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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**WESTFIELD SENIOR CITIZENS
URBAN RENEWAL PARTNERSHIP, L.P.**

DECEMBER 31, 2005



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INDEPENDENT AUDITORS' REPORT

To the Partners
Westfield Senior Citizens
Urban Renewal Partnership, L.P.

We have audited the accompanying balance sheet of Westfield Senior Citizens Urban Renewal Partnership, L.P., as of December 31, 2005, and the related statements of operations, partners' equity (deficit) and cash flows for the year 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 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 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 audit provides 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 Westfield Senior Citizens Urban Renewal Partnership, L.P., as of December 31, 2005, and the results of its operations, the changes in partners' equity and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Bethesda, Maryland
February 17, 2006

Westfield Senior Citizens Urban Renewal Partnership, L.P.

BALANCE SHEET

December 31, 2005

ASSETS

Investment in rental property held for lease		
Buildings		\$ 11,707,744
Equipment		196,589
		<u>11,904,333</u>
Less accumulated depreciation		<u>4,557,640</u>
		7,346,693
Other assets		
Cash and cash equivalents	\$	91,901
Certificates of deposit		40,596
Capital replacement reserve		363,921
Tenant security deposits		86,571
Operating reserve		204,507
Prepaid expenses and receivables		23,915
Financing costs, net of accumulated amortization of \$126,740		60,250
		<u>871,661</u>
		<u>\$ 8,218,354</u>

(continued)

Westfield Senior Citizens Urban Renewal Partnership, L.P.

BALANCE SHEET - CONTINUED

December 31, 2005

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

Liabilities applicable to investment in rental property held for lease		
First mortgage payable	\$	655,091
Second mortgage payable		5,200,000
Accrued interest payable - mortgages		702,289
Accrued real estate taxes		<u>583,931</u>
		7,141,311
Other liabilities		
Accounts payable	\$	35,257
Tenant security deposits payable		86,571
Due to Westfield I		<u>57,042</u>
		178,870
Contingency		-
Partners' equity (deficit)		<u>898,173</u>
	\$	<u><u>8,218,354</u></u>

See notes to financial statements

Westfield Senior Citizens Urban Renewal Partnership, L.P.

STATEMENT OF OPERATIONS

Year ended December 31, 2005

Revenue		
Rental income		\$ 1,111,869
Laundry		6,464
Miscellaneous tenant charges		300
Investment income		7,941
Replacement reserve interest		<u>8,274</u>
		1,134,848
Expenses		
Administration	\$	89,361
Salaries and employee costs		374,035
Maintenance and repairs		46,254
Maintenance contracts		59,045
Utilities		190,248
Managing agent's fee		55,917
Real estate taxes		66,712
Insurance		68,585
Interest on mortgage - Summit Bank		42,336
Interest on mortgage - Westfield I		156,000
Depreciation and amortization		<u>443,622</u>
		<u>1,592,115</u>
Net income (loss)		<u>\$ (457,267)</u>

See notes to financial statements

Westfield Senior Citizens Urban Renewal Partnership, L.P.

STATEMENT OF PARTNERS' EQUITY

Year ended December 31, 2005

	<u>General Partner</u>	<u>Limited Partner</u>	<u>Limited Partner</u>	<u>Total</u>
Partners' equity (deficit), beginning	\$ (40,161)	\$ 944,499	\$ 451,102	\$ 1,355,440
Net loss	<u>(4,573)</u>	<u>(306,368)</u>	<u>(146,326)</u>	<u>(457,267)</u>
Partners' equity (deficit), end	<u>\$ (44,734)</u>	<u>\$ 638,131</u>	<u>\$ 304,776</u>	<u>\$ 898,173</u>

See notes to financial statements

Westfield Senior Citizens Urban Renewal Partnership, L.P.

STATEMENT OF CASH FLOWS

Year ended December 31, 2005

Cash flows from operating activities	
Net income (loss)	\$ (457,267)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation and amortization	443,622
Decrease in prepaid expenses	1,647
Increase in accounts payable	22,871
Decrease in accrued interest payable - mortgages	(7,067)
Increase in accrued real estate taxes	66,712
	<u>70,518</u>
Net cash provided by operating activities	<u>70,518</u>
Cash flows from investing activities	
Withdrawals from operating reserve	11,486
Net certificate of deposit activity	<u>(53,885)</u>
Net cash used in investing activities	<u>(42,399)</u>
Cash flows from financing activities	
Mortgage principal payments	(109,013)
Increase in amount due to Westfield I	<u>30,302</u>
Net cash used in financing activities	<u>(78,711)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(50,592)
Cash and cash equivalents, beginning	<u>142,493</u>
Cash and cash equivalents, end	<u>\$ 91,901</u>
Supplemental disclosure of cash flow information	
Cash paid for interest during the year	<u>\$ 205,403</u>

See notes to financial statements

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Westfield Senior Citizens Urban Renewal Partnership, L.P., (the partnership) was formed in December 1993 to construct and operate 130 apartment units providing affordable housing to low-income senior citizens. The project is located in Westfield, New Jersey and was placed in service on October 19, 1995 (the project).

