

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018



**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
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DECEMBER 31, 2018

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## **INDEPENDENT AUDITOR'S REPORT**

To the Partners of  
Sherman and Buena Vista LP:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sherman and Buena Vista LP, a California limited partnership (the Partnership), which comprise the balance sheet as of December 31, 2018, and the related statements of operations, changes in partners' capital, and cash flows for the year 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 Partnership'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 Partnership'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 Sherman and Buena Vista LP as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



## Report on the Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules I 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 the 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.

*Holthouse Carlin & Van Trigt LLP*

Los Angeles, California  
May 15, 2019

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
BALANCE SHEET

**AS OF DECEMBER 31,**

**2018**

**Assets**

**Property, at cost**

Leasehold land improvements	\$ 55,099
Buildings and improvements	14,086,494
Site work	724,727
Personal property	288,200

<b>Total property</b>	<b>15,154,520</b>
Less: accumulated depreciation	(183,946)

<b>Property, net</b>	<b>14,970,574</b>
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Cash and cash equivalents	275,647
Tenant receivables	576
Prepaid expenses and other assets	17,655
Insurance refund receivable	25,023
TCAC refundable deposit	32,855
Prepaid ground lease	3,341,112
Restricted cash	
Tenant security deposits	22,924
TCAC fees, net of accumulated amortization of \$1,179	45,976

<b>Total assets</b>	<b>\$ 18,732,342</b>
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**Liabilities and Partners' Capital**

Notes payable, net of debt issuance costs	\$ 17,386,578
Accounts payable and accrued expenses	14,233
Accrued interest payable	371,066
Accrued asset management fee	2,083
Accrued partnership management fee	8,333
Developer fee payable	560,000
Construction costs payable	152,370
Due to affiliate	5,794
Prepaid rents	997
Tenant security deposits liability	22,924

<b>Total liabilities</b>	<b>18,524,378</b>
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Commitments and contingencies (See Notes)

<b>Partners' capital</b>	<b>207,964</b>
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<b>Total liabilities and partners' capital</b>	<b>\$ 18,732,342</b>
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*See accompanying notes to financial statements.*

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
STATEMENT OF OPERATIONS

<b>AS OF DECEMBER 31,</b>	<b>2018</b>
<b>Revenues</b>	
Tenant rents	\$ 72,334
Tenant subsidies	156,185
Less: vacancies and concessions	(24,788)
<b>Total revenues</b>	<b>203,731</b>
<b>Operating expenses (Schedule I)</b>	
Administrative	48,795
Utilities	5,075
Operating and maintenance	16,569
Ground lease expense	14,249
Taxes and insurance	7,856
<b>Total operating expenses</b>	<b>92,544</b>
<b>Operating income before partnership and financial expenses</b>	<b>111,187</b>
<b>Partnership and financial expenses</b>	
Interest expense	189,969
Asset management fee	2,083
Partnership management fee	8,333
Start-up costs	71,364
<b>Total partnership and financial expenses</b>	<b>271,749</b>
<b>Loss before depreciation and amortization</b>	<b>(160,562)</b>
Depreciation	183,946
Amortization	1,179
<b>Net loss</b>	<b>\$ (345,687)</b>

*See accompanying notes to financial statements.*

**SHERMAN AND BUENA VISTA LP**  
 (A CALIFORNIA LIMITED PARTNERSHIP)  
 STATEMENT OF CHANGES IN PARTNERS' CAPITAL

		<b>General Partner</b>		<b>Limited Partner</b>		<b>Total</b>
<b>Balance, December 31, 2017</b>	\$	100	\$	560,775	\$	560,875
Syndication costs		-		(7,224)		(7,224)
Net loss		(35)		(345,652)		(345,687)
<b>Balance, December 31, 2018</b>	\$	65	\$	207,899	\$	207,964

