



REPORT OF INDEPENDENT AUDITORS

To the Partners of
Walton Oaks Family 2, L.P.
2181 Newmarket Parkway
Marietta, GA 30067

Report on the Final Cost Certification

We have audited the accompanying Georgia Department of Community Affairs (“DCA”) final cost certification (the “Final Cost Certification”) for Walton Oaks Family 2 (the “Project”), prepared and executed by the management of Walton Oaks Family 2, L.P. (the “Partnership”).

Management’s Responsibility for the Final Cost Certification

Management is responsible for the preparation and fair presentation of the Final Cost Certification in accordance with accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in accordance with the format and Qualified Allocation Plan rules set forth by the DCA, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Final Cost Certification that is free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Final Cost Certification 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 Final Cost Certification is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Cost Certification. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the Final Cost Certification, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the Final Cost Certification 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 Final Cost Certification.

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 Final Cost Certification presents fairly, in all material respects, the total cost of \$12,770,311 and eligible basis of \$11,010,880 of the Partnership as of February 28, 2015, on the basis of accounting described above.

Restriction on Use

This report is intended solely for the information and use of the Partnership and the Partnership's management and for filing with the DCA and should not be used for any other purpose.

We have no financial interest in the Partnership other than in the practice of our profession.

Nowgradac & Company LLP

March 30, 2015

PART FOUR - USES OF FUNDS - WALTON OAKS FAMILY 2 - 2012-019

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

			TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
PRE-DEVELOPMENT COSTS			PRE-DEVELOPMENT COSTS				
Property Appraisal			6,000	6,000	-	-	-
Market Study			7,400	7,400	-	-	-
Environmental Report(s)			7,650	7,650	-	-	-
Soil Borings			-	-	-	-	-
Boundary and Topographical Survey			10,000	10,000	-	-	-
Zoning/Site Plan Fees			-	-	-	-	-
Other: Construction Cost Review			7,285	7,285	-	-	-
		Subtotal	38,335	38,335	-	-	-
ACQUISITION			ACQUISITION				
Land			-				-
Demolition			-				-
Acquisition Legal Fees (if existing structures)			-		-		-
Existing Structures			-		-		-
		Subtotal	-		-		-
SITE IMPROVEMENTS			SITE IMPROVEMENTS				
Site Preparation (On-site)			1,420,716	984,983	-	-	435,733
Site Preparation (Off-site)			-	-	-	-	-
		Subtotal	1,420,716	984,983	-	-	435,733
UNIT/BUILDING CONSTRUCTION			UNIT/BUILDING CONSTRUCTION				
Unit/Building Construction/New Construction			7,105,819	7,105,819	-	-	-
Unit/Building Construction/Rehab			-	-	-	-	-
Project Amenities / Accessory Buildings			-	-	-	-	-
Other:			-	-	-	-	-
		Subtotal	7,105,819	7,105,819	-	-	-
CONTRACTOR SERVICES			CONTRACTOR SERVICES				
Builder's Overhead:	2.00%	170,530	170,308	170,308	-	-	-
Builder Profit:	6.00%	511,592	510,925	510,925	-	-	-
General Requirements	6.00%	511,592	536,604	511,592	-	-	25,012
Payment/performance bond or letter-of-credit fee or premium			-	-	-	-	-
		Subtotal	1,217,837	1,192,825	-	-	25,012
<i>Total Construction Costs</i>							
		<i>91,928.04 per unit</i>					
		<i>9,744,372</i>					
		<i>85.04 per sq ft</i>					

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee	-	-	-	-	-
Construction Loan Interest	37,340	12,283	-	-	25,057
Construction Legal Fees	73,000	59,309	-	-	13,691
Construction Period Real Estate Tax	-	-	-	-	-
Construction Insurance	35,349	28,719	-	-	6,630
Bridge Loan Fee and Bridge Loan Interest	-	-	-	-	-
Other:	-	-	-	-	-
Subtotal	145,689	100,311	-	-	45,378
PROFESSIONAL SERVICES					
Architectural Fee - Design	159,806	159,806	-	-	-
Architectural Fee - Supervision	-	-	-	-	-
Engineering	42,969	42,969	-	-	-
Real Estate Attorney	-	-	-	-	-
Accounting	24,542	24,542	-	-	-
Other: <u>Landscape Architect, Couriers, Other Consultants</u>	56,470	56,470	-	-	-
Subtotal	283,787	283,787	-	-	-
LOCAL GOVERNMENT FEES					
Building Permits	36,620	36,620	-	-	-
Impact Fees	-	-	-	-	-
Water Tap Fees <i>waived?</i>	<i>No</i>	-	-	-	-
Sewer Tap Fees <i>waived?</i>	<i>No</i>	-	-	-	-
Real Estate Taxes	-	-	-	-	-
Subtotal	36,620	36,620	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	-	-	-	-	-
Permanent Loan Legal Fees	-	-	-	-	-
Title and Recording Fees	32,423	-	-	-	32,423
As-Built Survey	4,200	4,200	-	-	-
Bond Issuance Premium	-	-	-	-	-
Cost of Issuance / Underwriter's Discount	-	-	-	-	-
Other: <u>Mortgage Inspection Fees</u>	14,850	-	-	-	14,850
Subtotal	51,473	4,200	-	-	47,273

