The Green Limited Partnership
(A Virginia Limited Partnership)

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

December 31, 2017 and 2016

CohnReznick
Accounting • Tax • Advisory

The Green Limited Partnership

Index

Independent Auditor's Report

To the Partners
The Green Limited Partnership
(A Virginia Limited Partnership)

Report on the Financial Statements

We have audited the accompanying financial statements of The Green Limited Partnership, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, partners' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 The Green Limited Partnership as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 15 and 16 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.

CohnReznick LLP

Bethesda, Maryland
April 12, 2018

The Green Limited Partnership

Balance Sheets
December 31, 2017 and 2016

Assets

	2017	2016
Investment in rental property, net	$ 2,431,026	$ 2,525,091
Cash and cash equivalents	328,602	410,933
Restricted cash		
Tenant deposits	70,383	69,901
Replacement reserve	182,281	172,111
Operating reserve	92,831	92,784
Total restricted cash	345,495	334,796
Tenants' accounts receivable, net	29,608	6,427
Prepaid expenses	22,699	-
Other assets	-	39,893
Total assets	$ 3,157,430	$ 3,317,140

Liabilities and Partner's Equity

	2017	2016
Liabilities		
Accounts payable - operations	$ 50,145	$ 40,466
Accrued property management fees	5,048	3,569
Other accrued liabilities	11,353	21,827
Accrued interest - mortgages payable	762,364	718,205
Tenants' deposits liability	43,552	39,209
Payable to general partner	343,661	376,685
Mortgages and notes payable	1,363,508	1,363,508
Total liabilities	2,579,631	2,563,469
Contingency	-	-
Partners' equity	577,799	753,671
Total liabilities and partners' equity	$ 3,157,430	$ 3,317,140

See Notes to Financial Statements.

The Green Limited Partnership

Statements of Operations
Years Ended December 31, 2017 and 2016

	2017	2016
Revenue		
Rental income	$ 626,230	$ 641,391
Vacancies and concessions	(64,121)	(41,349)
Other operating income	217,299	235,058
Total revenue	779,408	835,100
Operating expenses		
Salaries and employee benefits	149,040	162,000
Repairs and maintenance	190,127	163,738
Utilities	161,211	168,651
Property management fee	41,092	42,890
Real estate taxes	88,041	79,787
Miscellaneous operating expenses	171,015	102,902
Total operating expenses	800,526	719,968
Net operating income	(21,118)	115,132
Other income (expense)		
Interest expense - other loans	(44,159)	(44,159)
Other financial income (expense)	369	250
Other related party fees and expenses	-	(40,521)
Depreciation	(110,964)	(109,978)
Total other income (expense)	(154,754)	(194,408)
Net loss	$ (175,872)	$ (79,276)

See Notes to Financial Statements.

The Green Limited Partnership

Statements of Partner's Equity
Years Ended December 31, 2017 and 2016

Partners' equity January 1, 2016	$	832,947
Net loss		(79,276)
Partners' equity December 31, 2016	$	753,671
Net loss		(175,872)
Partners' equity December 31, 2017	$	577,799

See Notes to Financial Statements.

The Green Limited Partnership

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net loss	$ (175,872)	$ (79,276)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	110,964	109,978
Changes in		
Tenants' accounts receivable	(23,181)	2,394
Prepaid expenses	(22,699)	-
Other assets	39,893	(39,893)
Accounts payable - operations	9,679	9,593
Accrued property management fees	1,479	969
Other accrued liabilities	(10,474)	(26,576)
Accrued interest - other loans	44,159	44,158
Tenants' security deposits liability, net	3,861	82
Payable to general partner and affiliates	(33,024)	(134,030)
Net cash used in operating activities	(55,215)	(112,601)
Cash flows from investing activities		
Expenditures on rental property	(16,899)	-
Change in reserve for replacements	(10,170)	(10,165)
Change in other reserves	(47)	(46)
Net cash used in investing activities	(27,116)	(10,211)
Net decrease in cash and cash equivalents	(82,331)	(122,812)
Cash and cash equivalents, beginning	410,933	533,745
Cash and cash equivalents, end	$ 328,602	$ 410,933
Supplemental disclosure of cash flow information		
Cash paid for interest	$ -	$ -

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

The Green Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Commonwealth of Virginia on December 1, 1997, for the purpose of constructing and operating a rental housing project. The project consists of 50 units and 24 townhomes located in Herndon, Chantilly, Vienna and Centreville, Virginia, and is currently operating under the name of The Green Apartments.