The general partner of the partnership is Second Westfield Senior Citizens Housing Corporation (Westfield II), a New Jersey not-for-profit corporation organized for the purpose of operating the project. The project is on land adjacent to a low- and moderate-income senior citizen project which has been in existence since 1978 and which is operated by Westfield Senior Citizens Housing Corp. (Westfield I). Both projects are situated on property owned by the Town of Westfield. Although Westfield I and Westfield II are not under common control, they do cooperate closely, and Westfield I advances funds for some partnership expenditures, for which it is repaid on a current basis. They share costs of various activities and Westfield I acts as manager of the partnership as described in note 5. In addition, Westfield I has made a mortgage loan to the partnership in the amount of \$5,200,000, as described in note 4.

The project has qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the partnership has executed a Deed of Easement and Restrictive Covenant for Extended Low-Income Occupancy which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if the partnership disposes of the project.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005

Rental Property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using straight-line and accelerated methods.

Amortization

Financing costs are amortized over the term of the first mortgage using the straight-line method.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and tenants of the property are operating leases.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually.

Cash Equivalents

For purposes of the statement of cash flows, the partnership considers all money market accounts to be cash equivalents.

Certificates of Deposit

The partnership has invested in certificates of deposit (CD's) which are classified as held to maturity and are carried at amortized cost which approximates fair value. These CD's bear interest at various rates ranging from 2.2% to 4.0% and mature from February 27, 2006 to October 20, 2006.

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005

NOTE 2 - RESERVES

Capital Replacement Reserve

In accordance with the partnership agreement, the partnership is required to establish a capital replacement reserve to be funded annually beginning in 1995 with an amount equal to 3.6% of the partnership's gross revenue. The partnership has invested \$404,517 in certificates of deposit and Federal National Mortgage Association notes. During 2005, the partnership designated \$363,921 in certificates of deposit and notes as the capital replacement reserve. The remaining balance of \$40,596 is shown as certificates of deposit on the balance sheet.

Operating Reserve

Pursuant to the partnership agreement, the partnership is required to establish an operating reserve in the amount of \$200,000. Funds may be disbursed from the reserve as the general partner deems necessary. As of December 31, 2005, there is \$204,507 in the operating reserve account.

NOTE 3 - LAND LEASE

The partnership has leased the property on which the rental property has been constructed from the Town of Westfield for a period of 33 years, expiring December 31, 2026. The annual rent is \$1 plus an annual charge as defined in the financial agreement with the Town of Westfield (see note 6).

NOTE 4 - MORTGAGES PAYABLE

The first mortgage note in the original amount of \$1,500,000 through the Federal Home Loan Bank of New York Affordable Housing Program is payable to Summit Bank and is collateralized by the partnership's leasehold interest in the rental property. The note bears interest at the rate of 6% and is payable by the partnership in monthly principal and interest installments of \$12,658 through maturity on December 1, 2010.

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005

Aggregate annual maturities of the first mortgage payable over each of the next five years are as follows:

December 31, 2006	\$	115,739
2007		122,878
2008		130,456
2009		138,503
2010		147,515

The second mortgage note in the original amount of \$5,200,000 is payable to Westfield I and collateralized by a mortgage on the partnership's leasehold interest in the rental property, subordinated to the first mortgage. The note bears interest at the rate of 3%. The principal is payable in equal monthly installments along with the accrued interest to the extent of excess operating revenue as defined in the mortgage note until maturity on December 22, 2025. Through December 31, 2005, Westfield has made no payments toward the original \$5,200,000 mortgage due to a lack of excess operating revenue.

The liability of the partnership under the mortgage notes is limited to the underlying value of the real estate collateral.

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

Project Management

The property is managed by Westfield I pursuant to a management agreement. The current management agreement provides for a management fee of 5% of monthly gross income. Management fees charged to operations during 2005 were \$55,917.

Due to Westfield I

During the year ended December 31, 2005, the partnership was advanced funds from Westfield I in the amount of \$57,042. This advance does not bear interest and is payable on demand.

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005

NOTE 6 - FINANCIAL AGREEMENT

The partnership entered into an agreement with the Town of Westfield whereby the project is required at the end of each year to compute, in lieu of real estate taxes, 6% of gross tenant revenue through December 31, 2010. Thereafter the amount will be computed as follows:

<u>Period</u>	
January 1, 2011 - December 31, 2016	Greater of 6% of gross tenant revenue or 20% of normal real estate tax
January 1, 2017 - December 31, 2022	Greater of 6% of gross tenant revenue or 40% of normal real estate tax
January 1, 2023 - December 31, 2025	Greater of 6% of gross tenant revenue or 60% of normal real estate tax

During 2005, \$66,712 was charged to operations as real estate taxes.

This amount is payable only if Gross Revenue, as defined, is sufficient to satisfy operating expenses, reserves, debt service on any mortgage loans or any capital improvements and other expenses essential to the operations of this project.

NOTE 7 - DISTRIBUTION OF OPERATING CASH FLOW

Operating cash flow, as defined by the partnership agreement, is distributable as follows:

First, additions to the capital replacement reserve;

Second, to repay any operating deficit loans made by the general partner;

Third, to pay the current and accrued interest and principal on the Westfield I loan;

Fourth, to pay in the following order of priority other partnership expenses, reserves other than the capital replacement reserve and additional service charges, if any, due under the financial agreement; and

Westfield Senior Citizens Urban Renewal Partnership, L.P.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005

Fifth, any balance remaining distributed 50% to the general partner as an incentive management fee and 50% to the limited partner.

NOTE 8 - CONTINGENCY

The project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.