

GRA PROPERTIES LIMITED PARTNERSHIP

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2011

GRA PROPERTIES LIMITED PARTNERSHIP

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

INDEPENDENT AUDITORS' REPORT

To the Partners
GRA Properties Limited Partnership

We have audited the accompanying balance sheet of GRA Properties Limited Partnership (a District of Columbia Limited Partnership) as of December 31, 2011, and the related statements of profit and loss, partners' equity, 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 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 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 GRA Properties Limited Partnership as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 29, 2012, on our consideration of GRA Properties Limited Partnership'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 internal control over financial reporting. In accordance with Government Auditing Standards, we have also issued an opinion dated February 29, 2012, on GRA Properties Limited Partnership'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 Government Auditing Standards and should be considered in assessing the results of our audit.

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 18 to 20 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is 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.

Vienna, Virginia
February 29, 2012

Kozak, Pollekoff & Goldman, P.C.

GRA PROPERTIES LIMITED PARTNERSHIP

BALANCE SHEET

DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

1120 Cash and cash equivalents	\$	869,219	
1121 Cash and cash equivalents - development		369	
1130 Tenant accounts receivable		34,688	
1200 Miscellaneous prepaid expenses		59,607	
Total current assets			963,883

DEPOSITS HELD IN TRUST - FUNDED

1191 Tenant security deposits		147,009
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RESTRICTED DEPOSITS AND FUNDED RESERVES

1310 Mortgage escrow deposits	\$	287,911	
1320 Replacement reserve		490,754	
1330 Operating reserve		600,531	1,379,196

RENTAL PROPERTY

1410 Land		1,657,368	
1420 Land improvements		308,479	
1420 Building		22,187,798	
1440 Building equipment		571,156	
		24,724,801	
1495 Less accumulated depreciation		(2,805,685)	21,919,116

OTHER ASSETS

1520 Financing costs, net of accumulated amortization of \$182,670		1,228,337	
1590 Tax credit fees, net of accumulated amortization of \$26,118		71,161	1,299,498

Total assets			<u>\$ 25,708,702</u>
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See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

BALANCE SHEET (CONTINUED)

DECEMBER 31, 2011

LIABILITIES AND PARTNERS' EQUITY

CURRENT LIABILITIES

2110 Accounts payable and accrued expenses	\$	283,985
2111 Accounts payable - construction		10,372
2113 Accounts payable - partnership management fee		4,120
2113 Accounts payable - asset management fee		2,435
2116 Accounts payable - HAP		70
2120 Accrued payroll		20,258
2131 Accrued interest - mortgage loan		54,347
2150 Accrued property taxes		50,358
2160 Due to affiliates		369,648
2170 Mortgage loan payable, current maturities		222,390
2210 Prepaid rent		3,735
Total current liabilities		<u>1,021,718</u>

DEPOSITS LIABILITY

2191 Tenant security deposits	44,043
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LONG-TERM LIABILITIES

2311 Note payable	\$ 4,389,951	
2325 Loan payable	950,000	
2320 Mortgage loan payable, net of current maturities	11,658,794	
2332 Accrued interest	<u>894,160</u>	17,892,905

