

W.P.R. PARTNERSHIP, LTD. D/B/A WILLARD APARTMENTS
(an Ohio limited partnership)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

CONTENTS

	PAGE
<u>INDEPENDENT AUDITORS' REPORT</u>	3
<u>FINANCIAL STATEMENTS:</u>	
Balance Sheets	5
Statements of Operations	6
Statements of Changes in Partners' Equity	7
Statements of Cash Flows	8
<u>NOTES TO THE FINANCIAL STATEMENTS</u>	9-14
<u>SUPPLEMENTARY INFORMATION</u>	
Schedules of Operating Expenses	15



GILMORE, JASION & MAHLER, LTD

Independent Auditors' Report

To the Partners
W.P.R. Partnership, Ltd.
D/B/A Willard Apartments
Toledo, OH

We have audited the accompanying balance sheets of W.P.R. Partnership, Ltd., D/B/A Willard Apartments (an Ohio limited partnership) as of December 31, 2010 and 2009 and the related statements of operations, changes in partners' equity and cash flows, for the years then ended. These financial statements are the responsibility of the Partnership's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W.P.R. Partnership, Ltd., D/B/A Willard Apartments at December 31, 2010 and 2009 and the results of its operations, changes in partners' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 6 to the financial statements, the Partnership has suffered recurring operating losses, its total liabilities exceed its total assets, and the Partnership is not generating sufficient cash flow for timely payment of its mortgages payable. This raises substantial doubt about the Partnership's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information in the schedules of project operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilmore, Jason & Mahler, LTD

APRIL 12, 2011

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
(AN OHIO LIMITED PARTNERSHIP)**

BALANCE SHEETS

December 31, 2010 and 2009

<u>ASSETS</u>	2010	2009
<u>INVESTMENT IN REAL ESTATE:</u>		
Property, at cost:		
Land	\$ 27,000	\$ 27,000
Buildings and improvements	427,280	1,277,280
Furniture, fixtures and appliances	6,317	6,317
	460,597	1,310,597
Less: Accumulated depreciation	(317,654)	(285,722)
NET INVESTMENT IN REAL ESTATE	142,943	1,024,875
Cash - unrestricted	212	385
Cash reserves	26,561	26,663
Tenant deposits - held in trust	4,803	4,850
Accounts receivable	4,990	3,796
	\$ 179,509	\$ 1,060,569
<u>LIABILITIES AND PARTNERS' EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 81,070	\$ 85,856
Accrued real estate taxes	3,080	3,179
Security deposits	4,803	4,850
Deferred and accrued interest	230,174	198,750
Notes payable	505,055	505,055
	824,182	797,690
TOTAL LIABILITIES	824,182	797,690
PARTNERS' EQUITY	(644,673)	262,879
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$ 179,509	\$ 1,060,569

The accompanying notes are an integral part of these financial statements.

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
(AN OHIO LIMITED PARTNERSHIP)**

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2010 and 2009

<u>REVENUES</u>	<u>2010</u>	<u>2009</u>
Rental income	\$ 59,294	\$ 65,082
Other income	4,350	2,091
TOTAL REVENUES	63,644	67,173
<u>OPERATING EXPENSES</u>		
Administrative and personnel	2,823	6,702
Utilities	14,409	16,129
Maintenance	19,185	12,326
Depreciation and amortization	31,932	31,932
Interest expense	31,436	31,819
Bad debt	5,580	5,161
Management fees	3,240	3,240
Real estate taxes	3,059	6,117
Audit and tax return	5,050	6,725
Insurance	4,482	5,000
TOTAL OPERATING EXPENSES	121,196	125,151
Loss on impairment	850,000	0
<u>NET LOSS</u>	<u>\$ (907,552)</u>	<u>\$ (57,978)</u>

The accompanying notes are an integral part of these financial statements.

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
(AN OHIO LIMITED PARTNERSHIP)**

STATEMENTS OF CHANGES IN PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 and 2009

	General Partners	Limited Partner	Total
<u>BALANCE</u>			
December 31, 2008	\$ 2,460	\$ 318,397	\$ 320,857
Net Loss	(58)	(57,920)	(57,978)
December 31, 2009	2,402	260,477	262,879
Net Loss	(908)	(906,644)	(907,552)
<u>BALANCE</u>			
December 31, 2010	\$ 1,494	\$ (646,167)	\$ (644,673)

The accompanying notes are an integral part of these financial statements.

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
(AN OHIO LIMITED PARTNERSHIP)**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Net loss	\$ (907,552)	\$ (57,978)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	31,932	31,932
Loss on impairment	850,000	0
Change in:		
Tenant deposits - held in trust	47	(48)
Accounts receivable	(1,194)	1,980
Accounts payable	(4,786)	111
Accrued real estate taxes	(99)	1,363
Security deposits	(47)	48
Deferred and accrued interest	31,424	20,649
Net cash used in operating activities	<u>(275)</u>	<u>(1,943)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net withdrawals of	<u>102</u>	<u>749</u>
Net cash provided by investing activities	102	749
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on notes payable	<u>0</u>	<u>(3,162)</u>
Net cash used in financing activities	<u>0</u>	<u>(3,162)</u>
NET DECREASE IN CASH	(173)	(4,356)
CASH BEGINNING	<u>385</u>	<u>4,741</u>
CASH ENDING	<u>\$ 212</u>	<u>\$ 385</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 12</u>	<u>\$ 11,170</u>

The accompanying notes are an integral part of these financial statements.

