

Cornerstone Village Apartments, L.P.

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

December 31, 2013

Cornerstone Village Apartments, L.P.

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Independent Auditor's Report

To the Partners
Cornerstone Village Apartments, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of Cornerstone Village Apartments, L.P., which comprise the balance sheet as of December 31, 2013, and the related statements of operations, partners' equity (deficit) and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Village Apartments, L.P. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 through 19 is presented for purposes of additional analysis 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 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Atlanta, Georgia
February 28, 2014

Cornerstone Village Apartments, L.P.

**Balance Sheet
December 31, 2013**

Assets

Current assets	
Cash	\$ 75,488
Tenant accounts receivable	3,641
Prepaid expenses	697,142
Due from affiliates	<u>8,373</u>
Total current assets	<u>784,644</u>
Restricted deposits and funded reserves	
Replacement reserve	146,129
Real estate tax and insurance escrow	58,153
Operating deficit reserve	250,035
Other reserves	<u>77,942</u>
Total restricted deposits and funded reserves	<u>532,259</u>
Rental property	
Buildings and improvement	10,247,805
Land improvements	1,056,926
Furniture and equipment	<u>496,457</u>
	11,801,188
Accumulated depreciation	<u>(3,149,296)</u>
Total rental property	<u>8,651,892</u>
Other assets	
Mortgage costs, net	319,840
Tax credit monitoring fees, net	9,273
Other intangibles, net	36,141
Other assets, net	<u>174,424</u>
Total other assets	<u>539,678</u>
Total assets	<u><u>\$ 10,508,473</u></u>

Cornerstone Village Apartments, L.P.

**Balance Sheet
December 31, 2013**

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable	\$ 12,217
Accrued expenses	14,954
Property management fee payable	4,881
Accrued interest payable - first mortgage	7,697
Accrued interest payable - other mortgages	778,584
Current maturities of long-term debt - first mortgage	<u>100,000</u>
Total current liabilities	<u>918,333</u>
Deposits and prepaid liability	
Tenant security deposits	13,425
Prepaid rent	<u>3,805</u>
Total deposits and prepaid liability	<u>17,230</u>
Long-term liabilities	
Mortgages payable - first mortgage	7,515,000
Mortgages payable- other mortgages, net of current maturities	1,716,440
Annual fee payable to affiliate of limited partner	<u>9,598</u>
Total long-term liabilities	<u>9,241,038</u>
Commitments	-
Partners' equity (deficit)	<u>331,872</u>
Total liabilities and partners' equity (deficit)	<u><u>\$ 10,508,473</u></u>

Cornerstone Village Apartments, L.P.

Statement of Operations
Year Ended December 31, 2013

Revenue	
Rental income	\$ 1,207,180
Vacancies and concessions	(14,864)
Other operating income	<u>34,769</u>
Total revenue	<u>1,227,085</u>
Operating expenses	
Salaries and employee benefits	164,104
Repairs and maintenance	145,880
Utilities	104,018
Property management fee	60,479
Property insurance	53,915
Miscellaneous operating expenses	<u>153,346</u>
Total operating expenses	<u>681,742</u>
Net operating income (loss)	<u>545,343</u>
Other income (expense)	
Interest income	9
Interest expense - first mortgage	(11,366)
Interest expense - other loans	(81,180)
Other financial income (expense)	(100,980)
Annual fee to affiliate of limited partners	(9,598)
Other related party fees and expenses	(126,000)
Depreciation	(326,722)
Amortization	<u>(43,645)</u>
Total other income (expense)	<u>(699,482)</u>
Net loss	<u><u>\$ (154,139)</u></u>

See Notes to Financial Statements.

Cornerstone Village Apartments, L.P.

**Statement of Partners' Equity (Deficit)
Year Ended December 31, 2013**

	Managing General Partner	Special Limited Partner	Investor Limited Partner	Class B Limited Partner	Total Partners' Equity (Deficit)
Balance, January 1, 2013	\$ (273)	\$ (271)	\$ 500,826	\$ (271)	\$ 500,011
Net loss	(16)	(15)	(154,093)	(15)	(154,139)
Distributions	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>(14,000)</u>
Balance, December 31, 2013	<u>\$ (289)</u>	<u>\$ (286)</u>	<u>\$ 332,733</u>	<u>\$ (286)</u>	<u>\$ 331,872</u>
Partners' percentage of partnership losses	<u>0.01%</u>	<u>0.01%</u>	<u>99.97%</u>	<u>0.01%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Cornerstone Village Apartments, L.P.

