 2019, is payable from net cash flow and is collateralized by the Project. Commencing on May 1, 2005, principal and interest payments of \$6,981 are due monthly and the loan bears interest at 3% per annum. As of December 31, 2011 and 2010, the outstanding principal amount was \$1,000,000 for both years. As of December 31, 2011 and 2010, accrued interest of \$197,653 and \$167,653, respectively was outstanding and is included in "Accrued interest" on the accompanying balance sheets.

Housing Finance Authority

The Company entered into an original mortgage note agreement with the Housing Finance Authority of Pinellas County, Florida ("HFA") in the amount of \$6,500,000. The mortgage loan was funded on April 1, 2002 with proceeds from the issuance of tax-exempt bonds in the amount of \$6,500,000. The mortgage bears interest at a variable rate (.18% and .27% at December 31, 2011 and 2010, respectively). The mortgage matures on December 31, 2035 and is collateralized by the Project. During 2008, BACDC and the Investor Member made special capital contributions, which were used to reduce the balance of the bonds payable. As of December 31, 2011 and 2010, mortgage loan payable of \$3,440,000 was outstanding for both years. As of December 31, 2011 and 2010, accrued interest of \$4,799 and \$4,799, respectively, was outstanding, and is included in "Accrued interest" on the accompanying balance sheets.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

4. Mortgages payable (continued)

In connection with the issuance of the bonds, Bank of America, N.A. agreed to provide an irrevocable letter of credit. The letter of credit expires on July 1, 2013. Letter of credit fees totaled \$33,020 and \$29,957 for 2011 and 2010, respectively, and are included in "Other member expenses" on the accompanying statements of operations.

On April 3, 2002, the Company obtained a mortgage note payable of \$300,000 for the Project from HFA. The loan matures on May 1, 2025 and is collateralized by the Project. Payments of interest and principal were not required until May 1, 2010. Commencing on May 1, 2010, principal and interest payments of \$2,072 are due monthly and the loan bears interest at 3% per annum. As of December 31, 2011 and 2010, the principal amount of \$272,928 and \$289,333, respectively, was outstanding. As of December 31, 2011 and 2010, no interest was outstanding.

HOME Funds

On August 25, 2005, the Company obtained a mortgage note payable, in an amount not to exceed \$900,000, from Pinellas County Community Development, which was funded by the Federal HOME Loan Program. The loan matures on August 1, 2045 and is collateralized by the Project. The loan repayment is deferred until September 1, 2020 and interest does not accrue during the deferral period. The loan bears interest at 3% per annum and commencing on September 1, 2020, principal and interest payments of \$4,268 are due monthly. As of December 31, 2011 and 2010, the outstanding principal amount was \$900,000 for both years.

Future minimum principal payment requirements over each of the next five years and thereafter are as follows:

	HFA Bonds	HFA Mortgage	City of Clearwater	HOME Funds	Total
Year ending December 31,					
2012	\$ -	\$ 16,931	\$ 60,933	\$ -	\$ 77,864
2013	-	17,446	62,786	-	80,232
2014	-	17,977	64,969	-	80,946
2015	-	18,524	66,664	-	85,188
2016	-	19,088	68,664	-	87,752
Thereafter	3,440,000	182,962	675,984	900,000	5,198,946
Total	<u>\$3,440,000</u>	<u>\$272,928</u>	<u>\$1,000,000</u>	<u>\$900,000</u>	<u>\$ 5,612,928</u>

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

5. Related party transactions

Development fee payable

The Class A Members earned a fee of \$1,717,000 for services rendered in connection with the rehabilitation and development of the Project. The first \$545,348 of the fee was paid from the second and third capital contributions from the Investor Member. The remaining deferred portion of \$1,171,652, plus interest at 5% per annum, is payable to the extent of net cash flow. Any unpaid amounts are due in full by and no later than December 31, 2016. As of December 31, 2011 and 2010, development fee payable of \$1,171,652 was outstanding for both years. As of December 31, 2011 and 2010, accrued interest of \$502,433 and \$446,315, respectively, was outstanding, and is included in the "Accrued interest" on the accompanying balance sheets.

Due to Class A Members

During 2002, the Company obtained an advance of \$200,000 for the Project from CNHS. The advance does not bear interest and is payable upon sale of the property. As of December 31, 2011 and 2010, advances of \$200,000 were outstanding for both years and are included in "Notes payable, affiliates" on the accompanying balance sheets.