PARTNERS' EQUITY

3130 Partners' equity	<u>6,750,036</u>
Total liabilities and partners' equity	<u><u>\$ 25,708,702</u></u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUE		
5120	Rent Revenue - Gross Potential	\$ 808,045
5121	Tenant Assistance Payments	1,984,471
5140	Rent Revenue - Stores and commercial	-
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	<u>2,792,516</u>
VACANCIES		
5220	Apartments	(21,572)
5240	Stores and commercial	-
5250	Rental concessions	-
5270	Garbage and parking space	-
5290	Miscellaneous	-
5200 T	Total vacancies	<u>(21,572)</u>
5152 N	Net rental revenue	<u>2,770,944</u>
5300	Nursing homes/assisted living/board & care/other	<u>-</u>
FINANCIAL REVENUE		
5410	Financial revenue - project operation	2,231
5430	Revenue from Investments - Residual Receipts	-
5440	Revenue from Investments - Replacement Reserve	340
5490	Revenue from Investments - Miscellaneous (Working capital reserve)	-
5400 T	Total financial revenue	<u>2,571</u>
OTHER REVENUE		
5910	Laundry and vending revenue	16,069
5920	Tenant charges	4,905
5945	Interest reduction payments revenue	151,995
5990	Miscellaneous	6,168
5900 T	Total other revenue	<u>179,137</u>
5000 T	Total revenue	<u>2,952,652</u>
ADMINISTRATIVE EXPENSES		
6203	Conventions and meetings	-
6204	Management consultants	-
6210	Advertising and marketing	3,299
6250	Other Renting expenses	667
6310	Office salaries	41,395
6311	Office expenses	32,596
6312	Office or model apartment	-
6320	Management fee	138,375
6330	Manager salaries	71,499
6331	Administrative rent free unit	-
6340	Legal expenses	8,342
6350	Audit expenses	18,135
6351	Bookkeeping /Accounting services	-
6370	Bad debts	-
6390	Misc. Administrative Expenses	48,926
6263 T	Total Administrative Expenses	<u>363,234</u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP
STATEMENT OF PROFIT AND LOSS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

UTILITIES		
6420	Fuel oil	-
6450	Electricity	69,464
6451	Water and Sewer	127,087
6452	Gas	82,108
6453	Sewer	-
6400 T	Total Utilities Expense	<u>278,659</u>
OPERATING AND MAINTENANCE		
6510	Payroll	214,498
6515	Supplies	21,973
6520	Contracts	81,654
6521	Operating and maintenance Rent Free Unit	-
6525	Garbage and Trash Removal	32,749
6530	Security Payroll/Contract	202,639
6531	Security Rent Free Unit	-
6546	Heating/Cooling Repairs and Maintenance	11,263
6548	Snow Removal	400
6570	Vehicle and Maintenance Equipment Operation and Repairs	-
6590	Misc. Operating and Maintenance Expenses	12,028
6500 T	Total Operating and Maintenance Expenses	<u>577,204</u>
INSURANCE AND TAXES		
6710	Real estate taxes	205,988
6711	Payroll taxes	-
6720	Property and liability insurance	94,476
6721	Fidelity bond insurance	-
6722	Workers compensation	-
6723	Health insurance and other employee benefits	10,908
6790	Miscellaneous taxes, licenses, permits and insurance	18,069
6700 T	Total Taxes and insurance	<u>329,441</u>
FINANCIAL		
6820	Interest on Mortgage Payable	657,427
6830	Interest on Notes Payable (Long Term)	260,728
6840	Interest on Notes Payable (Short Term)	-
6850	Mortgage insurance premium/service charge	59,599
6890	Miscellaneous financial expenses	221
6800 T	Total financial expenses	<u>977,975</u>
ELDERLY CARE EXPENSES		
6900	Nursing homes/assisted living/Board & care/other	-
6000 T	Total Cost of Operations before Depreciation	<u>2,526,513</u>
5060	Profit (Loss) before depreciation	426,139
6600	Depreciation expenses	641,410
6610	Amortization expenses	40,096
5060 N	Operating profit or (Loss)	<u>(255,367)</u>
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	-
7190	Other expense	16,367
7100 T	Total entity expenses	<u>16,367</u>
3250	Profit or (Loss)	<u>\$ (271,734)</u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

STATEMENT OF PARTNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

Partners' equity, beginning, as previously reported	\$ 7,056,770
Prior period adjustment	<u>(35,000)</u>
Partners' equity, beginning, as restated	7,021,770
Net loss	<u>(271,734)</u>
Partners' equity, ending	<u><u>\$ 6,750,036</u></u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