**Statement of Cash Flows
Year Ended December 31, 2013**

Cash flows from operating activities	
Net loss	\$ (154,139)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	326,722
Amortization	43,645
Changes in:	
Tenant accounts receivable	(1,352)
Prepaid expenses	17,119
Due from affiliates	3,183
Accounts payable	5,590
Accrued expenses	(20,170)
Property management fee payable	(4,674)
Accrued interest payable - other mortgages	81,180
Tenant security deposits	395
Prepaid rent	(4,500)
Annual fee payable to affiliate of limited partner	9,598
	<hr/>
Net cash provided by operating activities	302,597
	<hr/>
Cash flows from investing activities	
Expenditures on rental property	(7,772)
Change in real estate tax and insurance escrows	(21,087)
Change in reserve for replacements	30,333
Change in operating deficit reserves	(35)
Change in other reserves	(46,136)
	<hr/>
Net cash used in investing activities	(44,697)
	<hr/>
Cash flows from financing activities	
Principal payments on mortgage payable	(100,000)
Distributions to partners	(14,000)
Developer fees paid	(70,030)
	<hr/>
Net cash used in financing activities	(184,030)
	<hr/>
Net increase in cash	73,870
Cash, beginning	1,618
	<hr/>
Cash, end	\$ 75,488
	<hr/>
Supplemental disclosure of cash flow information	
Cash paid for interest	\$ 11,366
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See Notes to Financial Statements.

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

Note 1 - Organization and nature of operations

Cornerstone Village Apartments, L.P. (the Partnership) was organized under the laws of the State of Texas as a limited partnership on July 15, 2004. On August 12, 2004, the Partnership agreement was amended and restated. The Partnership's purpose is to invest in real estate and the construction, operation and sale or leasing of the Partnership property. The Partnership's property consists of a 156-unit low-income apartment complex in Houston, Texas. The project is known as Cornerstone Village Apartments (the Project).

The terms of the Partnership agreement provide, among other things, that profits, losses and tax credits are shared 99.99 percent by the limited partners and .01 percent by the managing general partner.

Note 2 – Significant accounting policies

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.

Capitalization and depreciation

Rental property is recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (40 years for buildings and improvements, 15 years for land improvements, and 7 or 5 years for furniture and equipment) using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statement of operations.

Impairment of long-lived assets

In accordance with the accounting guidance for 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. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2013.

Amortization

Mortgage costs are being amortized over the term of the respective mortgages under the effective-yield method, tax credit monitoring fees are being amortized over the compliance period of the tax credits, other intangibles are being amortized over the term of the second

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

mortgage and other assets are being amortized over the term of the interest rate cap loan. Estimated amortization expense for each of the ensuing years through December 31, 2018 is \$43,069, \$42,479, \$41,867, \$41,234 and \$40,579, respectively.

Rental revenue

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.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Use of estimates

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

Basis of accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Note 3 – Restricted deposits and funded reserves

Restricted cash included bond reserves with the following balances as of December 31, 2013.

Balance, January 1	\$ 31,806
Deposits	268,980
Withdrawals	<u>(222,844)</u>
Balance, December 31	<u>\$ 77,942</u>

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

The bond reserves, established with the proceeds of the bonds and investor limited partner contributions, are being maintained by Wells Fargo Bank Texas, N.A. (the Trustee) in accordance with the bond trust indenture and related mortgage agreements. Releases from the reserve accounts during the period were permitted by the mortgage agreements.

Replacement reserve

The Partnership has agreed to establish a reserve account for capital replacement. Monthly deposits of \$200 per apartment unit per year for years one through five of the compliance period, \$250 per apartment unit per year for years six through ten and \$300 per apartment unit per year for years 11 through 15, shall be funded out of net rental income, commencing on Final Closing (as defined in the Partnership agreement), into a replacement reserve account. As of December 31, 2013, the balance of the replacement reserve is \$146,129.

Balance, January 1	\$ 176,462
Deposits	36,504
Withdrawals	<u>(66,837)</u>
Balance, December 31	<u><u>\$ 146,129</u></u>

Insurance escrow

In accordance with the loan agreement, the property is required to make monthly deposits to the insurance escrow. Funds accumulated in this account are utilized to pay for the annual liability and property insurance bills. As of December 31, 2013, the balance of this account was \$58,153.