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

ORGANIZATION

W.P.R. Partnership, Ltd., D/B/A Willard Apartments, an Ohio limited partnership, was organized under the Ohio Revised Uniform Limited Partnership Act and commenced the rehabilitation of a fifteen-unit apartment complex in 2000.

The Partnership is organized exclusively to provide housing facilities for persons of low and moderate income, or for persons whose income does not exceed certain limits.

The Property is included in the Low-Income Housing Tax Credit ("LIHTC") program and is governed by Section 42 of the Internal Revenue Code ("IRC"), as amended. In order to maintain the tax benefits associated with the ownership of the Property, LIHTC Program provisions must be followed in the management and operations of the Property during the Compliance Period, as defined in the IRC.

The general partners are Willard Development Corporation (.052%) and W.R. & Associates (.024%) and Resort Rentals (.024%). The limited partner is Key Community Development Corporation (99.9%).

The partnership will terminate on December 31, 2038 or sooner, in accordance with terms in the partnership agreement.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles.

The Partnership keeps its books using the accrual method of accounting. Revenues are recorded as earned and expenses are recorded as incurred.

CONCENTRATION OF CREDIT RISK

The Partnership maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION –
(Continued)

CAPITALIZATION AND DEPRECIATION

Land, buildings, improvements, site development and fixtures are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Land	-
Building and improvements	40
Furniture and fixtures	5-10

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. Management recorded impairment losses amounting to \$850,000 and \$0 in 2010 and 2009, respectively.

INCOME TAXES

Income or loss of the Partnership is allocated one-tenth of one percent (.10%) to the general partners and ninety-nine and nine-tenths percent (99.90%) to the limited partner. No provision has been made for income taxes in the accompanying financial statements, since such taxes, if any, are the liability of the partners on their respective tax returns.

Generally accepted accounting principles provide guidance on accounting for uncertainty in income taxes. Management evaluated the Partnership's tax positions and concluded that the Partnership had taken no uncertain tax positions that require adjustment to the financial statement to comply with the provisions of this guidance. With few exceptions, the Partnership is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION –
(Continued)

STATEMENTS OF CASH FLOWS

For purposes of the Statement of Cash Flows, the Partnership considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE – RECOGNITION OF BAD DEBTS

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding accounts receivable balances at the end of the year, which evaluation is based on historic losses and current economic conditions. The allowance for doubtful accounts at December 31, 2010 and 2009 was \$4,990 and \$3,795 respectively.

RENTAL INCOME AND PREPAID RENTS

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred or classified as liabilities until earned. The Partnership does not accrue interest on past due tenant receivable balances.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through APRIL 12, 2011, the date on which the financial statements were issued, and has determined that there are no events that require disclosure.

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009**

NOTE 2 – LONG-TERM LIABILITIES

At December 31, the Partnership's long-term notes payable consist of the following:

	2010	2009
<p>Note payable to Key Bank, bears interest at 9.5% and is payable in monthly installments of \$1,194 beginning on June 1, 2001 and continuing through June 1, 2016, at which date all remaining unpaid principal and interest is due. Secured by a first mortgage on rental property. Interest accrued through December 31, 2010 and 2009 is \$11,653 and \$904, respectively. The project is 12 months in arrears on its mortgage payments as of December 31, 2010, corresponding to a total amount of \$14,322 unpaid principal and interest.</p>	\$ 114,165	\$ 114,165
<p>Note payable to Preferred Properties, Inc., bears interest at 7.5%. The entire principal balance plus the deferred interest of \$203,926 and \$184,631 at December 31, 2010 and 2009, respectively, is due and payable in September 2034. Repayment of the mortgage loans is based on the availability of sufficient cash flow produced by the Partnership and only after all conditional priority obligations are paid.</p>	310,805	310,805
<p>Deferred developer fee payable to Willard Apartments, Inc. A portion of the deferred developer fee amounting to \$31,000 bears interest at 6.45% and is payable only from available cash flow and only after all conditional priority obligations have been paid. The developer fee payable will be paid before any payment on the mortgages due Preferred Properties, Inc. Deferred interest amounts to \$14,595 and \$13,216 at December 31, 2010 and 2009, respectively.</p>	80,085	80,085
	\$ 505,055	\$ 505,055

Maturities are as follows:

Year Ended December 31	Amount
2011	\$ 7,878
2012	4,534
2013	4,985
2014	5,479
2015	6,023
Thereafter	476,156
	\$ 505,055

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009**

NOTE 3 – RELATED PARTIES

A general partner, Willard Development Corporation, and Preferred Properties Inc. have common ownership or management. Preferred Properties, Inc. holds \$390,900 of debt of the partnership and is the managing agent. The partnership incurred \$3,240 of management fees in 2010 and 2009 respectively, of which \$11,070 and \$7,830 remains unpaid at December 31, 2010 and 2009, respectively.

