

Tax Credit Audit Report

To the Partners of _____ L.P. (the "Partnership")
and to the New Jersey Housing and Mortgage Finance Agency ("NJHMFA")

We have audited the attached schedules ("Schedules") detailing the development costs and funding relating to (project name) _____, (HMFA/LITC#) _____ (the "Project"). The Schedules are the responsibility of the Partnership's Management. Our responsibility is to express an opinion on the Schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by the Partnership's Management, as well as evaluating the overall presentation of the Schedules. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared for the purpose of complying with, and on the basis of, the requirements specified by the New Jersey Housing and Mortgage Finance Agency (NJHMFA) and is not intended to be a presentation in conformity with generally accepted accounting principles. These requirements specify that eligible basis, as presented in Schedule C, includes only those costs specified by Section 42 of the Internal Revenue Code of 1986, as amended (the "Code").

In our opinion, the Schedules present fairly, in all material respects, the development costs and funding of the Project in conformity with the basis of accounting described above. We have agreed with our clients that the financial books and records on which the Schedules were prepared may be made available to the NJHMFA and we know that the NJHMFA intends to rely upon the Schedules in its final needs evaluation pursuant to Section 42(m)(2) of the Code.

- < We understand that the Partnership has obtained tax-exempt bond financing through the NJHMFA and in conjunction with such financing are seeking "volume cap tax credits," pursuant to the Code. We have been asked to provide an opinion that the Project has met the "50% aggregate basis test" described in Section 42(h)(4)(B) of the Code.

We have prepared the Schedule of Development Costs and Aggregate Basis, attached hereto as Schedule K, in accordance with the audit. Based upon this document, our audit and upon guidance provided in the Code, it is our opinion that _____% of the aggregate basis of each building in the project, plus land, has been financed by tax-exempt bonds subject to volume cap. >

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

This report is intended solely for the information and use of the Partnership's Management and NJHMFA and is not intended to be and should not be used by anyone other than these specified parties.

SCHEDULES

SCHEDULE A:	EQUITY CONTRIBUTIONS
SCHEDULE B:	BUILDINGS
SCHEDULE C:	BREAKDOWN OF COSTS & BASIS
SCHEDULE D:	DETAILS TO THE BREAKDOWN OF COSTS & BASIS
SCHEDULE E:	CONSTRUCTION DEBT FUNDING
SCHEDULE F:	BRIDGE DEBT FUNDING
SCHEDULE G:	PERMANENT DEBT FUNDING
SCHEDULE H:	EXPENDITURES TOWARD MINORITY AND WOMEN BUSINESS ENTERPRISES CERTIFIED BY THE DEPARTMENT OF COMMERCE
SCHEDULE I:	STEP-IN-SHOES BASIS
SCHEDULE J:	ANTICIPATED BUILD-OUT COSTS INCLUDED IN ELIGIBLE BASIS WITH COPIES OF SUPPORTING EXECUTED CONTRACTS
SCHEDULE K:	AGGREGATE BASIS PERCENTAGE

NOTES:

The NJHMFA Audit Division will accept Schedules A to K for projects with NJHMFA permanent take-out financing. For projects with any construction financing from the NJHMFA, please contact the NJHMFA Audit Division at (609) 278-7426 for instructions.

Schedules H to J must be included if applicable.

Schedule K must be completed for each building receiving volume cap tax credits.

NJHMFA reserves the right to require additional documentation.

ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REGULATIONS GOVERNING THE LOW INCOME HOUSING TAX CREDIT

1. Business Purpose and Organization

_____, L.P. (the "Partnership") was formed as a limited partnership under the laws of the State of New Jersey on _____. The purpose of the Partnership included the acquisition of property and the construction and operation of a housing project consisting of _____ residential rental units for (*families / seniors / a special needs population*) (*and describe any commercial space*). The property is located at _____, _____ (*municipality*), _____ (*county*), _____, NJ.

2. Basis of Presentation

These Schedules have been prepared utilizing the format prescribed by NJHMFA. The purpose of these Schedules is to facilitate the review and determination of the project's compliance with both the _____ (*year*) Qualified Allocation Plan ("Plan") and the project's _____ (*year*) Application for Tax Credits ("Application"), and its eligible basis for the low income housing tax credit, as described below.

3. Accounting Method

The Company records transactions in compliance with, and on the basis of, the requirements specified by the NJHMFA. Capitalized costs have been designated between acquisition, construction and other non-qualifying uses to conform to the Internal Revenue Code of 1986, as amended (the "Code"). The presentation is not intended to be in conformity with generally accepted accounting principles.

4. Related Party Transactions

(All transactions involving related parties to the General Partner(s), Developer(s), and/or General Contractor must be disclosed in accordance with Generally Accepted Accounting Principles.)

5. Low Income Housing Tax Credit

The Project received a (carryover allocation of / determination letter regarding) low income housing tax credits from the NJHMFA amounting to \$_____ per year. (The Project's location in a (qualified census tract / difficult development area) resulted in a 130% increase in eligible basis on which the tax credits were calculated.) The aforementioned amount is subject to the NJHMFA's needs analysis under Section 42(m) of the Code.

SCHEDULE H: EXPENDITURES TOWARD CERTIFIED MINORITY AND WOMEN BUSINESS ENTERPRISES

The following expenditures were incurred by the Partnership in developing the Project, specifically for services rendered by the general contractor, subcontractors, or material suppliers. All firms receiving the remuneration cited below are qualified by the New Jersey Department of Commerce as Minority or Women Owned Business Enterprises ("MBE/WBE")

Firm	Dept. of Commerce Certificate Number	Work Performed	Expenditure
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
=====			
TOTAL			\$ _____
TOTAL CONSTRUCTION COST UNADJUSTED FOR CHANGE ORDERS			\$ _____

The total expenditures on MBE/WBE stated above represent ____% of total construction cost incurred by the Partnership in the development of the Project. This percentage meets (exceeds) 15% of the original construction contract amount which was agreed to by the Partnership as a condition of the allocation of tax credits.