Operating reserve

The Partnership is required to establish an operating reserve account to fund any operating deficits. The sum of \$250,000 from the proceeds of the fourth capital installment and from the proceeds of the fifth capital installment shall be initially deposited into the reserve. The operating reserve shall be released to the Partnership and treated as net cash flow as defined in the Partnership agreement. As of December 31, 2013, the balance of this account was \$250,035.

Note 4 - Related party transactions

Development fee

The Partnership incurred a development fee of \$1,511,034 or such maximum amount as may be permitted by applicable laws, payable to JV Developers, LLC, an affiliate of the Class B limited partner, for services rendered to the Partnership for overseeing the construction and development of the Project. Per the developer note, the outstanding portion of the developer fee shall bear interest at 6% compounded annually. As of December 31, 2013, the full fee had been earned and paid in full.

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

Management fee

The project is currently managed by Core Management Group (Core), an affiliate of the Class B limited partner. The Partnership agreement provides, among other things, for a management fee of 5 percent of the gross operating revenues collected by the manager for the month preceding payment. As of December 31, 2013, \$60,479 in fees has been earned and \$4,881 remains payable.

Incentive management fee

The Partnership has agreed to pay the managing general partner an annual non-cumulative incentive management fee equal to 25 percent of the gross revenue of the project annually, payable out of cash flows, as defined in the Partnership agreement. For the year ended December 31, 2013, \$126,000 of incentive management fees have been earned and paid.

Asset management fee

For its services in monitoring the operations of the Partnership, the special limited partner receives an annual fee in an amount equal to 0.25 percent of the investor limited partner's capital contribution, initially \$8,406, beginning on August 12, 2004. The fee is increased each year by the increase in the national Consumer Price Index and is payable only out of cash flow, as defined. In any year surplus cash is unavailable to pay the fee, the managing general partner is required to make an operating deficit loan; however, in the event the managing general partner does not make said loan, the unpaid fee accrues interest at 12% per annum. For the year ended December 31, 2013, \$9,598 of asset management fee has been charged to operations. As of December 31, 2013, \$9,598 remains payable.

Partnership management fee

The Partnership has agreed to pay the managing general partner, HCHA Cornerstone, LLC, an annual non-cumulative fee. The fee is in an amount equal to the annual asset management fee. As of December 31, 2013, no fees have been earned.

Due from affiliate

The management agent provides all site employees for the Partnership and is reimbursed for the salaries and related payroll costs. In addition, the management agent funds certain administrative costs and is reimbursed by the Partnership. As of December 31, 2013, the amount due from Core was \$8,373.

Note 5 - Mortgage payable and note payable

First mortgage payable

The Harris County Housing Finance Corporation (HCHFC) has financed the acquisition and construction of the project from the issuance of Variable Rate Demand Multifamily Housing Revenue Bonds Series 2004 (the Bonds), in the amount of \$8,360,000, pursuant to a trust indenture dated August 1, 2004, between HCHFC and the Trustee. The Bonds are secured by a Deed of Trust and Security Agreement (with Power of Sale). During construction, interest only was payable on the Bonds. The Bonds mature on August 15, 2037, and bear interest at a variable rate not to exceed 12% per annum. On June 15, 2007, the loan converted to permanent status, as defined. Beginning on the conversion

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

date, principal and interest payments are made monthly to satisfy the requirements stated in the reimbursement agreement for the bond principal maturities. The rate of interest at December 31, 2013 is 1.64143 percent. The loan balance and accrued interest associated with this loan at December 31, 2013 are \$7,615,000 and \$7,697, respectively.

The mortgage is collateralized with a first mortgage on the property and an assignment of rents. The mortgage is further secured with a direct pay irrevocable transfer of credit enhancement instrument with Fannie Mae, in the amount of \$8,461,809. Unless extended, the credit enhancement instrument will expire on August 21, 2037. Payments under the credit enhancement, if any, are required to be paid pursuant to the terms of the reimbursement agreement.

Interest rate cap

In 2004, the Partnership entered into an interest rate cap agreement with JP Morgan Chase having a notional balance of \$8,360,000 maturing on October 15, 2022. The Partnership paid an interest rate cap fee of \$359,800 under the terms of the agreement, which effectively limits the Partnership's interest rate exposure on the mortgage payable to a fixed rate of 6 percent per annum. For the year ended December 31, 2013, the Cap was not utilized. Furthermore, because the Cap was not effective at the time of issuance, the Cap is considered an embedded financial instrument and is not accounted for at fair value.

