

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

AUDITED FINANCIAL STATEMENTS AND
ADDITIONAL FINANCIAL INFORMATION

JUNE 30, 2001

with

INDEPENDENT AUDITORS' REPORT

Audited Financial Statements and
Additional Financial Information

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

June 30, 2001

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
AOF/Augusta Affordable Housing Corp.
Atlanta, Georgia

We have audited the statements of financial position of AOF/Augusta Affordable Housing Corp. (“the Corporation”) as of June 30, 2001 and 2000, and the related statements of activities and changes in unrestricted net liabilities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 AOF/Augusta Affordable Housing Corp. as of June 30, 2001 and 2000, and the results of its activities 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 Corporation will continue as a going concern. As discussed in Note G to the financial statements, the Corporation has incurred significant losses and negative cash flow from operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Atlanta, Georgia
August 30, 2001

STATEMENTS OF FINANCIAL POSITION

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

	June 30	
	2001	2000
ASSETS		
Property and equipment--Note C		
Land and improvements	\$ 569,405	\$ 535,758
Buildings and improvements	7,796,061	7,716,889
Equipment	<u>578,626</u>	<u>505,913</u>
	8,944,092	8,758,560
Accumulated depreciation	<u>728,408</u>	<u>309,639</u>
	8,215,684	8,448,921
Cash and cash equivalents	28,520	196,822
Cash--restricted for tenant security deposits	66,355	27,989
Restricted funds held in trust--Notes B and C	1,535,127	1,775,627
Rents and other receivables	64,977	9,565
Prepaid expenses	45,298	31,165
Loan costs, net of accumulated amortization of \$83,320 in 2001 and \$70,898 in 2000	<u>649,074</u>	<u>661,495</u>
	<u>\$ 10,605,035</u>	<u>\$ 11,151,584</u>
 LIABILITIES AND UNRESTRICTED NET LIABILITIES		
Liabilities:		
Mortgage notes payable--Note C	\$ 10,590,000	\$ 10,590,000
Accounts payable	41,374	158,931
Accrued interest--Note C	231,477	231,477
Accrued expenses--Note E	269,210	328,691
Obligations to project coordinator--Note F	1,033,143	626,907
Tenant security deposits payable	<u>66,055</u>	<u>27,679</u>
	12,231,259	11,963,685
Unrestricted net liabilities	<u>(1,626,224)</u>	<u>(812,101)</u>
	<u>\$ 10,605,035</u>	<u>\$ 11,151,584</u>

See independent auditors' report and notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET LIABILITIES

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

	Year Ended June 30	
	2001	2000
Revenues:		
Net rental income	\$ 1,485,391	\$ 612,083
Other rental income	<u>38,246</u>	<u>24,768</u>
	1,523,637	636,851
Operating expenses:		
Selling and renting	91,041	32,835
Salaries and related expenses	257,248	161,293
Administrative and management	222,173	150,071
Utilities	125,286	101,744
Repairs and maintenance	350,228	138,914
Taxes and insurance	<u>108,218</u>	<u>114,123</u>
	1,154,194	698,980
NET OPERATING INCOME (LOSS)	369,443	(62,129)
Other income (expense):		
Interest income	91,062	172,781
Interest expense	(694,875)	(469,717)
Fees and other entity expenses--Note E	(21,988)	(29,327)
Depreciation	(418,769)	(252,105)
Amortization	<u>(138,996)</u>	<u>(66,026)</u>
	(1,183,566)	(644,394)
CHANGE IN UNRESTRICTED NET LIABILITIES	(814,123)	(706,523)
Unrestricted net liabilities at beginning of year	<u>(812,101)</u>	<u>(105,578)</u>
UNRESTRICTED NET LIABILITIES AT END OF YEAR	<u>\$(1,626,224)</u>	<u>\$ (812,101)</u>

See independent auditors' report and notes to financial statements.