A general partner, W.R. & Associates, and the project's developer, Willard Apartments, Inc., have common ownership. As discussed more fully at Note 2, the partnership owes a deferred developer fee to Willard Apartments, Inc., in the amount of \$80,085.

An affiliate of the general partner has advanced funds to the partnership. These advances amount to \$79,526 and \$83,655 at December 31, 2010 and 2009, respectively.

NOTE 4 – RESERVES

According to the Partnership Agreement, the Partnership is required to fund certain reserves from development financing proceeds and maintain reserves to the extent of available cash.

The Partnership is required to fund a replacement reserve yearly with a payment of \$200 per unit per year increased by 3%, compounded annually. The required deposit to the replacement reserve for the years ended December 31, 2010 and 2009 is approximately \$3,914 and \$3,800, respectively. During 2010 and 2009, deposits amounting to \$3,755 and \$3,758 were made to this reserve account, respectively.

The Partnership is required to fund an operating reserve as defined in the Partnership Agreement of \$15,000. This reserve has been funded.

Following are the balance of the reserves at December 31:

	<u>Beginning Balance</u> <u>January 1, 2010</u>	<u>Additions</u> <u>and Interest</u>	<u>Withdrawals</u> <u>and Transfers</u>	<u>Ending Balance</u> <u>December 31, 2010</u>
Replacement Reserve	\$ 9,398	\$ 3,755	\$ 3,856	\$ 9,296
Operating Reserve	\$ 17,265	\$ 0	\$ 0	\$ 17,265
	<u>Beginning Balance</u> <u>January 1, 2009</u>	<u>Additions</u> <u>and Interest</u>	<u>Withdrawals</u> <u>and Transfers</u>	<u>Ending Balance</u> <u>December 31, 2009</u>
Replacement Reserve	\$ 10,147	\$ 3,758	\$ 4,507	\$ 9,398
Operating Reserve	\$ 17,265	\$ 0	\$ 0	\$ 17,265

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2010 and 2009**

NOTE 5 – PROPERTY PURCHASE OPTION

The Partnership has or will grant Preferred Properties, Inc., an option to purchase the Partnership's property at the end of the low income housing tax compliance period at a price which would facilitate the purchase while protecting the Partnership's tax benefits from the project. Such option is based on the project general partner or sponsor maintaining the low income occupancy of the project and is in a form satisfactory to legal and accounting counsel.

NOTE 6 – GOING CONCERN

The Partnership had a net loss before depreciation, impairment and amortization of \$25,620 and \$26,046 for the years ended December 31, 2010 and 2009, and had negative operating cash flows due to higher than expected costs and lower than expected rental income. The Partnership is 12 months in arrears on its mortgage payments (see Note 2). Additionally, in 2010, Management recorded an impairment loss amounting to \$850,000.

Management will explore other opportunities to reduce costs and vacancies. Management believes that the Partnership will have sufficient cash flow to meet its obligations during the next year. The financial statements do not include any adjustments that might be necessary if the Partnership is unable to continue as a going concern.

NOTE 7 – CONTINGENCIES

In the normal course of operations, the Partnership may be subject to various tax issues. While the outcome of any such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**W.P.R. PARTNERSHIP, LTD.
D/B/A WILLARD APARTMENTS
(AN OHIO LIMITED PARTNERSHIP)**

SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2010 and 2009

<u>OPERATING EXPENSES</u>	<u>2010</u>	<u>2009</u>
Administrative and personnel		
Office supply	\$ 214	\$ 801
Professional fees	2,186	1,988
Miscellaneous	40	0
Advertising and marketing	383	3,913
	<hr/>	<hr/>
Total administrative and personnel	2,823	6,702
Utilities		
Water and sewer	2,501	2,637
Gas	7,250	8,292
Heating and cooling	1,301	451
Electric	3,357	4,749
	<hr/>	<hr/>
Total utilities	14,409	16,129
Maintenance		
Maintenance	2,520	2,520
Supplies	3,130	3,363
Contracts	7,494	2,909
Snow removal	4,033	1,604
Trash removal	2,008	1,930
	<hr/>	<hr/>
Total maintenance	19,185	12,326
Depreciation and amortization	31,932	31,932
Interest expense	31,436	31,819
Bad debt	5,580	5,161
Management fees	3,240	3,240
Real estate taxes	3,059	6,117
Audit and tax return	5,050	6,725
Insurance	4,482	5,000
	<hr/>	<hr/>
Total operating expenses	\$ 121,196	\$ 125,151
	<hr/> <hr/>	<hr/> <hr/>