Rental receipts	\$ 2,738,436
Interest receipts	2,571
Other receipts	179,137
	<u>2,920,144</u>
Administrative	96,511
Management fees	149,591
Utilities	276,259
Salaries	350,742
Operating and maintenance	273,408
Real estate taxes	201,430
Property insurance	(14,243)
Miscellaneous taxes and insurance	3,856
Tenant security deposits (net)	3,228
Interest on mortgage	658,390
Other interest	401,430
Other financial	221
Mortgage insurance premium	54,585
Entity expense- compliance monitoring fee	1,754
Lender monitor fee	5,670
Asset management fee	1,295
	<u>2,464,127</u>
Net cash provided by operating activities	<u>456,017</u>
Cash flows from investing activities	
Purchase of rental property	(62,120)
Net deposits to replacement reserve	(58,372)
Net deposits to operating reserve	(2,040)
Net deposits to mortgage escrows	(105,951)
Net cash used in investing activities	<u>(228,483)</u>
Cash flows from financing activities	
Principal payments on mortgage loan	(210,624)
Net cash used in financing activities	<u>(210,624)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,910
Cash and cash equivalents, beginning	<u>852,678</u>
Cash and cash equivalents, ending	<u>\$ 869,588</u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS - (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011

**RECONCILIATION OF NET LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Net loss	\$ (271,734)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	641,410
Amortization	40,096
Changes in assets and liabilities	
Increase in tenant accounts receivable	(33,838)
Decrease in miscellaneous prepaid expenses	49,818
Increase in accounts payable and accrued expenses	184,309
Increase in accrued property taxes	4,558
Decrease in accrued management fee	(11,216)
Increase in partnership management fee payable	4,120
Increase in accrued asset management fee	2,435
Decrease in accrued payroll	(10,378)
Decrease in accrued interest	(141,665)
Increase in prepaid rent	1,330
Tenant security deposits - net	<u>(3,228)</u>
Net cash provided by operating activities	<u>\$ 456,017</u>

See notes to financial statements

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

GRA Properties Limited Partnership (the Partnership), a District of Columbia limited partnership, was formed on September 22, 2005 to acquire, improve, develop, construct, lease, operate, finance and manage 183 units of multi-family housing for rental to low-income households in compliance with the low-income housing tax credit requirements of Section 42 of the Internal Revenue Code. The project is known as Golden Rule Apartments and is located in the City of Washington, District of Columbia.

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.

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 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.

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.

	<u>Method</u>	<u>Estimated Useful Lives</u>
Building	Straight-line	40 years
Land improvements	Straight-line	15 years
Building 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 2011.

Other Assets

Loan financing costs are amortized on a straight-line basis over the life of the related loan. Tax credit fees are amortized on a straight-line basis over the tax credit compliance period.

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 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. The Partnership's federal income tax returns for 2010, 2009 and 2008 are subject to examination by the IRS, generally three years after they were filed.

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.

Subsequent Events

Subsequent events were evaluated through February 29, 2012, the date the financial statements were available to be issued.

NOTE B – OWNERSHIP

Ownership

On July 1, 2007, the partnership agreement was amended as the Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") to admit new limited partners, and to permit the withdrawal of the existing limited partner. The general partner is GRA Housing, Inc., the special limited partner is RBC Tax Credit Manager II, Inc., and the investor limited partner is Nationwide Affordable Housing Fund 31 - Apollo Tax Credit Fund 53, LLC.

The ownership percentages are as follows:

	<u>Percentage</u>
General partner	0.009%
Special limited partner	0.001%
Investor limited partner	99.990 %
	<u>100.000%</u>

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE B – OWNERSHIP (continued)

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 – OPERATING RESERVE

In 2009, in accordance with the Partnership Agreement, an operating reserve was established in a segregated account. The reserve may be used to meet operating expenses and debt service of the Partnership when operating revenues are insufficient. The general partner shall be entitled to withdraw funds from the operating reserve subject to the special limited partner's approval. The operating reserve at December 31, 2011 is \$600,531.

NOTE D – HOUSING ASSISTANCE PAYMENT AGREEMENT

Pursuant to an agreement with HUD under Section 8 of the Housing Assistance Payment Program, the Partnership is entitled to receive housing assistance payments on behalf of qualified tenants. The contract period is January 1, 2008 through December 31, 2027. For the year ended December 31, 2011, the Partnership received \$1,984,471 under this program, which was 72% of the Project's net rental income.

NOTE E – LOAN PAYABLE

On July 27, 2006 the Partnership entered into a loan agreement with the D.C. Department of Housing and Community Development (DHCD) in the amount of \$950,000. The interest rate on the loan is 3% with a term of 40 years and is collateralized by a deed of trust on the rental property. Commencing July 2008, payments of principal and interest are to be paid out of cash flow, as defined in the Partnership Agreement. As of December 31, 2011, the loan payable totaled \$950,000. Accrued interest as of December 31, 2011 is \$59,183.