STATEMENTS OF CASH FLOWS

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

	Year Ended June 30	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net liabilities	\$(814,123)	\$(706,523)
Adjustments to reconcile increase in unrestricted net liabilities to net cash used in operating activities:		
Depreciation	418,769	252,105
Amortization	138,996	66,026
Increase in tenant security deposits	(38,366)	(13,836)
Increase in rents and other receivables	(55,412)	(4,613)
Increase in prepaid expenses	(14,133)	(2,433)
Increase in accounts payable	20,074	11,246
(Decrease) increase in accrued expenses	(27,838)	203,501
Increase in tenant security deposits payable	<u>38,376</u>	<u>13,962</u>
NET CASH USED IN OPERATING ACTIVITIES	(333,657)	(180,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	(323,163)	(2,935,553)
Cash deposited into and interest received on restricted funds held in trust	(1,862,388))
(802,793)		
Cash withdrawn from restricted funds held in trust	<u>2,102,888</u>	<u>4,064,699</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(82,663)	326,353
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for loan costs	(158,218)	(128,406)
Advances received from project coordinator--Note F	<u>406,236</u>	<u>138,942</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>248,018</u>	<u>10,536</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(168,302)	156,324
Cash and cash equivalents at beginning of year	<u>196,822</u>	<u>40,498</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 28,520</u>	<u>\$ 196,822</u>

STATEMENTS OF CASH FLOWS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the year for interest	<u>\$ 694,875</u>	<u>\$ 469,717</u>
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SUPPLEMENTAL INFORMATION ON NON-CASH INVESTING AND FINANCING ACTIVITIES

At June 30, 2001 and 2000, \$500,000 of accrued development fees were included in property and equipment.

At June 30, 2001 and 2000, \$75,000 of the property acquisition costs were included in accrued expenses, as more fully described in Note E.

At June 30, 2000, accounts payable included \$137,631 related to the purchase of property and equipment.

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

June 30, 2001

NOTE A--NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AOF/Augusta Affordable Housing Corp. (“the Corporation”) was incorporated on March 12, 1999 as a nonprofit corporation organized under the laws of the State of Georgia. The Corporation is a subordinate of The American Opportunity Foundation, Inc. (“AOF”), a Georgia non-profit corporation that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (“the Code”). AOF has received a group exemption as a central organization whose subordinates are recognized as exempt from federal income taxation under Section 501(c)(3) of the Code. The Corporation has no stockholders and is governed by a Board of Trustees. The Corporation was organized to acquire, rehabilitate, and operate two apartment complexes for low-income, elderly and/or mentally or physically challenged persons or families. The Corporation engages in short-term operating leases with tenants. The leases are generally six to twelve months in duration with some month-to-month commitments.

In March 1999, the Housing Authority of the City of Augusta, Georgia (“the Issuer”), entered into a Trust Indenture (“the Indenture”) with First Union National Bank (“the Trustee”) and a Loan Agreement (“the Agreement”) with the Corporation. In March 1999, pursuant to the Indenture and the Agreement, the Issuer issued its Multifamily Housing Revenue Bonds (“the Bonds”) in the aggregate amount of \$10,590,000 to finance the Corporation’s acquisition of two multifamily apartment complexes (“the Project”). Pursuant to the Agreement, the Issuer loaned the proceeds from the Bond issuance to the Corporation through secured nonrecourse Promissory Notes, as more fully described in Note C, to provide permanent financing for the Project.

In March 1999, the Corporation used the proceeds from the Agreement to finance the acquisition and rehabilitation of a 120-unit and a 296-unit apartment complex. Additionally, the Indenture required a portion of the loan proceeds be used to pay certain bond issuance costs and establish certain reserve funds, as more fully described in Note B.

In order to maintain the tax-exempt status of certain of the Bonds, the Land Use Restriction Agreement, in connection with the Bonds, requires at least forty percent of the units in the Project be leased or rented or available for lease or rental to Low Income Tenants on a continuous basis. Low Income Tenants are those individuals whose adjusted income is sixty percent or less of the area median gross income as determined under Section 8(f)(3) of the United States Housing Act of 1937, as amended.

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE A--NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The following accounting policies are presented to assist the reader in understanding the Corporation's financial statements:

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed on the straight-line method over an estimated useful life of twenty to thirty-five years for buildings and improvements, fifteen years for land improvements, and five to seven years for equipment. Appliance and floor covering purchases are expensed as regular recurring repair and maintenance items.

Loan Costs: Loan costs are being amortized over the term of the various bond series using the straight-line method.

Income Taxes: AOF/Augusta Affordable Housing Corp. is a non-profit corporation exempt from income taxes under §501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Corporation considers unrestricted demand deposits and all unrestricted highly liquid investments, with original maturities of three months or less which can be readily converted to cash on demand, without penalty, to be cash equivalents.

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 the 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.