The project had qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The project met the provisions of these regulations during the 15-year compliance period in order to remain qualified to receive the credits. In addition, the Partnership has executed an Extended Use Agreement which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if disposition of the project occurs.

The Partnership executed a Regulatory and Operating Agreement (the "Agreement") with the Fairfax County Redevelopment and Housing Authority ("FCRHA"). The Agreement required the Partnership to maintain 50 units for occupancy by public housing. Eligible households at such public housing rental rates were subject to other provisions of the United States Housing Act of 1937, as amended, and the Consolidated Annual Contributions Contract between FCRHA and the U.S. Department of Housing and Urban Development (“HUD”). The 50 units designated for public housing program were converted to the HUD Rental Assistance Demonstration (“RAD”) program effective December 1, 2017.

The Partnership consists of the general partners, FCRHA Housing Assistance Corporation at 0.0049% interest and FCRHA at 0.0051% interest, and the limited partner, FCRHA at 99.99% interest.

Note 2 - Significant accounting policies

Cash equivalents

For purposes of the statement of cash flows, the Partnership considers all highly-liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2017 and 2016, these instruments consisted of U.S. Treasury money market funds and are included in cash and cash equivalents.

Tenant receivables

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. At December 31, 2017 and 2016, management's estimate of the allowance is $19,077 and $13,317, respectively.

Rental property

Land, land improvements, buildings, improvements and personal property are recorded at cost. 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.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

	Estimated life	Method
Land improvements	15 years	Straight-line
Buildings	40 years	Straight-line
Furniture, fixtures and equipment	10 years	Straight-line

Rental income
Rental income is recognized as rents become due. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Partnership and 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. For tax years beginning July 1, 2014, the Partnership is no longer required to file tax returns with the Internal Revenue Service.

Impairment of long-lived assets
The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2017 and 2016.

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

Note 3 - Rental property

Rental property is comprised of the following at December 31, 2017 and 2016:

	2017	2016
Land	$ 10	$ 10
Land improvements	246,390	246,390
Buildings and improvements	4,399,127	4,399,127
Equipment	214,367	197,468
Subtotal	4,859,894	4,842,995
Accumulated depreciation	(2,428,868)	(2,317,904)
Net	$ 2,431,026	$ 2,525,091

Note 4 - Reserves

According to the partnership loan and other regulatory agreements, the Partnership is required to maintain the following reserves:

Operating reserve
The Partnership is required to fund an operating reserve in the initial amount of $88,750 from development financing proceeds and operating income as defined in the partnership agreement. As of December 31, 2017 and 2016, the balance in the reserve is $92,831 and $92,784, respectively.

Replacement reserve
The Partnership is required to fund a replacement reserve in the annual amount of $10,080. As of December 31, 2017 and 2016, the balance in the reserve is $182,281 and $172,111, respectively.

Note 5 - Related-party transactions

Partnership administration fee
Pursuant to the partnership agreement, FCRHA, the general partner, shall be paid an annual partnership administration fee for its services in overseeing the operation of the Partnership. The fee is equal to $20,000. The fee shall increase cumulatively by 4% each year after the initial year (1999). The fee is payable from net cash flow (as defined) and is noncumulative. The general partner has elected to defer receipt of the payment to benefit operations of the Partnership. A partnership administration fee of $0 and $40,521 was earned during the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, FCRHA has not collected any of the partnership administrative fee and $187,599 and $187,599, respectively, remains payable and is included in payable to general partner on the accompanying balance sheets.

Contingent incentive fee
Pursuant to the partnership agreement, the general partner shall earn a contingent incentive partnership management fee equal to 100% of net operating cash flow, if any, prior to deduction of such incentive fee, which amount shall be limited to 10% of net rental income. The fee is noncumulative. No fee was earned during the years ended December 31, 2017 and 2016.

Management agreement
The project is managed by the general partner, subject to an agreement which expired in May 2003. Upon expiration, the agreement renews automatically for one-year periods thereafter. For its

services, the management agent receives a monthly fee equal to 7% of gross rental income, as defined. Unpaid fees shall accrue interest at 10%. Accrued interest as of December 31, 2017 and 2016 was $0 and $0, respectively. Management fees of $41,092 and $42,890, respectively, were incurred during the years ended December 31, 2017 and 2016 and $5,048 and $3,569 remains payable as of December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, the general partner waived the 10% interest accrual on all unpaid management fees.

Real estate tax reimbursement
FCRHA, the general partner, reimburses the project for all real estate taxes paid. Such reimbursements are recorded as other revenue. For the years ended December 31, 2017 and 2016, $88,041 and $79,787 was earned as reimbursement and is included in other operating income on the accompanying statements of operations, respectively.