*See accompanying notes to financial statements.*

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31,**

**2018**

**Operating activities**

Net loss	\$ (345,687)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	183,946
Amortization of TCAC fees	1,179
Amortization of debt issuance costs	32,698
Ground lease expense	14,249
Interest added to principal (Note 4)	62,698
Changes in operating assets and liabilities:	
Tenant receivables	(576)
Prepaid expenses and other assets	(17,655)
Insurance refund receivable	(25,023)
Tenant security deposits	(22,924)
Accounts payable and accrued expenses	14,233
Accrued interest payable	84,121
Accrued asset management fee	2,083
Accrued partnership management fee	8,333
Due to affiliate	4,157
Prepaid rents	997
Tenant security deposits liability	22,924

**Net cash provided by operating activities**

19,753

**Investing activities**

Expenditures for development and construction costs	(4,614,531)
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**Cash used in investing activities**

(4,614,531)

**Financing activities**

Proceeds from notes payable	4,708,763
Expenditures for debt issuance costs	(18,653)
Payment of syndication costs	(7,224)

**Net cash provided by financing activities**

4,682,886

**Net change in cash and cash equivalents**

88,108

Cash and cash equivalents at beginning of year

187,539

**Cash and cash equivalents at end of year**

\$ 275,647

*See accompanying notes to financial statements.*



**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**Supplemental disclosure of cash flow information:**

Cash paid during the year for interest, net of capitalized interest \$ 37,345

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**Supplemental disclosure of noncash investing and financing activities:**

Unpaid construction and development costs \$ 42,887

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Unpaid developer fee accrued during 2018 \$ 160,000

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Unpaid capitalized interest (including capitalized interest added to principal) \$ 335,759

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Capitalized ground lease payments \$ 20,195

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Amortization of debt issuance costs to property \$ 153,042

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*See accompanying notes to financial statements.*

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** Sherman and Buena Vista LP (the Partnership) is a California limited partnership, which was formed on June 23, 2016 and subsequently amended and restated on December 1, 2016. The original partners are as follows: Del Monte Senior LLC, a California limited liability company (the General Partner) and the Housing Authority of the City of Alameda, a public body corporate and politic (the Initial Limited Partner). Effective December 1, 2016, the Housing Authority of the City of Alameda withdrew from the Partnership and NEF Assignment Corporation, an Illinois not-for-profit corporation, was admitted as the Limited Partner.

The Partnership is involved in the acquisition, construction, financing, leasing, and operation of a 31-unit multifamily affordable rental housing project located in Alameda, California (the Project), that was placed-in-service on July 31, 2018.

The Partnership has or will enter into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), The Housing Authority of the City of Alameda (HACA), and the City of Alameda which will govern the ownership, occupancy, tenant income and rents, and management of the Project.

The Amended and Restated Limited Partnership Agreement (Partnership Agreement) has various provisions which determine, among other things, allocations of profits, losses and distributions to partners, the ability to sell or refinance the Project, loans and guarantees, the rights and duties of the General Partner, and other Partnership matters.

The General Partner and Limited Partner's percentage of interest in profits and losses is generally .01% and 99.99%, respectively.

**Method of Accounting** The Partnership's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This method reflects revenue when earned and expenses as incurred. Rental revenue reflects the gross potential rent that may be earned. Vacancy loss and rental concessions are shown separately as a reduction in rental revenue. Advertising and start-up costs (including leasing and organization) are expensed as incurred. Costs incurred during construction are capitalized, including interest and financing costs, and legal fees related to the construction of the Project.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the Partnership considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

**Property** Property is stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

<b>Description</b>	<b>Life</b>
Leasehold land improvements	99 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
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DECEMBER 31, 2018

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The Partnership capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Partnership reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Partnership recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses was recognized in 2018.

**TCAC Fees** TCAC fees are amortized over 15 years, which commenced when the Project was placed-in-service.

**Debt Issuance Costs** Debt issuance costs of \$130,847, net of accumulated amortization of \$204,361 as of December 31, 2018, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense following the placed-in-service date and is calculated using a method that approximates the effective interest method.

