SHERMAN AND BUENA VISTA LP

(A CALIFORNIA LIMITED PARTNERSHIP)
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

HOLTHOUSE | CARLIN | VAN TRIGT LLP

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(A CALIFORNIA LIMITED PARTNERSHIP)
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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 sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital, and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Report on the Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules I and II 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 supplementary 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
March 4, 2020

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

AS OF DECEMBER 31,	2019	2018
Assets		
Property, at cost		
Leasehold land improvements	$ 55,099	$ 55,099
Buildings and improvements	14,111,517	14,086,494
Site work	724,727	724,727
Personal property	288,200	288,200
Total property	15,179,543	15,154,520
Less: accumulated depreciation	(632,029)	(183,946)
Property, net	14,547,514	14,970,574
Cash and cash equivalents	473,965	275,647
Tenant accounts receivable	1,303	576
Due from affiliate	7,836	-
Prepaid expenses and other assets	19,270	17,655
Insurance refund receivable	-	25,023
TCAC refundable deposit	32,855	32,855
Prepaid ground lease	3,306,668	3,341,112
Restricted cash		
Operating reserve	245,668	-
Replacement reserve	11,625	-
Tenant security deposits	22,500	22,924
TCAC fees, net	42,911	45,976
Total assets	$ 18,712,115	$ 18,732,342
Liabilities and Partners' Capital		
Notes payable, net of debt issuance costs	$ 9,428,247	$ 17,386,578
Accounts payable and accrued expenses	46,164	14,233
Accrued interest payable	517,448	371,066
Accrued asset management fees	7,233	2,083
Accrued partnership management fees	28,933	8,333
Developer fee payable	40,000	560,000
Construction costs payable	110,383	152,370
Due to affiliate	-	5,794
Prepaid rents	7,632	997
Tenant security deposits liability	22,500	22,924
Total liabilities	10,208,540	18,524,378
Commitments and contingencies (See Notes)		
Partners' capital	8,503,575	207,964
Total liabilities and partners' capital	$ 18,712,115	$ 18,732,342

See accompanying notes to financial statements.

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

FOR THE YEARS ENDED DECEMBER 31,	**2019**	**2018**
Revenues		
Tenant rents	$ 126,845	$ 72,334
Rental subsidies	434,937	156,185
Less: vacancies and concessions	(2,863)	(24,788)
Net rental revenues	558,919	203,731
Other revenue	3,546	-
Total revenues	562,465	203,731
Operating expenses (Schedule I)		
Administrative	109,584	48,795
Utilities	21,017	5,075
Operating and maintenance	51,150	16,569
Ground lease expense	34,444	14,249
Taxes and insurance	32,865	7,856
Total operating expenses	249,060	92,544
Operating income before partnership and financial (income) expenses	313,405	111,187
Partnership and financial (income) expenses		
Interest expense	355,195	189,969
Interest income	(284)	-
Asset management fee	5,150	2,083
Partnership management fee	20,600	8,333
Miscellaneous financial expenses	11,960	-
Start-up costs	-	71,364
Total partnership and financial (income) expenses	392,621	271,749
Loss before depreciation and amortization	(79,216)	(160,562)
Depreciation	448,083	183,946
Amortization	3,065	1,179
Net loss	$ (530,364)	$ (345,687)

See accompanying notes to financial statements.

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

	General Partner	Limited Partner	Total
Balance, December 31, 2017	$ 100	$ 560,775	$ 560,875
Syndication costs	-	(7,224)	(7,224)
Net loss	(35)	(345,652)	(345,687)
Balance, December 31, 2018	65	207,899	207,964
Contributions	250,000	8,575,975	8,825,975
Net loss	(53)	(530,311)	(530,364)
Balance, December 31, 2019	$ 250,012	$ 8,253,563	$ 8,503,575

See accompanying notes to financial statements.

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

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Operating activities		
Net loss	$ (530,364)	$ (345,687)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	448,083	183,946
Amortization of TCAC fees	3,065	1,179
Amortization of debt issuance costs	22,716	32,698
Ground lease expense	34,444	14,249
Interest added to principal (Note 4)	-	62,698
Changes in operating assets and liabilities:		
Tenant accounts receivable	(727)	(576)
Due from affiliate	(7,836)	-
Prepaid expenses and other assets	(1,615)	(17,655)
Insurance refund receivable	25,023	(25,023)
Accounts payable and accrued expenses	31,931	14,233
Accrued interest payable	146,382	84,121
Accrued asset management fee	5,150	2,083
Accrued partnership management fee	20,600	8,333
Due to affiliate	(5,794)	4,157
Prepaid rents	6,635	997
Tenant security deposits liability	(424)	22,924
Net cash provided by operating activities	197,269	42,677
Investing activities		
Expenditures for development and construction costs	(587,010)	(4,614,531)
Cash used in investing activities	(587,010)	(4,614,531)
Financing activities		
Proceeds from notes payable	2,429,400	4,708,763
Payments on notes payable	(10,392,292)	-
Expenditures for debt issuance costs	(18,155)	(18,653)
Contributions	8,825,975	-
Payment of syndication costs	-	(7,224)
Net cash provided by financing activities	844,928	4,682,886
Net change in cash, cash equivalents, and restricted cash	455,187	111,032
Cash, cash equivalents, and restricted cash at beginning of year	298,571	187,539
Cash, cash equivalents, and restricted cash at end of year	$ 753,758	$ 298,571

See accompanying notes to financial statements.