NOTE F – MORTGAGE LOAN

In November 2008, the Partnership entered into a \$12,600,000 mortgage loan with Deutsche Bank which bears interest at 5.489% per annum, is payable monthly over a period of 40 years, and matures on April 1, 2048. The balance of this loan as of December 31, 2011 is \$11,881,184 and accrued interest is \$54,347. The loan is secured by the rental property. In addition, the Partnership is entitled to an interest rate reduction payment from HUD through November 2015. For the year ended December 31, 2011, the Partnership received \$151,995 from HUD. The maximum interest rate reduction in any one year may not exceed \$155,583.

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE F – MORTGAGE LOAN (Continued)

Future annual principal maturities of the mortgage note are payable as follows at December 31, 2011:

2012	\$222,390
2013	234,909
2014	248,133
2015	237,799
2016	126,299

NOTE G – NOTE PAYABLE

The Partnership entered into a note agreement with Golden Rule Apartments, Inc., the former owner of the Golden Rule Apartments, upon the sale of the property, whereby the Golden Rule Apartments, Inc. took back a note in the amount of \$4,389,951. The note bears interest at the rate of 5.29% per annum and payments of principal and interest are payable from 85% of the available net cash flow as defined in the note agreement. The term of the note is 40 years. Accrued interest on the note as of December 31, 2011 is \$834,977.

NOTE H - RELATED PARTY TRANSACTIONS

Asset Management Fee

The Partnership incurred an Asset Management Fee totaling \$4,823 for the year ended December 31, 2011 payable to the special limited partner for a review of the operations of the Partnership and the apartment complex. The fee is paid quarterly, is cumulative and increases 3% annually. As of December 31, 2011, accrued asset management fee is \$2,435.

Partnership Management Fee

The Partnership incurred a Partnership Management Fee totaling \$4,120 for the year ended December 31, 2011 payable to the general partner for managing the business of the Partnership. This fee is paid quarterly, is cumulative and increases 3% annually. As of December 31, 2011, accrued partnership management fee is \$4,120.

Due to Affiliates

The Partnership has received advances from an affiliate of the general partner. The funds are non interest bearing and are due on demand. Due to Affiliates totaled \$369,648 at December 31, 2011.

GRA PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

The Partnership was allocated low-income housing tax credits by the Washington D.C. Housing Finance Agency amounting to \$9,580,190 over a ten year period. The prior use and expected availability of the tax credits are as follows:

2007	\$ 812,547
2008	958,019
2009	958,019
2010	958,019
2011	958,019
2012	958,019
2013	958,019
2014	958,019
2015	958,019
2016	958,019
2017	<u>145,472</u>
	<u>\$ 9,580,190</u>

NOTE J – PROPERTY MANAGEMENT FEE

The Partnership has a management agreement with Columbus Property Management and Development, Inc. (CPM) 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 year ended December 31, 2011, management fees totaling \$138,375 were charged to expense.

NOTE K – CONCENTRATION OF CREDIT RISK

The Partnership maintains substantially all of its cash accounts at one financial institution. The balances are insured by Federal Deposit Insurance Corporation up to \$250,000 per depositor. At times the balances in the Partnership's cash accounts may exceed the federally insured limit. The Partnership has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Partnership is not exposed to any significant credit risk with regards to its cash balances.

NOTE L – PRIOR PERIOD ADJUSTMENT

The Partnership has recorded a prior period adjustment to correct the classification of the syndication costs. As a result, syndication costs and partners' equity were each reduced by \$35,000.