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE A--NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Functional Expenses: The costs of providing various programs and other activities are summarized on a functional basis as follows for the years ended June 30:

	<u>2001</u>	<u>2000</u>
Program Services		
Housing project	\$ 2,218,629	\$ 1,407,992
Supporting Services		
General and administrative	188,205	78,836
Entity	<u>21,988</u>	<u>29,327</u>
	<u>210,193</u>	<u>108,163</u>
	<u>\$ 2,428,822</u>	<u>\$ 1,516,155</u>

NOTE B--RESTRICTED FUNDS HELD IN TRUST

The Indenture requires the Gross Revenues, as defined, be deposited into the Revenue Fund. Money on deposit in the Revenue Fund is disbursed by the Trustee to various other funds and the Corporation on or before the tenth day of each month in the priority outlined in the Indenture. Below is a summary description of these funds:

Debt Service Reserve Fund: Funds are used solely to pay the principal and interest on the respective Bond series to the extent the balances in the Bond Fund are not sufficient to meet the required semiannual debt service payments.

Bond Fund: Funds are used to pay the semiannual debt service payments on the loan.

Project Fund: Funds are used to pay for the acquisition and rehabilitation costs of the Project upon the receipt of cost requisitions from the Corporation.

Repair and Replacement Fund: Funds are used to pay for major maintenance requirements or for the replacement of machinery and appliances upon the written requisition and certification of the Borrower.

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE B--RESTRICTED FUNDS HELD IN TRUST--Continued

Escrow Fund: Funds are used to pay the property insurance and property taxes of the Project.

Operating Reserve Fund: Funds are used to remedy any shortfall in monthly payments to the Bond Fund and cure any shortfalls in various other funds. The Corporation is required to maintain a minimum balance of \$250,000 in this fund. If the Corporation maintains a debt service coverage ratio, as defined, of at least 1.2 to 1 for two consecutive years, the minimum requirement will be reduced to \$20,000.

Surplus Fund: Funds are used to cure any shortfall in the various Funds. Excess funds, as defined, are disbursed to the Corporation on an annual basis upon satisfaction of the requirements outlined in the Indenture.

The balances in these funds were as follows as of June 30:

	<u>2001</u>	<u>2000</u>
Debt service reserve fund	\$ 811,463	\$ 811,463
Bond fund	330,171	231,513
Project fund	253,527	572,921
Repair and replacement fund	89,779	109,801
Escrow fund	33,300	34,063
Other restricted funds and accrued interest income	<u>16,887</u>	<u>15,866</u>
	<u>\$ 1,535,127</u>	<u>\$ 1,775,627</u>

At June 30, 2001 and 2000, the funds were invested primarily in the Evergreen Select Money Market Fund. All income earned is deposited back into the respective Funds.

NOTE C--MORTGAGE NOTES PAYABLE

In March 1999, the Corporation entered into a Loan Agreement (“the Agreement”) with the Issuer, as more fully described in Note A, whereby the Issuer issued to the Corporation two nonrecourse promissory notes in the original aggregate amount of \$10,590,000. The Agreement is secured by a mortgage on all property and equipment of the Corporation, an assignment of all rents and leases, all restricted funds held by the Trustee, and a Letter of Credit Facility (“the Facility”) with SunTrust Bank more fully described below. Additionally, the Agreement requires the Corporation to make monthly deposits into the Revenue Fund, as more fully described in Note B. Principal and interest payments on the secured promissory notes are payable semiannually in March and September.

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE C--MORTGAGE NOTES PAYABLE--Continued

In March 1999, the Corporation entered into a Reimbursement Agreement with SunTrust Bank ("SunTrust") related to the Bank's issuance of its \$10,125,974 irrevocable standby letter of credit. The letter of credit expires at the earliest of April 1, 2002 (if the Corporation has maintained a 1.1 to 1 debt service coverage ratio) or the date on which SunTrust receives a release from the Trustee. The Corporation is required to pay an annual letter of credit fee equal to 1.25% of the stated amount of the letter of credit. SunTrust has obtained a guarantee of payment from an individual and Regency Investment Associates, Inc., an affiliate of the Project Coordinator more fully described in Note F.

The Agreement includes certain restrictive covenants which prohibit the Corporation from transferring interest in the property except as permitted in the Agreement, making changes that would adversely affect the tax-exempt status of certain of the Bonds, and further encumbering the mortgaged property or incurring any liability other than for current operating expenses. Additionally, the Corporation is required to maintain a certain debt service coverage ratio, as defined, upon the release of the letter of credit more fully described above, and forty percent of the units within the Property are to be occupied by individuals or families that qualify as "low-income tenants", as more fully described in Note A.