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS				DCA-RELATED COSTS	
DCA Loan Application Fee	-				-
Tax Credit Application Fee	9,000				9,000
DCA Waiver Fees	-				-
LIHTC Allocation Processing Fee	63,000				-
LIHTC Compliance Monitoring Fee	73,500				-
DCA Front End Analysis Fee (when ID of Interest)	-				-
DCA Final Inspection Fee	-				-
Other: Tax Credit Reservation Fee	156,800				156,800
Subtotal	165,800				165,800
EQUITY COSTS				EQUITY COSTS	
Partnership Organization Fees	21,025				21,025
Tax Credit Legal Opinion	171,049				171,049
Other:	-	-	-	-	-
Subtotal	192,074	-	-	-	192,074
DEVELOPER'S FEE				DEVELOPER'S FEE	
Developer's Overhead	319,960	319,960	-	-	-
Consultant's Fee	-	-	-	-	-
Developer's Fee	944,040	944,040	-	-	-
Subtotal	1,264,000	1,264,000	-	-	-
START-UP AND RESERVES				START-UP AND RESERVES	
Marketing	9,339				9,339
Rent -Up Reserves	255,133				255,133
Operating Deficit Reserve:	413,600				413,600
Replacement Reserve	-				-
Furniture, Fixtures and Equipment	-	-	-	-	-
Other: Working Capital Reserve	170,089	-	-	-	170,089
Subtotal	848,161	-	-	-	848,161
OTHER COSTS				OTHER COSTS	
Relocation	-	-	-	-	-
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Subtotal	-	-	-	-	-
TOTAL DEVELOPMENT COST	12,770,311	11,010,880	-	-	1,759,431
Per Unit	120,475				
Per Square Foot	111.45				

II. TAX CREDIT CALCULATION - BASIS METHOD

Subtractions From Eligible Basis

Amount of federal grant(s) used to finance qualifying development costs
 Amount of federal below market rate loan
 Amount of nonqualified nonrecourse financing
 Costs of Nonqualifying units of higher quality
 Nonqualifying excess portion of higher quality units
 Historic Tax Credit (Residential Portion Only)
 Other

Total Subtractions From Basis:

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-

Eligible Basis Calculation

Total Basis
 Less Total Subtractions From Basis (see above)
 Total Eligible Basis
 Eligible Basis Adjustment for DDA/QCT Location
 Adjusted Eligible Basis
 Multiply Adjusted Eligible Basis by Applicable Fraction
 Qualified Basis
 Multiply Qualified Basis by Applicable Credit Percentage
 Maximum Tax Credit Amount
 Total Basis Method Tax Credit Calculation

Total Basis	11,010,880	-	-
Less Total Subtractions From Basis (see above)	-		-
Total Eligible Basis	11,010,880	-	-
Eligible Basis Adjustment for DDA/QCT Location	130.00%		130.00%
Adjusted Eligible Basis	14,314,144	-	-
Multiply Adjusted Eligible Basis by Applicable Fraction	100.00%	100.00%	100.00%
Qualified Basis	14,314,144	-	-
Multiply Qualified Basis by Applicable Credit Percentage	9.00%	0.00%	0.00%
Maximum Tax Credit Amount	1,288,273	-	-
Total Basis Method Tax Credit Calculation		1,288,273	

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation

Total Development Cost
 Subtract Non-LIHTC (excluding deferred fee) Source of Funds
 Equity Gap
 Divide Equity Gap by 10
 Annual Equity Required
 Enter Final Federal and State Equity Factors (not including GP contribution)
 Total Gap Method Tax Credit Calculation

Total Development Cost	12,770,311		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	1,800,000		
Equity Gap	10,970,311		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	1,097,031	Federal	State
Enter Final Federal and State Equity Factors (not including GP contribution)	1.2100	= 1.0000	+ 0.2100
Total Gap Method Tax Credit Calculation	906,637		

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

2012

900,000

V. FINAL TAX CREDIT ALLOCATION REQUEST

900,000

I certify that all information provided above is true, correct, complete and reflects the full extent of all project costs and eligible basis which apply (or are expected to apply) to the above-mentioned development.

Owner Signature

Name - Please Type

Date

March 30, 2015

Mr. Jacob Oglesby
Walton Oaks Family 2, L.P.
2181 Newmarket Parkway
Marietta, GA 30067

To the Managers of Walton Oaks Family 2, L.P.:

We have audited the accompanying Georgia Department of Community Affairs Final Cost Certification (the "Final Cost Certification") as of February 28, 2015 for Walton Oaks Family 2, L.P. (the "Partnership"), pertaining to Walton Oaks Family 2 (the "Project"), and have issued our report thereon dated March 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 19, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No estimates were included in the Final Cost Certification.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Mr. Jacob Oglesby
March 30, 2015
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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Final Cost Certification or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 30, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's Final Cost Certification or a determination of the type of auditor's opinion that may be expressed on the Final Cost Certification, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Project's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the management of Walton Oaks Family 2, L.P. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



NOVOGRADAC & COMPANY LLP