The Company obtained a member loan in the amount of \$1,100,000 from BACDC at the rate of 12% per annum. The member loan matures on March 1, 2027 and is payable from net cash flow, as defined in the Operating Agreement. To the extent net cash flow is not sufficient to pay interest, such unpaid interest is forgiven. As of December 31, 2011 and 2010, the principal balance outstanding was \$917,364 for both years and is included in "Notes payable, affiliates" on the accompanying balance sheets. As of December 31, 2011 and 2010, the Company did not have cash flow available.

On October 12, 2006, the promissory note in the amount of \$620,143 and the unexecuted promissory note in the amount of \$250,000 were consolidated into a promissory note for \$870,143 from BACDC. The note bears interest at 12% per annum and matures on January 1, 2020. Annual payments of principal and interest based on a fifteen year amortization schedule are due and payable on the first day of each January, beginning January 1, 2007. Payments are made from and to the extent of net cash flow. Unpaid amounts remain outstanding with the exception of interest, which is forgiven. As of December 31, 2011 and 2010, the member loan outstanding was \$870,143 and is included in "Notes payable, affiliates" on the accompanying balance sheets.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

5. Related party transactions (continued)

Operating deficit guaranty

If at any time after September 1, 2002 (the "Completion Date") an Operating Deficit exists, then the Class A Members are obligated to contribute funds to the Company as a contribution of capital (the "Operating Deficit Contribution"), as defined in the Operating Agreement. The Class A Members' obligation is unlimited through the Lease-up Date. The Class A Members' obligation to make Operating Deficit Contributions after the Lease-up Date, which is not funded with operating reserves, is limited to \$600,000 (the "Maximum Operating Deficit Contribution"). The obligation of the Class A Members to make Operating Deficit Contributions terminates on the date the following have occurred simultaneously: (1) the Project has operated at break-even for at least three consecutive calendar years following the Lease-up Date; and (2) achievement of the required debt service coverage. Operating Deficit Contributions are repayable, without interest, from available cash flow and the Class A Members are specially allocated the expenses paid by these Operating Deficit Contributions. During 2011 and 2010, the Class A Members provided Operating Deficit Contributions of \$250,000 and \$178,000, respectively.

Company administration fee

Pursuant to a Company Administration Agreement, BACDC receives an annual, non-cumulative fee of \$25,000, increasing 3% annually. The fee is payable from available cash flow. During 2011 and 2010, no company administration fees were incurred.

Investor services fee

Pursuant to an Investor Services Agreement, ESIC, a related party of the Investor Member, receives a cumulative annual investor services fee of \$3,000, increasing 3% annually. The fee is payable from available cash flow. During 2011 and 2010, investor services fees of \$3,800 and \$3,690, respectively, were incurred. As of December 31, 2011 and 2010, accrued investor services fees of \$22,510 and \$26,747, respectively, were outstanding and are included in "Accrued expenses - other" on the accompanying balance sheets.

6. Property management fees

Pursuant to the property management agreement, JMG Realty, Inc. earned property management fees in the amount of 3.5% of gross rental receipts plus an incentive fee of .5% of gross rental receipts. During 2011 and 2010, property management fees of \$44,410 and \$45,213 respectively, were incurred.

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
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7. Distributions of net cash flow

Net cash flow is defined in the Operating Agreement as all gross revenues collected from operations plus any amounts no longer deemed necessary for efficient operations of the Company by the Class A Members, over project expenses.

Net cash flow is distributed in the following order or priority:

1. To the Investor Member, an amount equal to the Credit Deficiency;
2. To pay the investor services fee;
3. To pay the deferred development fee;
4. To pay the BACDC loan;
5. To pay the company administration fee;
6. To repay the Class A Members any operating deficit contributions; and
7. To pay the balance, 90% to the Class A Members and 10% to the Investor Member.

8. Reconciliation between net loss per tax return and financial statements

The following is the reconciliation between the Company's net loss as reported in its federal income tax return and the net loss based on accounting principles generally accepted in the United States of America ("GAAP") included in the accompanying financial statements for the years ended December 31, 2011 and 2010.

	2011	2010
Net loss per federal income tax return	\$ (757,183)	\$ (694,614)
Difference between tax and GAAP rental income	(78)	(1,554)
Difference between tax and GAAP other company expenses	4,237	(26,747)
Unrealized impairment loss	-	(4,125,796)
Unrealized gain (loss) on interest rate cap	(48,136)	(60,015)
Difference between tax and GAAP amortization	27,835	27,834
Difference between tax and GAAP depreciation	389,812	163,611
Net loss per accompanying financial statements	<u><u>\$ (383,513)</u></u>	<u><u>\$ (4,717,281)</u></u>