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

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, net of capitalized interest	$ 186,097	$ 37,345
Supplemental disclosure of noncash investing and financing activities:		
Unpaid construction and development costs	$ -	$ 42,887
Unpaid developer fee accrued during 2018	$ -	$ 160,000
Unpaid capitalized interest (including capitalized interest added to principal)	$ -	$ 335,759
Capitalized ground lease payments	$ -	$ 20,195
Amortization of debt issuance costs to property	$ -	$ 153,042

See accompanying notes to financial statements.

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 entered 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.

Basis of Accounting The Partnership's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual method of accounting is used which reflects revenues when earned and expenses as incurred

Rental Revenue Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases. Residential rental revenues reflect the gross potential rent that may be earned. Vacancies are shown separately as a reduction in residential rent revenues.

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 $20,460 and $7,998 were incurred for the years ended December 31, 2019 and 2018, respectively.

Cash, Cash Equivalents, and Restricted Cash For purposes of the balance sheets and statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows:

As of December 31,	**2019**	**2018**
Cash and cash equivalents	$ 473,965	$ 275,647
Restricted cash:		
Operating reserve	245,668	-
Replacement reserve	11,625	-
Tenant security deposits	22,500	22,924
Cash, cash equivalents, and restricted cash	$ 753,758	$ 298,571

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

Description	**Life**
Leasehold land improvements	99 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

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 were recognized in 2019 and 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 $353,363 and $335,208, net of accumulated amortization of $227,077 and $204,361, as of December 31, 2019 and 2018, respectively, 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 was granted an exemption from real property taxes with the Alameda County Assessor, which must be renewed annually. 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.

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.

Change in Accounting Principle Effective January 1, 2019, the Partnership adopted the provisions of Accounting Standards Update 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18). Under ASU 2016-18, restricted cash and restricted cash equivalents is now included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statements of cash flows. Prior period amounts have been reclassified to conform to the current year presentation, resulting in an increase to net cash provided by operating activities of $22,924 for the year ended December 31, 2018 in the accompanying statements of cash flows.

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 been funded as of December 31, 2019.

Replacement Reserve The Partnership Agreement and loan agreements require an annual replacement reserve of $500 per unit ($15,500 annually), with funding commencing in April 2019.

The following describes the activity in the reserve accounts:

	Balance 1/1/19	Deposits	Interest Earned	Withdrawals/ Fees	Balance 12/31/19
Operating reserve	$ -	$ 245,668	$ -	$ -	$ 245,668
Replacement reserve	-	11,625	-	-	11,625
Total	$ -	$ 257,293	$ -	$ -	$ 257,293

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 leasehold deed of trust (Note 4). The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheets and is being amortized over the life of the Agreement, commencing upon the start of construction. During 2019 and 2018, the Partnership incurred annual amortization on the prepaid ground lease of $34,444 and $14,249, respectively.

4. NOTES PAYABLE

As of December 31,	2019	2018
Note payable to Compass Bank (Compass Loan), 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 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 $2,429,400 with California Community Reinvestment Corporation (CCRC). The Partnership entered into a promissory note agreement with CCRC (CCRC Loan) 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.	$ 2,348,793	$ 10,311,685
Note payable to the City of Alameda (HOME Loan), secured by a subordinate deed of trust, borrowings up to $195,740, simple interest at 3.00% per annum, payable from Residual Receipts and unpaid principal and interest are due on April 1, 2073.	195,740	195,740
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; unpaid principal and interest is due December 31, 2073.	3,600,000	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; unpaid principal and interest is due December 31, 2073.	3,410,000	3,410,000
Total notes payable	9,554,533	17,517,425
Less: unamortized debt issuance costs	(126,286)	(130,847)
Total notes payable, net	$ 9,428,247	$ 17,386,578

At December 31, 2019, anticipated principal repayments of notes payable are as follows:

For the Year Ending December 31,	Amount
2020	$ 112,661
2021	118,885
2022	125,454
2023	132,385
2024	139,700
Thereafter	8,925,448
Total	$ 9,554,533

The HOME Loan, 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 Loan and 94.84% to HACA Loan. Following the repayment in full of the HOME Loan and HACA Loan, 100% of residual receipts is to be allocated to the HACA Ground Lease Loan.