Insurance
FCRHA pays for the insurance coverage of the project and there is no reimbursement made. No expense or income related to the FCRHA-covered insurance is recorded by the project.

Tenant service expense
The property has entered into an agreement with a third party to provide tenant services to residents at the project. During the years ended December 31, 2017 and 2016, $64,870 and $28,895 of such tenant service expense was incurred and is included in miscellaneous operating expenses on the accompanying statements of operations, respectively. The property will need to cover the full amount of the contract for tenant services in 2018. If the expense is not financially feasible for the property to absorb, either the services of the contract will need to be reduced for a lower cost or the contract will be terminated.

Due to general partner
Certain expenses of the property, primarily payroll and contract services, are paid by FCRHA and are subsequently reimbursed by the Partnership. At December 31, 2017 and 2016, there was a balance due of $156,062 and $189,086, respectively, which is included in payable to general partner and affiliates on the accompanying balance sheets. It is anticipated that the amount payable at December 31, 2017 will be paid in 2018.

Note 6 - Mortgages payable

Capital Fund Program Loan
The Capital Fund Program Loan, in the original amount of $375,000, was to be payable to FCRHA at maturity, including simple interest at 5.91% per annum, originally on November 1, 2013. In November 2013, this note was extended to mature on November 1, 2028 with a revised simple interest at 3.37% per annum. The note is collateralized by a second deed of trust on the rental property and an assignment of rents and income of the property. The principal balance as of December 31, 2017 and 2016 was $325,484 and $325,484, respectively, and accrued interest at December 31, 2017 and 2016 is $326,609 and $315,640, respectively. Interest expense at December 31, 2017 and 2016 is $10,969 and $10,969, respectively.

Housing Trust Fund Loan
The Housing Trust Fund Loan, in the original principal amount of $881,789, is payable to FCRHA at maturity, including simple interest at 2% per annum, originally on November 1, 2014. In February 2014, this note was modified to extend the maturity date to November 1, 2028 with a revised interest rate at 3.37% per annum. The note is collateralized by a third deed of trust on the rental property and an assignment of rents and income of the property. During construction, additional

funds of $25,478, above the original loan amount, were advanced to the Partnership. The principal balance as of December 31, 2017 and 2016 was $907,267 and $907,267, respectively, and accrued interest at December 31, 2017 and 2016 is $386,670 and $356,095, respectively. Interest expense at December 31, 2017 and 2016 is $30,575 and $30,575, respectively.

Private Financing Fund Loan
The Private Financing Fund Loan, in the original amount of $108,397, is payable to FCRHA upon demand, including simple interest at 2% per annum. The note is not secured. The principal balance as of December 31, 2017 and 2016 was $108,397 and $108,397, respectively, and accrued interest at December 31, 2017 and 2016 is $40,910 and $38,742, respectively. Interest expense at December 31, 2017 and 2016 is $2,168 and $2,168, respectively.

Public Housing Fund Loan
The Public Housing Fund Loan, in the original amount of $22,360, is payable to FCRHA upon demand including simple interest at 2% per annum. The note is not secured. The principal balance as of December 31, 2017 and 2016 was $22,360 and $22,360, respectively, and accrued interest at December 31, 2017 and 2016 is $8,175 and $7,728, respectively. Interest expense at December 31, 2017 and 2016 is $447 and $447, respectively.

The liability of the Partnership under the mortgage notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

Note 7 - Partners' capital

The initial investor limited partner was required to make capital contributions totaling $3,112,830, as provided for in the partnership agreement. All contributions had been received.

Note 8 - Guarantee agreements

Outside replacement reserve pledge agreement
The general partner is obligated to establish a replacement reserve outside of the Partnership in an amount not to exceed $236,000, to be funded by annual payments of $47,200 beginning June 30, 2000 through June 30, 2005. The reserve will be used to fund major repairs and capital expenditures of the project. The general partner must maintain at least $236,000 in the reserve as long as the Partnership continues in existence. As of December 31, 2017, the reserve has not been funded.

Operating deficit guarantee
If at any time after the completion date of the construction an operating deficit exists, the general partner is obligated to contribute funds to the Partnership an amount equal to the operating deficit. The maximum contribution is $440,000. The maximum contribution shall be reduced to $351,000 on the date one year after the following have occurred: (a) the project has operated at breakeven for at least two consecutive calendar years following completion date of the project (November 2001) and (b) the balance in the Operating Reserve equals or exceeds $88,750. The advances bear interest at 8% per annum and are payable from the cash flow, as defined. No advances have been required through December 31, 2017.