The aggregate future maturities of the notes and related interest rates mirror the mandatory sinking fund redemption requirements of the Bonds, which were as follows at June 30, 2001:

	Series A 6.5% Tax-Exempt <u>Due 9-1-2030</u>	Series B 8.0% Taxable <u>Due 9-1-2004</u>	<u>Total</u>
Year Ending June 30:			
2002	\$ -0-	\$ 120,000	\$ 120,000
2003	-0-	125,000	125,000
2004	-0-	140,000	140,000
2005	100,000	50,000	150,000
2006	160,000	-0-	160,000
Thereafter	<u>9,895,000</u>	<u>-0-</u>	<u>9,895,000</u>
	<u>\$ 10,155,000</u>	<u>\$ 435,000</u>	<u>\$ 10,590,000</u>

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE C--MORTGAGE NOTES PAYABLE--Continued

Interest cost incurred during the year ended June 30, 2000 totaled \$694,875, of which \$225,158 was capitalized as a component of building improvements and \$469,717 was expensed.

NOTE D--MANAGEMENT FEES

The apartment complexes were managed by Interstate Property Management, Inc. through February 2000, and thereafter by Royal American Management, Inc. ("Royal") for an annual compensation of \$78,208, adjusted each March based on the increase in the Consumer Price Index. Management fees of \$78,208 were incurred during the years ended June 30, 2001 and 2000. Fifty percent of the management fee is subordinate to the payments into certain Restricted Funds, as outlined in the Indenture.

NOTE E--RELATED PARTY TRANSACTIONS

The Corporation pays an asset management fee, \$1,000 per month through June 2000 and thereafter equal to the greater of \$12,000 annually or 1% of the Gross Revenues of the preceding year, to AOF for management of the Corporation's assets. Asset management fees of \$12,000 were expensed during each of the years ended June 30, 2001 and 2000, and asset management fees of \$19,000 were paid during the year ended June 30, 2001.

Additionally, during the period ended June 30, 1999, the Corporation incurred fees of \$75,000 to AOF related to the financing and acquisition of the apartment complexes. These fees are payable from the Project Fund upon the Corporation maintaining a debt service coverage ratio of 1.0 to 1.0 for three consecutive months and are included in accrued expenses at June 30, 2001 and 2000.

NOTE F--OBLIGATIONS TO PROJECT COORDINATOR

In 1999, the Corporation entered into a Project Coordinator Agreement with Regency Development Associations, Inc. ("Regency") whereby the Corporation is to pay Regency a fee of \$800,000 for services related to the development, financing, rehabilitation, and marketing and leasing of the Project. The first \$175,000 of the fee is payable from the Project Fund upon the Corporation maintaining a debt service coverage ratio of 1.0 to 1.0 for three consecutive months, provided that the moneys in the Project Fund are not required to fund any shortfalls in the Operating Reserve Fund. The balance in the Operating Reserve Fund was \$-0- at June 30, 2001. It is the Corporation's position, therefore, that the \$175,000 has most likely been reduced to zero. The remaining \$625,000 of the fee is payable in annual installments, as defined in the Indenture, from funds released from the Surplus Fund beginning in the year the SunTrust Letter of Credit, more fully described in Note C, is released.

NOTES TO FINANCIAL STATEMENTS--Continued

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

NOTE F--OBLIGATIONS TO PROJECT COORDINATOR--Continued

As of June 30, 2001 and 2000, no amounts had been paid under the agreement and \$500,000 was deemed earned by the Corporation. These amounts were accrued and recognized as part of the rehabilitation cost of the Project. The amount that will ultimately be paid under the Project Coordinator Agreement is not currently determinable and the Corporation's estimate could change.

During the years ended June 30, 2001 and 2000, Regency advanced the Corporation \$406,236 and \$126,907, respectively, to fund operating shortfalls during each year. At June 30, 2001 and 2000, outstanding advances totaled \$533,143 and \$126,907, respectively. These advances are unsecured and non-interest bearing.