SUPPLEMENTAL INFORMATION
SUPPORTING DATA REQUIRED BY HUD

GRA PROPERTIES LIMITED PARTNERSHIP

SUPPLEMENTARY DATA

DECEMBER 31, 2011

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the regulatory agreement restricted cash is held by Deutsche Bank to be used for replacement of property, subject to the approval of HUD, as follows:

Balance - January 1, 2011	\$432,382
Deposits	58,032
Interest	<u>340</u>
Balance at December 31, 2011	<u>\$490,754</u>

MISCELLANEOUS ADMINISTRATIVE EXPENSES (ACCOUNT 6390)

Professional services	\$ 23,232
Auto/mileage reimbursement	7,305
Education/training/meeting	4,406
Computer expenses	12,100
Bank charges	1,350
Miscellaneous	<u>533</u>
	<u>\$48,926</u>

OTHER ENTITY EXPENSES (ACCOUNT 7190)

Lender monitor fee	\$ 5,670
Asset management fee	4,823
Partnership management fee	4,120
Compliance monitoring fee	<u>1,754</u>
	<u>\$ 16,367</u>

GRA PROPERTIES LIMITED PARTNERSHIP

SUPPLEMENTAL INFORMATION CHANGES IN FIXED ASSET ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Assets			Accumulated Depreciation			Net Book Value December 31, 2011
	Balance January 1, 2011	Additions	Balance December 31, 2011	Balance January 1, 2011	Provisions	Balance December 31, 2011	
Land	\$ 1,657,368	\$ -	\$ 1,657,368	\$ -	\$ -	\$ -	\$ 1,657,368
Land improvements	246,359	62,120	308,479	48,190	19,530	67,720	240,759
Building	22,187,798	-	22,187,798	1,942,709	564,764	2,507,473	19,680,325
Building equipment	571,156	-	571,156	173,376	57,116	230,492	340,664
	<u>\$ 24,662,681</u>	<u>\$ 62,120</u>	<u>\$ 24,724,801</u>	<u>\$ 2,164,275</u>	<u>\$ 641,410</u>	<u>\$ 2,805,685</u>	<u>\$ 21,919,116</u>

Details of Fixed Assets additions:

Security fence \$ 62,120

Computation of Surplus Cash,
Distributions and Residual
Receipts

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

Project Name:
GRA PROPERTIES LIMITED PARTNERSHIP

Fiscal Period Ended:
12/31/11

Project Number

Part A - Compute Surplus Cash

Cash

1. Cash <i>(Accounts 1110, 1120, 1191, 1192)</i>	\$	1,016,228	
2. Tenant subsidy vouchers due for period covered by financial statement	\$		
3. Other <i>(describe)</i>	\$		
(a) Total Cash <i>(Add Lines 1, 2, and 3)</i>	\$		1,016,228

Current Obligations

4. Accrued mortgage interest payable	\$	54,347	
5. Delinquent mortgage principal payments	\$		
6. Delinquent deposits to reserve for replacements	\$		
7. Accounts payable <i>(due within 30 days)</i>	\$	283,985	
8. Loans and notes payable <i>(due within 30 days)</i>	\$		
9. Deficient Tax Insurance or MIP Escrow Deposits	\$		
10. Accrued Expenses <i>(not escrowed)</i>	\$	20,258	
11. Prepaid Rents <i>(Account 2210)</i>	\$	3,735	
12. Tenant security deposit liability <i>(Account 2191)</i>	\$	44,043	
13. Other <i>(Describe)</i> Accounts payable - HAP	\$	70	
(b) Less Total Current Obligations <i>(Add Lines 4 through 13)</i>	\$		406,438
(c) Surplus Cash (Deficiency) <i>(Line (a) minus Line (b))</i>	\$		609,790

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

1. Surplus Cash	\$	609,790
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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 <i>(Line 2a plus 2b minus 2c)</i>	\$		
4. Amount Available for Distribution During Next Fiscal period	\$		609,790
5. Deposit Due Residual Receipts <i>(Must be deposited with Mortgagee within 60 days after Fiscal period ends)</i>	\$		NONE

Prepared By		Reviewed By	
Loan Technician	Date	Loan Servicer	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
(COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS AND
INTERNAL CONTROL OVER COMPLIANCE FOR HUD-ASSISTED PROGRAMS)**

To the Partners
GRA Properties Limited Partnership

We have audited the financial statements of GRA Properties Limited Partnership (a District of Columbia Limited Partnership) as of and for the year ended December 31, 2010, and have issued our report thereon, dated February 29, 2012. We have also audited the Partnership's compliance with specific program requirements that could have a direct and material effect on each of its major U.S. Department of Housing and Urban Development (HUD)-assisted programs for the year ended December 31, 2011, and have issued our report thereon, dated February 29, 2012.