An analysis of interest costs for 2019 and 2018 is as follows:

	Accrued Interest 1/1/19	Interest Expense	Interest Paid	Accrued Interest 1/1/19
Compass Loan	$ 35,777	$ 50,638	$ (86,415)	$ -
CCRC Loan	-	110,232	(99,682)	10,550
HOME Loan	11,815	5,872	-	17,687
HACA Loan	165,917	85,110	-	251,027
HACA Ground Lease Loan	157,557	80,627	-	238,184
	$ 371,066	332,479	$ (186,097)	$ 517,448
Amortization of debt issuance costs		22,716		
Total interest expense		$ 355,195		

	Accrued Interest 1/1/18	Interest Expense	Capitalized Interest	Interest Added to Principal	Interest Paid	Accrued Interest 12/31/18
Compass Loan	$ 14,921	$ 94,006	$ 237,139	$ (272,944)	$ (37,345)	$ 35,777
HOME Loan	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
	$ 188,325	157,271	$ 335,759	$ (272,944)	$ (37,345)	$ 371,066
Amortization of debt issuance costs		32,698				
Total interest expense		$ 189,969				

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, 2019 and 2018, $40,000 and $560,000 remains unpaid, respectively. The developer fee is expected to be paid from future Limited Partner capital contributions and Cash Flow.

Asset Management Fee In accordance with the 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 $5,150 and $2,083 were incurred in 2019 and 2018, respectively. As of December 31, 2019 and 2018, accrued asset management fees were $7,233 and $2,083, respectively.

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 $20,600 and $8,333 were incurred in 2019 and 2018, respectively. As of December 31, 2019 and 2018, accrued partnership management fees were $28,933 and $8,333, respectively.

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 $434,937 and $156,185 for the years ended December 31, 2019 and 2018, respectively.

Due to Affiliate As of December 31, 2018, $5,794 was 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, 2019 and 2018 are $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; all of which were received as of December 31, 2019. 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. Through December 31, 2019, the Partnership has received $9,227,044 in Limited Partner capital contributions and anticipates receiving the balance in 2020.

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 12th 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; and

- 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 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)
SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,		2019		2018
Administrative expenses				
Advertising		$ 155		$ -
Manager's salaries		31,821		9,983
Office expense		10,795		5,071
Professional fees - accounting		21,116		23,484
Professional fees - legal		972		160
Property management fees		20,460		7,998
Telephone expense		4,877		1,667
Other administrative expenses				
Administrative support	$ 8,141		$ 134	
Tenant services	10,422		-	
Miscellaneous administrative expenses	825	19,388	298	432
Total administrative expenses		$ 109,584		$ 48,795
Utilities expenses				
Electricity		$ 9,519		$ 2,305
Gas		102		122
Water and sewer		11,396		2,648
Total utilities expenses		$ 21,017		$ 5,075
Operating and maintenance expenses				
Exterminating		$ 470		$ -
Elevator		1,552		-
Janitorial supplies		1,093		287
Landscaping		5,420		-
Maintenance salaries		26,167		9,564
Repairs and maintenance		2,215		1,499
Trash removal		9,100		3,659
Miscellaneous operating and maintenance expenses				
Fire protection expenses	$ 4,511		$ 1,560	
Miscellaneous operating and maintenance expenses	622	5,133	-	1,560
Total operating and maintenance expenses		$ 51,150		$ 16,569
Ground lease expense				
Ground lease expense		$ 34,444		$ 14,249
Total ground lease expense		$ 34,444		$ 14,249
Taxes and insurance expenses				
Employee benefits		$ 10,251		$ 1,870
Payroll taxes		5,027		1,773
Property and liability insurance		13,640		1,142
Real estate taxes		234		-
Workers' compensation		2,113		634
Miscellaneous taxes and insurance expenses				
Miscellaneous taxes	$ 1,600	1,600	$ 2,437	2,437
Total taxes and insurance expenses		$ 32,865		$ 7,856

See independent auditor's report.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULE OF CASH FLOW

	2019
Operating revenue	
Total revenues, including interest	$ 562,749
Change in tenant receivables	(727)
Change in prepaid rents	6,635
Total operating revenue	568,657
Less:	
Operating expenses	(249,060)
Mandatory debt service	(180,289)
Replacement reserve deposits	(11,625)
Total project expenses	(440,974)
Cash Flow	$ 127,683
Distribution of Cash Flow	
Asset management fees	$ (7,233)
Deferred development fee	(40,000)
General Partner loan (advances)	(80,450)
Total distribution of Cash Flow	$ (127,683)

See independent auditor's report.