NOTE G--GOING CONCERN UNCERTAINTY

These financial statements are presented on the basis that the Corporation is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Corporation sustained significant losses and negative cash flow from operations during the years ended June 30, 2001 and 2000. Management believes that the Corporation can successfully continue operations since the Projects' occupancy rate increased significantly during the year ended June 30, 2001 and is greater than 95% as of the date of this report. Operating shortfalls have been funded by the Operating Reserve Fund, which has been depleted, and by the Project Coordinator, as more fully described in Note F. There can be no assurance that such funding will continue. Without this continued funding, it is doubtful that the Corporation will be able to meet the debt service requirements under its Loan Agreement.

The conditions described above raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE H--LOCAL HOUSING AUTHORITY SUBSIDIES

The Corporation leases to tenants who have housing assistance payments contracts with a local housing authority. During the years ended June 30, 2001 and 2000, the rental revenue related to such tenants totaled approximately \$604,000 and \$91,000, respectively.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL FINANCIAL INFORMATION

Board of Trustees
AOF/Augusta Affordable Housing Corp.
Atlanta, Georgia

Our report on our audit of the basic financial statements of AOF/Augusta Affordable Housing Corp. as of and for the year ended June 30, 2001 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information appearing on the following pages 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 audit 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.

Atlanta, Georgia
August 30, 2001

STATEMENT OF ACTIVITIES BY PROPERTY

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

Year Ended June 30, 2001

	Providence Place <u>Apartments</u>	Willow Ridge <u>Apartments</u>	Apartments <u>Combined</u>	Corporate <u>Entity</u>	<u>Total</u>
Revenues:					
Gross rent potential	\$ 1,404,358	\$ 650,096	\$ 2,054,454	\$ -0-	\$ 2,054,454
Less: Vacancies	<u>352,373</u>	<u>216,690</u>	<u>569,063</u>	<u>-0-</u>	<u>569,063</u>
Net rental income	1,051,985	433,406	1,485,391	-0-	1,485,391
Other rental income	<u>20,672</u>	<u>17,574</u>	<u>38,246</u>	<u>-0-</u>	<u>38,246</u>
	1,072,657	450,980	1,523,637	-0-	1,523,637
Operating expenses:					
Selling and renting	24,938	66,103	91,041	-0-	91,041
Salaries and related expenses	177,606	79,642	257,248	-0-	257,248
Administrative and management	136,439	85,734	222,173	-0-	222,173
Utilities	91,336	33,950	125,286	-0-	125,286
Repairs and maintenance	252,517	97,711	350,228	-0-	350,228
Taxes and insurance	<u>72,253</u>	<u>35,965</u>	<u>108,218</u>	<u>-0-</u>	<u>108,218</u>
	<u>755,089</u>	<u>399,105</u>	<u>1,154,194</u>	<u>-0-</u>	<u>1,154,194</u>
NET OPERATING INCOME	317,568	51,875	369,443	-0-	369,443
Other income (expense):					
Interest income	-0-	-0-	-0-	91,062	91,062
Interest expense	-0-	-0-	-0-	(694,875)	(694,875)
Fees and other entity expenses	-0-	-0-	-0-	(21,988)	(21,988)
Depreciation	-0-	-0-	-0-	(418,769)	(418,769)
Amortization	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(138,996)</u>	<u>(138,996)</u>
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,183,566)</u>	<u>(1,183,566)</u>
DECREASE (INCREASE) IN UNRESTRICTED NET LIABILITIES	<u>\$ 317,568</u>	<u>\$ 51,875</u>	<u>\$ 369,443</u>	<u>\$ (1,183,566)</u>	<u>\$ (814,123)</u>

See independent auditors' report on additional financial information.

DEBT SERVICE COVERAGE RATIO

AOF/AUGUSTA AFFORDABLE HOUSING CORP.

Year Ended June 30, 2001

Net rental income	\$1,485,391
Other rental income	38,246
Earnings on Bond funds held in trust	<u>91,062</u>
	EFFECTIVE GROSS INCOME
	1,614,699
Less: Operating expenses	1,154,194
Required deposits to the repair and replacement fund	<u>83,196</u>
	1,237,390
Plus: 50% of management fee	39,104
Operating expenses paid from Project fund and Repair and Replacement fund	<u>157,055</u>
	<u>196,159</u>
	NET INCOME AVAILABLE FOR DEBT SERVICE
	<u>\$ 573,468</u>
Total Bonds debt service requirement	\$ 794,875
Debt service coverage ratio	0.72

See independent auditors' report on additional financial information.