GREENWOOD APARTMENTS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

9. Low-income housing tax credits

The Company expects to generate an aggregate of \$4,775,740 of low-income housing tax credits ("Tax Credits"). Generally, such Tax Credits are expected to become available for use by its members pro-rata over a ten-year period that began in 2003. The Project's Tax Credits were allocated pursuant to a tax-exempt bond allocation and are contingent on its ability to maintain compliance with Internal Revenue Code Section 42 ("Section 42") and the tax-exempt bond regulations. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct non-compliance within a specific time period could result in recapture of previously taken Tax Credits plus interest. The Company has executed a land use restriction agreement which requires the Project to be in compliance with Section 42 for a minimum of 15 years. Any potential noncompliance may require an adjustment to the capital contributed by the Investor Member. Because these Tax Credits are subject to certain compliance 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 less Tax Credits than expected. As of December 31, 2011 and 2010, the Company had generated \$4,074,848 and \$3,597,274, respectively, of Tax Credits.

The Company anticipates generating Tax Credits as follows:

Year ending December 31,

2012	\$ 477,574
2013	<u>223,318</u>
Total	<u>\$ 700,892</u>

SUPPLEMENTARY INFORMATION

GREENWOOD APARTMENTS, LLC
SCHEDULES OF INCOME AND EXPENSES
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Rental income		
Residential income	\$ 1,234,655	\$ 1,262,310
Less: Vacancy loss	(93,525)	(96,915)
Less: Concessions	(58,004)	(73,584)
Net rental income	<u>\$ 1,083,126</u>	<u>\$ 1,091,811</u>
Other income		
Tenant charges	46,276	43,281
NSF and late fees	26,402	27,302
Other	3,520	33,130
	<u>\$ 76,198</u>	<u>\$ 103,713</u>
Administrative		
Bad debt	49,951	65,050
Office expense	50,068	41,729
Program expense	41,650	39,316
Licenses and permits	1,491	4,948
Employee education	3,987	2,788
Services	715	1,114
Vehicle expense	1,050	1,007
	<u>\$ 148,912</u>	<u>\$ 155,952</u>
Payroll		
Manager payroll	81,392	74,673
Bonuses	16,344	16,846
Leasing consultants	17,087	24,462
Maintenance payroll	98,110	96,281
Other payroll	11,267	6,006
Payroll taxes	18,934	18,813
Workers' compensation	3,936	3,954
Employee benefits	22,423	22,256
	<u>\$ 269,493</u>	<u>\$ 263,291</u>

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GREENWOOD APARTMENTS, LLC
SCHEDULES OF INCOME AND EXPENSES (CONTINUED)
For the years ended December 31, 2011 and 2010

	2011	2010
Utilities		
Electricity	\$ 36,016	\$ 40,691
Water and sewer	151,765	161,130
Natural gas/oil	1,653	1,843
Telephone	2,950	2,900
	<u>\$ 192,384</u>	<u>\$ 206,564</u>
Taxes and insurance		
Real estate taxes	65,567	70,008
Insurance	64,474	63,786
	<u>\$ 130,041</u>	<u>\$ 133,794</u>
Management fees		
Property management	<u>\$ 44,410</u>	<u>\$ 45,213</u>
Repairs and maintenance		
Supplies and contracts	35,163	33,705
Cleaning	18,420	22,592
Equipment	21,923	26,736
Trash removal	20,651	18,951
Pest control	8,552	4,269
Landscaping/ground maintenance	4,696	4,858
Repairs and maintenance	96,870	92,174
Courtesy officer	54,874	63,885
	<u>\$ 261,149</u>	<u>\$ 267,170</u>
Marketing and advertising		
Advertisements	17,770	17,008
Locator fees	-	248
Other advertising	2,487	-
	<u>\$ 20,257</u>	<u>\$ 17,256</u>

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GREENWOOD APARTMENTS, LLC
SCHEDULES OF INCOME AND EXPENSES (CONTINUED)
For the years ended December 31, 2011 and 2010

	2011	2010
Professional fees		
Legal	\$ 12,280	\$ 13,690
Auditing	12,177	9,250
Other	720	824
	<u>\$ 25,177</u>	<u>\$ 23,764</u>
Interest expense		
Interest - Loan D	38,538	35,989
Interest - Bond A	10,890	15,208
Interest - Other	56,036	56,035
	<u>\$ 105,464</u>	<u>\$ 107,232</u>
Depreciation and amortization		
Depreciation	217,518	425,731
Amortization	22,643	22,644
	<u>\$ 240,161</u>	<u>\$ 448,375</u>
Other company expenses		
Investor service fee	3,800	3,690
Miscellaneous partnership expense	53,453	55,511
	<u>\$ 57,253</u>	<u>\$ 59,201</u>

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