**Concentrations of Business and Credit Risk** The Partnership may have exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Partnership believes that its credit risk is not significant.

The Partnership is in the process of obtaining an exemption from real property taxes from the Alameda County Assessor. In the event the County Assessor does not grant the exemption, the Partnership's cash flow would be adversely impacted.

The Partnership rents to seniors who mostly depend on social security benefits for their income as well as rental assistance from governmental agencies. The Partnership is subject to business risks associated with the future funding of governmental public assistance, which affects occupancy as well as tenant' ability to make rental payments.

**Tenant Accounts Receivable** Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Property Management Fee** The Partnership entered into a property management agreement with an unrelated entity. The property management agreement provides for a monthly fee equal to \$55 per unit. Property management fees of \$7,998 were incurred for the year ended December 31, 2018.

**Estimates** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**2. RESERVES**

**Operating Reserve** The Partnership Agreement and loan agreements require an initial funding of an operating reserve of \$245,668 from the Limited Partner capital contributions, which has not occurred as of December 31, 2018.

**Replacement Reserve** The Partnership Agreement and loan agreements require an annual replacement reserve of \$500 per unit (\$15,500 annually), with funding commencing in 2019, the year immediately following the year in which the Project was placed in service.

**3. GROUND LEASE AGREEMENT – HACA**

On December 1, 2016, the Partnership entered into a Ground Lease Agreement (the Agreement) to lease land owned by HACA. The Agreement, which expires December 31, 2115, provided for a prepaid ground lease payment of \$3,410,000, which is evidenced by a note secured by a deed of trust (Note 4). The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheet and is being amortized over the life of the Agreement, commencing upon the start of construction. During 2018, the Partnership incurred annual amortization on the prepaid ground lease of \$34,444, of which \$20,195 was capitalized to property and \$14,249 was expensed.

**4. NOTES PAYABLE**

**As of December 31,** **2018**

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Note payable to Compass Bank (Compass), an Alabama banking corporation, provides construction financing in the maximum amount of \$10,322,328. The note is secured by a Construction and Permanent Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing. The note provides for interest only payments based on one-month LIBOR, as defined, plus 1.80% per annum through the Conversion Date. The interest rate was 4.15% at December 31, 2018. In February 2019, the construction loan was partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of \$2,552,000 with California Community Reinvestment Corporation (CCRC). The Partnership entered into a promissory note agreement with CCRC for the permanent loan, with an interest rate of 5.39%, which requires monthly payments of principal and interest, and matures on March 1, 2034. \$ 10,311,685

Note payable to the City of Alameda (HOME), secured by a subordinate deed of trust, borrowings up to \$195,740, simple interest at 3.00% per annum, payable from Residual Receipts, as defined, and unpaid principal and interest are due on April 1, 2073. 195,740

**SHERMAN AND BUENA VISTA LP**  
(A CALIFORNIA LIMITED PARTNERSHIP)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

<b>As of December 31, December 31,</b>	<b>2018</b>
Note payable to HACA (HACA Loan), in the original amount of \$3,600,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts, as defined; unpaid principal and interest is due December 31, 2073.	3,600,000
Note payable to HACA (HACA Ground Lease Loan), in the original amount of \$3,410,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts, as defined; unpaid principal and interest is due December 31, 2073.	3,410,000
<b>Total notes payable</b>	<b>17,517,425</b>
Less: unamortized debt issuance costs	(130,847)
<b>Total notes payable, net</b>	<b>\$ 17,386,578</b>

At December 31, 2018, anticipated principal repayments of notes payable are as follows:

<b>For the Year Ending December 31,</b>	<b>Amount</b>
2019	\$10,311,685
2020	-
2021	-
2022	-
2023	-
Thereafter	7,205,740
<b>Total</b>	<b>\$17,517,425</b>

The HOME, HACA Loan, and HACA Ground Lease Loan are payable based on available Residual Receipts, as defined in the respective loan agreements. The percentage of Residual Receipts shall be paid as follows: 5.16% to HOME and 94.84% to HACA Loan. Following the repayment in full of the HOME and HACA Loan, 100% of residual receipts is to be allocated to HACA Ground Lease Loan.

