

REPORT OF INDEPENDENT AUDITORS

To the Partners of
Legacy at Walton Oaks 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 Legacy at Walton Oaks 2 Apartments (the “Project”), prepared and executed by the management of Legacy at Walton Oaks 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.

Basis for Qualified Opinion

We were unable to examine evidence to support the actual funding of the reserves by the Partnership. The Partnership anticipates funding the partnership ACC reserve in the amount of \$76,800, the affordability period reserve in the amount of \$350,000, and the reserve for a new pump in the amount of \$170,000 (collectively, the "Reserves"). As of February 12, 2016, the Reserves had not been funded. We were also unable to examine evidence to support the actual payment of construction costs in the amount of \$13,920. As of February 12, 2016, these costs had not been paid.

Qualified Opinion

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient appropriate audit evidence to support the funding of the Reserves and the payment of construction costs, as discussed in the Basis for Qualified Opinion paragraph, the Final Cost Certification presents fairly, in all material respects, the total development cost of \$9,940,525 and eligible basis of \$8,157,509 of the Partnership as of February 12, 2016, 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.

Norwegian & Company LLP

February 12, 2016

PART FOUR - USES OF FUNDS - LEGACY at WALTON OAKS 2 - 2013-015

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					
Property Appraisal	7,250	7,250	-	-	-
Market Study	5,370	5,370	-	-	-
Environmental Report(s)	7,000	7,000	-	-	-
Soil Borings	-	-	-	-	-
Boundary and Topographical Survey	350	350	-	-	-
Zoning/Site Plan Fees	-	-	-	-	-
Other: <u>Construction Cost Review and Amenities Pre-Approval Fees</u>	3,898	3,898	-	-	-
Subtotal	23,868	23,868	-	-	-
ACQUISITION					
Land	-	-	-	-	-
Demolition	-	-	-	-	-
Acquisition Legal Fees (if existing structures)	-	-	-	-	-
Existing Structures	-	-	-	-	-
Subtotal	-	-	-	-	-
SITE IMPROVEMENTS					
Site Preparation (On-site)	687,274	369,252	-	-	318,022
Site Preparation (Off-site)	-	-	-	-	-
Subtotal	687,274	369,252	-	-	318,022
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	5,576,436	5,493,359	-	-	83,077
Unit/Building Construction/Rehab	-	-	-	-	-
Project Amenities / Accessory Buildings	-	-	-	-	-
Other: <u>Easement Agreement</u>	90,000	-	-	-	90,000
Subtotal	5,666,436	5,493,359	-	-	173,077
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	125,274	125,274	-	-	2,085
Builder Profit: 6.00%	375,822	375,822	-	-	6,256
General Requirements 6.00%	375,822	375,822	-	-	6,255
Payment/performance bond or letter-of-credit fee or premium	-	-	-	-	-
Subtotal	876,918	862,322	-	-	14,596
Total Construction Costs	7,230,628	116,623.03 per unit			123.49 per sq ft

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee	13,000	5,420	-	-	7,580
Construction Loan Interest	-	-	-	-	-
Construction Legal Fees	10,000	4,170	-	-	5,830
Construction Period Real Estate Tax	-	-	-	-	-
Construction Insurance	17,895	7,460	-	-	10,435
Bridge Loan Fee and Bridge Loan Interest	-	-	-	-	-
Other:	-	-	-	-	-
Subtotal	40,895	17,050	-	-	23,845
PROFESSIONAL SERVICES					
Architectural Fee - Design	158,194	158,194	-	-	-
Architectural Fee - Supervision	-	-	-	-	-
Engineering	29,406	29,406	-	-	-
Real Estate Attorney	5,184	384	-	-	4,800
Accounting	37,217	37,217	-	-	-
Other: <u>Landscape Architect, Couriers, Other Consultants</u>	62,171	62,171	-	-	-
Subtotal	292,172	287,372	-	-	4,800
LOCAL GOVERNMENT FEES					
Building Permits	22,491	22,491	-	-	-
Impact Fees	-	-	-	-	-
Water Tap Fees <i>waived?</i>	-	-	-	-	-
Sewer Tap Fees <i>waived?</i>	-	-	-	-	-
Real Estate Taxes	-	-	-	-	-
Subtotal	22,491	22,491	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees	-	-	-	-	-
Permanent Loan Legal Fees	-	-	-	-	-
Title and Recording Fees	27,199	-	-	-	27,199
As-Built Survey	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Cost of Issuance / Underwriter's Discount	-	-	-	-	-
Other: <u>Mortgage Inspection Fees</u>	8,250	-	-	-	8,250
Subtotal	35,449	-	-	-	35,449

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS					
DCA Loan Application Fee	-				-
Tax Credit Application Fee	7,500				7,500
DCA Waiver Fees	-				-
LIHTC Allocation Processing Fee	46,887				-
LIHTC Compliance Monitoring Fee	49,600				49,600
DCA Front End Analysis Fee (when ID of Interest)	-				-
DCA Final Inspection Fee	3,000				3,000
Other: Tax Credit Reservation Fee	55,040				55,040
Subtotal	115,140				115,140
EQUITY COSTS					
Partnership Organization Fees	600				600
Tax Credit Legal Opinion	155,000				155,000
Other: Tax Credit Origination Fee	20,000	-	-	-	20,000
Subtotal	175,600	-	-	-	175,600
DEVELOPER'S FEE					
Developer's Overhead	216,359	216,359	-	-	-
Consultant's Fee	-	-	-	-	-
Developer's Fee	865,436	865,436	-	-	-
Subtotal	1,081,795	1,081,795	-	-	-
START-UP AND RESERVES					
Marketing	8,916				8,916
Rent -Up Reserves	141,968				141,968
Operating Deficit Reserve:	426,800				426,800
Replacement Reserve	31,000				31,000
Furniture, Fixtures and Equipment	1,835	-	-	-	1,835
Other: Working Capital Reserve and Reserve for Future Capital Replacements	311,968	-	-	-	311,968
Subtotal	922,487	-	-	-	922,487
OTHER COSTS					
Relocation	-	-	-	-	-
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Subtotal	-	-	-	-	-
TOTAL DEVELOPMENT COST	9,940,525	8,157,509	-	-	1,783,016
Per Unit	160,331				
Per Square Foot	169.77				

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

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
-	-		-
-	-		-
-	-		-
-	-		-
-	-		-
-	-		-
-	-		-
Total Subtractions From 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

8,157,509	-	-
-		-
8,157,509	-	-
130.00%		130.00%
10,604,762	-	-
100.00%	100.00%	100.00%
10,604,762	-	-
9.00%	0.00%	0.00%
954,429	-	-
954,429		

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

9,940,525		
1,300,000		
8,640,525		
/ 10		
864,053		
1.2900	=	Federal
669,808		0.9700
		+ State
		0.3200

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year

688,000

V. FINAL TAX CREDIT ALLOCATION REQUEST

669,808

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

Jacob Oglesby
 Name - Please Type

 Date