Note payable - Harris County Housing Authority

On August 1, 2004, the Partnership entered into a promissory note agreement with Harris County Housing Authority (HCHA) in the original amount of \$1,400,000, the loan is secured by a subordinate deed of trust. Monthly payments of interest only at the greater of 5% per annum or the current month's LIBOR (0.86% at December 31, 2013) are due through maturity on November 15, 2037. As of December 31, 2013, the outstanding principal balance is \$1,390,000 and accrued interest is \$602,684.

Note payable – GMAC

On August 1, 2004, the Partnership entered into a promissory note agreement with GMAC Commercial Holding Capital Corp for the purpose of financing the interest rate cap discussed above. The loan is currently held by Citi Community Capital. The amount of the original note was not to exceed \$400,000. The loan is secured by a subordinate deed of trust. Monthly payments of interest only at the greater of 5% per annum or the current month's LIBOR (0.86% at December 31, 2013) are due through maturity on November 15, 2037. As of December 31, 2013, the outstanding principal balance is \$326,440 and accrued interest payable of \$175,900. Management believes that the loan converted with the permanent loan and that this is not truly an outstanding liability of the Partnership. The general partner will work to determine if this is a true outstanding liability of the Partnership in 2014.

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

Future expected principal payments on the mortgage and notes payable are required as follows:

	Harris County Housing Finance Corporation	Harris County Housing Authority	GMAC	Total
2014	\$ 100,000	\$ -	\$ -	\$ 100,000
2015	100,000	-	-	100,000
2016	100,000	-	-	100,000
2017	100,000	-	-	100,000
2018	100,000	-	-	100,000
Thereafter	<u>7,115,000</u>	<u>1,390,000</u>	<u>326,440</u>	<u>8,831,440</u>
Total	<u>\$ 7,615,000</u>	<u>\$ 1,390,000</u>	<u>\$ 326,440</u>	9,331,440
Less current maturities				<u>(100,000)</u>
Net long-term portion				<u>\$ 9,231,440</u>

Note 6 - Capital contributions receivable

The Partnership has one managing general partner, HCHA Cornerstone, LLC which has a .01% interest, an investor limited partner, AMTAX Holdings 558, LLC, which has a 99.97% interest, and a special limited partner, Protech Holdings 123, LLC, which has a .01% interest and a Class B limited partner, T.H. Cornerstone, L.L.C., which has a .01% interest.

Total investor limited partner capital contributions in accordance with the Partnership agreement, as amended, are \$3,243,410, net of a downward credit adjuster of \$119,240, of which all contributions have been received at December 31, 2013.

Note 7 - Cash flow distribution

Cash flow for each fiscal year after the first (1st) anniversary of the completion date shall be distributed or applied, as applicable, within ninety (90) days after the end of each fiscal year, in the following order of priority:

- applied to the repayment of any credit recovery loans, including all accrued interest thereon;
- to fund any deficiency in the operating reserve;
- to the payment of any accrued and unpaid asset management fee, including all accrued interest thereon;
- to the payment of any outstanding default IP loans and then to the payment of any remaining IP loans;
- until the deferred development fee has been paid in full, to the payment of the deferred development fee;

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

- f. if there are any outstanding operating deficit loans, until such operating deficit loans have been paid in full, to the payment of the outstanding operating deficit loans and then, prorata, to the payment of outstanding GP loans and outstanding Class B loans;
- g. applied to the payment of the partnership management fee;
- h. 10% of the remaining net cash flow to the investor limited partner as a distribution;
- i. to the payment of the incentive management fee; and
- j. thereafter, to the partners, as distribution in the following percentages: 99.9% to the managing general partner, 0.01% to the Class B limited partner and 0.09% to the investor limited partner.

Note 8 - Partnership guarantees

The Partnership agreement provides for various agreements between the managing general partner, HCHA Cornerstone, LLC, and Thomas H. Scott, an individual resident of the state of Texas, the Developer, and Coach Realty Services, Inc., a Texas Corporation (collectively, the guarantors) and limited partners as follows:

Operating guarantee

The managing general partner has agreed to fund any operating expenses (as defined in the partnership agreement) commencing on the completion date and ending on the third anniversary of the stabilization date (as defined in the Partnership agreement). Amounts funded between the completion date and the stabilization date shall be unlimited, and recorded as special capital contributions. Amounts funded after the third anniversary of the stabilization date shall be recorded as operating deficit loans, and limited to \$390,000 (which may be reduced as defined in the partnership agreement). Operating expense loans are non-interest bearing and payable out of cash flow as defined in the partnership agreement. As of December 31, 2013, no amounts were funded.