An analysis of interest costs for 2018 is as follows:

	<b>Accrued Interest 1/1/18</b>	<b>Interest Expense</b>	<b>Capitalized Interest</b>	<b>Interest Added to Principal</b>	<b>Interest Paid</b>	<b>Accrued Interest 1/1/18</b>
Compass	\$ 14,921	\$ 94,006	\$ 237,139	\$ (272,944)	\$ (37,345)	\$ 35,777
HOME	6,355	4,575	885	-	-	11,815
HACA Loan	86,558	39,429	39,930	-	-	165,917
HACA Ground Lease Loan	80,491	19,261	57,805	-	-	157,557
	<u>\$ 188,325</u>	157,271	<u>\$ 335,759</u>	<u>\$ (272,944)</u>	<u>\$ (37,345)</u>	<u>\$ 371,066</u>
Amortization of debt issuance costs		32,698				
<b>Total interest expense</b>		<u>\$ 189,969</u>				

**5. RELATED PARTY TRANSACTIONS**

**Developer Fee** HACA (the Developer) entered into a Development Fee Agreement with the Partnership and is entitled to receive a developer fee of \$800,000 for its development services, all of which was incurred as of December 31, 2018. As of December 31, 2018, \$560,000 remains unpaid. The developer fee is expected to be paid from future Limited Partner capital contributions and Cash Flow, as defined.

**Asset Management Fee** In accordance with Partnership Agreement, the Asset Manager, an affiliate of the Limited Partner, is to receive an annual asset management fee of \$5,000 for property management oversight, tax credit monitoring, and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Asset management fees of \$2,083 were incurred in 2018 and remain unpaid as of December 31, 2018.

**Partnership Management Fee** In accordance with the Partnership Agreement, the General Partner is to receive an annual partnership management fee of \$20,000 for property management oversight, tax credit compliance monitoring and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Partnership management fees of \$8,333 were incurred in 2018 and remain unpaid as of December 31, 2018.

**Rental Subsidies** The Project has entered into a Housing Assistance Payment (HAP) contract with HACA. The contract is subject to renewal as it expires. The current term of the HAP contract is for the period commencing August 2018 and shall run for a period of fifteen years. In accordance with the HAP contract, the amount of each tenant's subsidy varies depending on the income of each tenant. The aggregate amount earned under the HAP contract was \$156,185 for the year ended December 31, 2018.

**Due to Affiliate** As of December 31, 2018, \$5,794 is due to the General Partner for expenses paid by the General Partner on behalf of the Partnership. In addition, included in construction costs payable as of December 31, 2018 is \$110,383 of construction and development costs paid by the General Partner on behalf of the Partnership.

**6. CAPITAL CONTRIBUTIONS**

Pursuant to the First Amendment to Amended and Restated Limited Partnership Agreement dated February 20, 2019, the General Partner will make capital contributions of \$250,100, as adjusted. Pursuant to the Partnership Agreement, the Limited Partner anticipates making capital contributions of \$9,267,044, subject to certain adjustments as defined in the Partnership Agreement. The Partnership has received \$651,069 in Limited Partner capital contributions and anticipates receiving the balance of the Limited Partner capital in 2019.

**7. INCOME TAXES AND LOW-INCOME HOUSING TAX CREDITS**

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners 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. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the

Partnership has no other tax positions which must be considered for disclosure. The Partnership is subject to income tax examinations by tax authorities for the 2016 and 2017 tax years. There are no tax examinations currently pending.

The Partnership has received an allocation of federal low-income housing tax credits from TCAC, which are available only to the extent the Partnership complies with the Internal Revenue Service's tax credit regulations. The General Partner is responsible to ensure that the Partnership satisfies such requirements and has made certain guarantees to the Limited Partner, which are defined in the Partnership Agreement.