Note 9 - Concentration of credit risk

The Partnership maintains its cash and cash equivalents with one bank. The balances in the financial institution are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2017.

Note 10 - Contingency

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

Note 11 - Housing assistance payment contract agreements

The FCRHA, through its contract with HUD pursuant to Section 8 of the Housing Act of 1937, has contracted with the Partnership to make housing assistance payments to the Partnership on behalf of qualified tenants for six units. The term of the Project Based Voucher Housing Assistance Payment Contract is through November 30, 2025. There are no recorded restrictions associated with this HAP Contract.

Effective October 31, 2017, the Partnership has entered into a RAD use agreement with HUD, under which the Partnership was able to convert its assistance to a long-term, project-based Section 8 rental assistance contract. The RAD agreement, which covers 50 units, is for an initial term of 20 years and for an additional period to coincide with any renewal term of the HAP contract. The RAD agreement will survive HAP abatement or termination of the HAP contract unless otherwise approved by HUD.

Rental income received from the housing assistance payments for the years ended December 31, 2017 and 2016 was $45,789 and $26,924, respectively.

Note 12 - Operating subsidy agreement

The Partnership received an operating subsidy from the HUD operating fund program through FCRHA. Due to the Partnership’s conversion from public housing to RAD program, the HUD operating subsidy will terminate effective January 2018. For the years ended December 31, 2017 and 2016, an operating subsidy of $118,190 and $142,108, respectively, was received and is included in other operating income on the accompanying statement of operations.

Note 13 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through April 12, 2018 (the date the financial statements were 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

The Green Limited Partnership

Schedules of Certain Income and Expenses
Years Ended December 31, 2017 and 2016

	2017	2016
Rental income		
Rent revenue - gross potential	$ 580,441	$ 614,467
Tenant assistance payments	45,789	26,924
Total rental income	$ 626,230	$ 641,391
Vacancies and concessions		
Apartments vacancies	$ 64,121	$ 41,349
Total vacancies and concessions	$ 64,121	$ 41,349
Other operating income		
Laundry and vending	$ 1,893	$ 2,151
Tenant charges	286	420
Damages income	3,523	75
Late fees	2,753	3,041
Real estate tax reimbursement	88,041	79,787
Operating subsidy	118,190	142,108
Miscellaneous other operating income	2,613	7,476
Total other operating income	$ 217,299	$ 235,058
Salaries and employee benefits		
Salaries - administrative	$ 17,159	$ 8,697
Salaries - maintenance	85,693	102,723
Health insurance and other benefits	46,188	50,580
Total salaries and employee benefits	$ 149,040	$ 162,000
Repairs and maintenance		
Supplies	$ 31,323	$ 25,161
Repairs and maintenance - other than contracts	22	5,526
Repairs and maintenance - contracts	155,645	125,314
Miscellaneous maintenance expenses	3,137	7,737
Total repairs and maintenance	$ 190,127	$ 163,738

The Green Limited Partnership

Schedules of Certain Income and Expenses
Years Ended December 31, 2017 and 2016

	2017	2016
Utilities		
Electricity	$ 82,054	$ 81,892
Water	49,289	55,256
Trash removal	9,463	12,589
Gas	20,405	18,914
Total utilities	$ 161,211	$ 168,651
Miscellaneous operating expenses		
Office supplies and expense	$ 1,945	$ 1,185
Other rent expense	5,764	-
Condominium fees	44,370	36,264
Bank charges	106	90
Tenant service expense	64,870	28,895
Miscellaneous administrative	8,827	4,610
Legal	2,694	5,076
Audit	10,990	10,881
Other professional fees	27,625	12,370
Other taxes, licenses and insurance	3,824	3,531
Total miscellaneous operating expenses	$ 171,015	$ 102,902
Interest expense - other loans		
Interest expense - Capital Fund Program Loan	$ 10,969	$ 10,969
Interest expense - Housing Trust Fund Loan	30,575	30,575
Interest expense - Private Financing Fund Loan	2,168	2,168
Interest expense - Public Housing Fund Loan	447	447
Total interest expense - other loans	$ 44,159	$ 44,159
Other financial income (expense)		
Miscellaneous financial income	$ 369	$ 250
Total other financial income (expense)	$ 369	$ 250
Other related party fees and expenses		
Partnership administration fee	$ -	$ 40,521
Total other related party fees and expenses	$ -	$ 40,521

See Independent Auditor's Report.

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