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* ("Guide"), issued by the HUD 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 whether GRA Properties Limited Partnership complied with the compliance requirements referred to above that could have a direct and material effect on a major HUD-assisted program.

Management of GRA Properties Limited Partnership is responsible for establishing and maintaining effective internal control over financial reporting and internal control over compliance with the compliance requirements referred to above. In planning and performing our audits of the financial statements and compliance, we considered GRA Properties Limited Partnership's internal control over financial reporting and its internal control over compliance with the specific program requirements that could have a direct and material effect on a major HUD-assisted program to determine the auditing procedures for the purpose of expressing our opinions on the financial statements and compliance, but not for the purpose of expressing an opinion on the effectiveness of GRA Properties Limited Partnership's internal control over financial reporting and internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GRA Properties Limited Partnership's internal control over financial reporting and internal control over compliance.

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 (1) misstatements of the entity's financial statements or (2) noncompliance with specific program requirements of a HUD-assisted program 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 (1) a material misstatement of the entity's financial statements or (2) material noncompliance with specific program requirements of a HUD-assisted program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies, in internal control that might be deficiencies, 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 general partner, management, others within the Partnership, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Mark, Polkoff & Goldman, P.C.

Vienna, Virginia
February 29, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
PROGRAM REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR HUD-ASSISTED PROGRAM**

To the Partners
GRA Properties Limited Partnership

We have audited the Partnership's compliance with the specific program requirements governing:

1. Management, Maintenance & Replacement Reserve
2. Federal Financial Reports
3. Application, Eligibility & Recertification of Tenants
4. Security Deposits
5. Mortgage Status
6. Cash Receipts & Disbursements
7. Distributions to Owners
8. Management Functions

that could have a direct and material effect on each of the Partnership's major U.S. Department of Housing and Urban Development (HUD)-assisted programs, for the year ended December 31, 2011. 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 HUD 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 compliance 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 the 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. Our audit does not provide a legal determination of the Partnership's compliance with those requirements.

In our opinion, GRA Properties 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-assisted programs for the year ended December 31, 2011.

This report is intended solely for the information and use of the general partner, management, others within the Partnership, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Vienna, Virginia
February 29, 2012

Kyle, Rickett & Alderman, P.C.

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

To the Partners
GRA Properties Limited Partnership

We have applied procedures to test the Partnership's compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs for the year ended December 31, 2011.

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 (HUD), 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 the Partnership'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 general partner, management, others within the Partnership, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Nyk, Pollack & Goldman, P.C.

Vienna, Virginia
February 29, 2012

GRA PROPERTIES LIMITED PARTNERSHIP

DECEMBER 31, 2011

CERTIFICATE OF PARTNERS

We hereby certify that we have examined the accompanying financial statements and supporting data of GRA Properties Limited Partnership, and, to the best of our knowledge and belief, the same is complete and accurate.

General Partner

Date

Employer Identification Number: 20-2971154

GRA PROPERTIES LIMITED PARTNERSHIP

DECEMBER 31, 2011

MANAGING AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of GRA Properties 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

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURE**

To the Partners
GRA Properties Limited Partnership

We have performed the procedure described in the second paragraph of this report, which was agreed to by GRA Properties Limited Partnership and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. GRA Properties Limited Partnership is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non agreement of electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit of the financial statements of GRA Properties Limited Partnership as of and for the year ended December 31, 2011, and have issued our reports thereon dated February 29, 2012. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated February 29, 2012, was expressed in relation to the basic financial statements of GRA Properties Limited Partnership taken as a whole.

A copy of the financial statement package, which includes our auditors' reports, is available in its entirety from GRA Properties Limited Partnership. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

Vienna, Virginia
February 29, 2012

W&K, Pollock & Hoffman, P.C.

**ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE**

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental, Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 Series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 Series of accounts)	Notes to the Audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Compliance (account numbers S2100-020, S2300-020)	Auditors' Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S2100-100)	Auditors' Report on Supplemental Data	Agrees
Audit Findings Narrative (S2700 Series of accounts)	Schedule of Findings and Questioned Costs	Agrees