#### **8. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL**

The Partnership has granted its General Partner an option and right of first refusal to purchase the project or the Limited Partner's interest. The purchase option shall commence following the close of the 12<sup>th</sup> year of the low-income housing tax credit compliance period. The purchase price under this option is the greater of the fair market value or the assumption of debt plus all federal and state income taxes due by the limited partner as a result of such sale and any unpaid portion of any credit adjuster payments. The right of first refusal shall be granted following the close of the Compliance period. The purchase price under the right of first refusal is the assumption of debt plus all federal and state income taxes due by the Limited Partner as a result of such sale and any unpaid portion of any credit adjuster payments.

#### **9. GENERAL PARTNER GUARANTEES**

In connection with the development and operations of the Project, the General Partner has made certain guarantees, including an obligation to perform the General Partner's Partnership management duties, complete development of the Project, and provide Operating Deficit guaranties as defined in the Partnership Agreement.

#### **10. CASH FLOW PAYMENT PRIORITIES**

Payment of fees and other expenses contingent on Cash Flow, as defined by the Partnership Agreement, and distributions to partners from Cash Flow shall be disbursed as follows:

- First, to the Limited Partner to pay unpaid portion of any credit adjuster payments;
- Second, to the Asset Manager to pay any accrued and payable Asset Management Fees;
- Third, to pay any accrued and unpaid principal and interest on loans made by the Limited Partner;
- Fourth, to replenish the Operating Reserve Account up to the Operating Reserve Target Amount of \$245,668;
- Fifth, to the Developer to pay any unpaid balance on the Deferred Development Fee;
- Sixth, to repay any accrued and unpaid principal and interest on loans made by the General Partner;

- Seventh, to the General Partner to repay any amounts treated as loans to the Partnership, without interest, by the General Partner for the Development Completion Guaranty or Operating Deficit Guaranty, as defined in the Partnership Agreement;
- Eighth, \$20,000 (increasing annually at 3%) to the General Partner to pay the Partnership Management Fee, on a cumulative basis;
- Ninth, to the payment of any then payable Cash Flow Debt Service Payments;
- Tenth, any remaining amounts distributed to the General Partner and the Limited Partner in accordance with their percentage interests.

**11. SUBSEQUENT EVENTS**

The Partnership has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that, with the exception of the matters described in Notes 2, 4 and 6, there were no subsequent events or transactions that required recognition or disclosure in the financial statements.



## SUPPLEMENTARY INFORMATION

**SHERMAN AND BUENA VISTA LP**

(A CALIFORNIA LIMITED PARTNERSHIP)

## SCHEDULE OF OPERATING EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2018**

Administrative expenses	
Manager's salaries	\$ 9,983
Office expense	5,071
Professional fees - accounting	23,484
Professional fees - legal	160
Property management fees	7,998
Telephone expense	1,667
Miscellaneous administrative expenses	432
<b>Total administrative expenses</b>	<b>\$ 48,795</b>
Utilities expenses	
Electricity	\$ 2,305
Gas	122
Water and sewer	2,648
<b>Total utilities expenses</b>	<b>\$ 5,075</b>
Operating and maintenance expenses	
Janitorial supplies	\$ 287
Maintenance salaries	9,564
Repairs and maintenance	1,499
Trash removal	3,659
Miscellaneous operating and maintenance expenses	
Fire protection expenses	1,560
<b>Total operating and maintenance expenses</b>	<b>\$ 16,569</b>
Ground lease expense	
Ground lease expense	\$ 14,249
<b>Total ground lease expense</b>	<b>\$ 14,249</b>
Taxes and insurance expenses	
Employee benefits	\$ 1,870
Payroll taxes	1,773
Property and liability insurance	1,142
Worker's compensation	634
Miscellaneous taxes and insurance expenses	
State taxes	2,437
<b>Total taxes and insurance expenses</b>	<b>\$ 7,856</b>

*See independent auditor's report.*