

Waterview Park Apartments, L.L.C.
Statements of Financial Position
December 31, 2006 and 2005

ASSETS		
	<u>2006</u>	<u>2005</u>
Real estate, net of accumulated depreciation	\$ 38,195,614	\$ 40,530,728
Cash	92,582	41,813
Accounts receivable	19,897	49,963
Prepaid insurance	112,902	124,071
Restricted cash held in trust	52,240	133,612
Escrowed funds held by trustee	7,551,404	7,638,008
	<u>46,024,639</u>	<u>48,518,195</u>
Intangible assets, net of accumulated amortization	<u>3,160,064</u>	<u>3,300,135</u>
TOTAL ASSETS	<u>\$ 49,184,703</u>	<u>\$ 51,818,330</u>

LIABILITIES AND NET DEFICIT		
Bonds payable	\$ 52,930,000	\$ 53,825,000
Accrued interest on bonds	1,294,890	1,314,067
Accounts payable and accrued expenses	764,471	301,615
Ground leases payable	382,085	417,287
Deferred management fees payable	157,350	149,905
Issuer and trustee fees payable	23,662	44,322
Prepaid rents	222,909	66,863
Resident security deposits	134,231	129,642
Total Liabilities	<u>55,909,598</u>	<u>56,248,701</u>
Net deficit	<u>(6,724,895)</u>	<u>(4,430,371)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 49,184,703</u>	<u>\$ 51,818,330</u>

The accompanying notes are an integral part of these financial statements.

Waterview Park Apartments, L.L.C.
Statements of Activities and Changes in Net Deficit
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Gross potential market rents	\$ 6,072,606	\$ 5,944,607
Vacancy loss	(175,740)	(146,985)
Net Rental Revenue	<u>5,896,866</u>	<u>5,797,622</u>
Other income from residents	125,960	104,327
Investment income on escrowed funds	325,721	267,216
Other income	6,131	17,162
Total Revenues	<u>6,354,678</u>	<u>6,186,327</u>
Operating Expenses		
Salaries, wages, taxes and benefits	613,729	515,563
Utilities	640,202	644,045
Operations and maintenance	493,438	284,911
Property and liability insurance	138,504	143,133
Management fees	314,695	299,810
Leasing and marketing	32,701	43,031
Administrative and partnership expenses	154,638	230,134
Total Operating Expenses	<u>2,387,907</u>	<u>2,160,627</u>
Revenues in excess of operating expenses	<u>3,966,771</u>	<u>4,025,700</u>
Financial Expenses		
Interest expense on bonds	2,609,911	2,637,350
Amortization of bond issuance costs	118,667	120,686
Ground leases	382,085	417,287
Issuer and trustee fees	12,693	6,451
Total Financial Expenses	<u>3,123,356</u>	<u>3,181,774</u>
Revenues in excess of operating and financial expenses	<u>843,415</u>	<u>843,926</u>
Depreciation Expense	<u>2,605,433</u>	<u>2,469,098</u>
Nonrecurring Expenses		
Unit replacements	116,041	92,350
Interior replacements	209,115	167,374
Exterior replacements	207,350	103,879
Total Nonrecurring Expenses	<u>532,506</u>	<u>363,603</u>
Decrease in net assets	(2,294,524)	(1,988,775)
Net deficit, beginning of year	<u>(4,430,371)</u>	<u>(2,441,596)</u>
Net deficit, end of year	<u>\$ (6,724,895)</u>	<u>\$ (4,430,371)</u>

The accompanying notes are an integral part of these financial statements.

Waterview Park Apartments, L.L.C.
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities	\$ (2,294,524)	\$ (1,988,775)
Decrease in net assets		
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,724,100	2,589,784
Amortization of original issue discount	21,403	10,493
Increase in assets:		
Accounts receivable	30,066	(15,636)
Prepaid expenses	97,130	(113,724)
Increase (decrease) in liabilities:		
Accounts payable	462,855	266,482
Accrued expenses and other liabilities	(48,417)	26,110
Accrued interest on bonds	(19,176)	(16,062)
Prepaid rents	156,046	10,324
Net Cash Provided by Operating Activities	<u>1,129,483</u>	<u>768,996</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	(270,318)	(434,450)
Decrease in escrowed funds held by trustee, net	86,604	244,085
Net Cash Provided (Used) by Investing Activities	<u>(183,714)</u>	<u>(190,365)</u>
 Cash Flows From Financing Activities		
Principal payments on bonds	<u>(895,000)</u>	<u>(860,000)</u>
 Net Increase (Decrease) in Cash	50,769	(281,369)
 Cash, beginning of year	<u>41,813</u>	<u>323,182</u>
 Cash, end of year	<u><u>\$ 92,582</u></u>	<u><u>\$ 41,813</u></u>
 Supplemental Information		
Interest paid	<u><u>\$ 2,607,684</u></u>	<u><u>\$ 2,642,920</u></u>

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