Note 9 - Concentration of credit risk

The Partnership maintains cash and cash equivalents with financial institutions. The Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of December 31, 2013.

Note 10 – Commitments

Ground lease

On August 1, 2004, the Partnership entered into a 65-year ground lease with the Harris County Housing Authority (HCHA). The rent for the first 12 years of the lease term is \$65,000 annually. After the first 12 years, annual rent is \$65,000, of which \$64,000 of annual rent per lease year shall be automatically waived by landlord and nonpayable on an

Cornerstone Village Apartments, L.P.

Notes to Financial Statements December 31, 2013

annual basis, provided no event of default has occurred. Upon execution of the lease, the Partnership prepaid rent in the amount of \$775,000. Upon expiration of the lease, all improvements to the property revert to the Partnership.

For the year ended December 31, 2013, the Partnership recognized \$12,816 of rental expense on a straight-line basis and a \$654,316 prepaid for the difference between the cash and straight-line rent.

Minimum future rental payments for each of the next five years and in the aggregate are:

2014	\$	12,816
2015		12,816
2016		12,816
2017		12,816
2018		12,816
Thereafter		<u>603,052</u>
	\$	<u><u>654,316</u></u>

Note 11 – Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of Cornerstone Village Apartments, L.P. through February 28, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

Supplementary Information

Cornerstone Village Apartments, L.P.

**Schedule of Certain Revenues and Expense
Year Ended December 31, 2013**

Rental income	
Rent revenue - gross potential	<u>\$ 1,207,180</u>
Total rental income	<u><u>\$ 1,207,180</u></u>
Vacancies and concessions	
Apartments vacancies	\$ 12,250
Rental concessions	<u>2,614</u>
Total vacancies and concessions	<u><u>\$ 14,864</u></u>
Other operating income	
Laundry and vending	\$ 9,637
Pet deposits	705
Security deposit forfeitures	7,712
Damages income	954
Late fees	15,686
Miscellaneous other income	<u>75</u>
Total other operating income	<u><u>\$ 34,769</u></u>
Salaries and employee benefits	
Salaries - administrative	\$ 81,158
Salaries - leasing	8,720
Salaries - maintenance	26,895
Payroll taxes	39,782
Health insurance and other benefits	<u>7,549</u>
Total salaries and employee benefits	<u><u>\$ 164,104</u></u>
Repairs and maintenance	
Exterminating	\$ 3,511
Grounds	23,993
Fire protection	3,622
Security services/contract	10,527
Supplies	11,132
HVAC expense	4,847
Painting, decorating and cleaning	19,886
Repairs and maintenance - other than contracts	51,543
Miscellaneous maintenance expenses	<u>16,819</u>
Total repairs and maintenance	<u><u>\$ 145,880</u></u>

Cornerstone Village Apartments, L.P.

**Schedule of Certain Revenues and Expense
Year Ended December 31, 2013**

Utilities	
Electricity	\$ 43,138
Water	48,933
Trash removal	<u>11,947</u>
Total utilities	<u>\$ 104,018</u>
Miscellaneous operating expenses	
Office supplies and expense	\$ 4,863
Training and travel	11,376
Telephone and answering service	20,764
Bad debt expense	12,805
Lease expense	12,816
Miscellaneous administrative	37,537
Advertising and newspaper	8,608
Lease-up expense	133
Special promotions	6,319
Legal	1,126
Accounting	11,550
Other professional fees	<u>25,449</u>
Total miscellaneous operating expenses	<u>\$ 153,346</u>
Interest expense - other loans	
Interest expense - second mortgage	\$ 69,500
Interest expense - third mortgage	<u>11,680</u>
Total interest expense - other loans	<u>\$ 81,180</u>
Other financial income (expense)	
Trustee fees	<u>\$ (100,980)</u>
Total other financial income (expense)	<u>\$ (100,980)</u>
Other related party fees and expenses	
Incentive management fee - GP	<u>\$ 126,000</u>
Total other related party fees and expenses	<u>\$ 126,000</u>

See Independent Auditor's Report.