ILLUSTRATIVE AUDIT REPORT

Independent Auditor’s Report

The Members
Historic Rehabilitation Development, LLC
Richmond, Virginia

We have audited the accompanying schedule of eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia, during the period from July 1, 2012 through August 31, 2013, and the related notes to the schedule.

Management’s Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with the provisions of Chapter 30 of Agency 10, Title 17, of the Virginia Administrative Code. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a schedule that is free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the schedule 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 entity’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 the overall presentation of the schedule.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia during the period from July 1, 2012 through August 31, 2013, in accordance with the provisions of Chapter 30 of Agency 10, Title 17 of the Virginia Administrative Code.

Basis of Accounting

We draw attention to Note A to the schedule, which describes the basis of accounting. As described in that note, the schedule was prepared on the basis of provisions of Chapter 30 of Agency 10, Title 17 of
the Virginia Administrative Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That basis was used to comply with the requirements of the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources for granting credits against Virginia income taxes for the material rehabilitation of a certified historic structure. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of Historic Rehabilitation Development, LLC and the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources and is not intended to be and should not be used by anyone other than these specified parties.

ABC, CPAs

Richmond, Virginia
September 30, 2013
ILLUSTRATIVE NOTE DESCRIBING THE BASIS OF ACCOUNTING

Note A – Basis of Accounting

The accompanying schedule of eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia was prepared as part of the application by Historic Rehabilitation Development, LLC for the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources to grant credits against Virginia income taxes for the material rehabilitation of a certified historic structure. Those credits are granted for expenses that meet the qualifications prescribed by Chapter 30 of Agency 10, Title 17 of the Virginia Administrative Code. Eligible rehabilitation expenses would be capitalized as a cost of the structure under accounting principles generally accepted in the United States of America. However, those accounting principles may require other expenditures to also be capitalized.