

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2010

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010
WITH REPORT OF INDEPENDENT AUDITOR

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

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DECEMBER 31, 2010

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REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Sit-In Movement, Incorporated and Affiliated Entities

I have audited the accompanying combined balance sheet as of December 31, 2010 of the organizations described in Note 1 (collectively the Movement), and the related combined statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Movement's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. I was not engaged to perform an audit of the Movement's internal control over financial reporting. My audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Movement's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position at December 31, 2010, of the organizations described in Note 1, and the combined changes in their net assets and their cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining balance sheets, combining statements of activities, and combining statements of expenses by natural classification are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in my audit of the combined financial statements and, in my opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Oliver W. Bowie, CPA, PA

Oliver W. Bowie, CPA, PA
September 30, 2013

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED BALANCE SHEET
DECEMBER 31, 2010

ASSETS

| | | |
|--|----|------------|
| Cash and Cash Equivalents (Operating) | \$ | 60,900 |
| Cash and Cash Equivalents (Restricted) | | 247,991 |
| Unconditional Promises to Give (Net) | | 1,938,703 |
| Receivables | | 32,525 |
| Prepaid Expense and Other Assets | | 59,703 |
| | | |
| Fixed Assets (Net) | | 31,000,042 |
| Intangible Assets (Net) | | 1,232,116 |
| | | |
| Total Assets | \$ | 34,571,980 |
| | | ===== |

LIABILITIES AND NET ASSETS

Accrued Expenses:

| | | |
|---|----|------------|
| Accounts Payable and Other Accrued Expenses | \$ | 1,093,864 |
| | | |
| Total Accrued Expenses | | 1,093,864 |
| | | |
| Other Liabilities | | 64,781 |
| Debt | | 26,233,651 |
| | | |
| Total Liabilities | | 27,392,296 |

Net Assets:

| | | |
|---|----|-------------|
| Unrestricted | | |
| Available for Program and Supporting Activities | | (1,604,067) |
| Net Investment in Fixed Assets | | 7,078,391 |
| | | |
| Total Unrestricted | | 5,474,324 |
| | | |
| Temporarily Restricted | | 1,700,360 |
| Permanently Restricted | | 5,000 |
| | | |
| Total Net Assets | | 7,179,684 |
| | | |
| Total Liabilities and Net Assets | \$ | 34,571,980 |
| | | ===== |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|------------------------|------------------------|------------|
| Revenue, Gains and Other Support Support From the Public: | | | | |
| Contributions | \$ 704,481 | - | \$ 5,000 | \$ 709,481 |
| Special Events | 586,373 | - | - | 586,373 |
| Grant | 84,000 | - | - | 84,000 |
| | 1,374,854 | - | 5,000 | 1,379,854 |
| Total Support From Public | | | | |
| Investment Income: | | | | |
| Interest | 180,029 | - | - | 180,029 |
| | 180,029 | - | - | 180,029 |
| Total Investment Income | | | | |
| Rental Income | 32,813 | - | - | 32,813 |
| Special Programming | 5,169 | - | - | 5,169 |
| Retail Sales | 208,349 | - | - | 208,349 |
| Museum Tours | 386,361 | - | - | 386,361 |
| Gain on Sale | 13,601 | - | - | 13,601 |
| Other Income | 14,904 | - | - | 14,904 |
| | 2,216,080 | - | 5,000 | 2,221,080 |
| Total Revenue, Gains and Other Support | | | | |
| Net Asset Restriction Transfers | 1,620,219 | (1,620,219) | - | -0- |
| Satisfaction of Activity Restrictions: | 1,620,219 | (1,620,219) | - | -0- |
| Total Net Asset Restriction Transfers | | | | |
| Expenses: | | | | |
| Program Services: | | | | |
| Museum Content Programming | 1,620,219 | - | - | 1,620,219 |
| Total Program Services | 1,620,219 | - | - | 1,620,219 |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|------------------------|------------------------|--------------|
| Supporting Services: | | | | |
| Administration | 1,653,021 | - | - | 1,653,021 |
| Fundraising | 352,612 | - | - | 352,612 |
| Total Supporting Services | 2,005,633 | - | - | 2,005,633 |
| Total Program and Supporting Services Expenses | 3,625,852 | - | - | 3,625,852 |
| Change in Net Assets | 210,447 | (1,620,219) | 5,000 | (1,404,772) |
| Net Assets, Beginning of Year | 5,263,877 | 3,320,579 | -0- | 8,584,456 |
| Net Assets, End of Year | \$ 5,474,324 | \$ 1,700,360 | \$ 5,000 | \$ 7,179,684 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | PROGRAM SERVICES | | SUPPORTING SERVICES | | TOTAL |
|------------------------------------|-------------------------------|----------------|---------------------|---------|--------------|
| | Museum Content Programming | Administration | Fundraising | | |
| Salaries | \$ 338,977 | \$ 373,627 | \$ - | \$ - | 712,604 |
| Payroll Taxes | 29,142 | 33,732 | - | - | 62,874 |
| Employee Benefits | 29,274 | 31,481 | - | - | 60,755 |
| Professional Fees | 250 | 30,170 | - | - | 30,420 |
| Supplies | - | 37,775 | - | - | 37,775 |
| Telephone | - | 16,683 | - | - | 16,683 |
| Postage and Shipping | 9,127 | 3,514 | - | - | 12,641 |
| Cost of Goods Sold | 85,343 | - | - | - | 85,343 |
| Occupancy | 159,375 | 104,452 | - | - | 263,827 |
| Printing and Publications | - | 11,165 | - | - | 11,165 |
| Travel | - | 9,887 | - | - | 9,887 |
| Program Expense | 22,809 | - | - | - | 22,809 |
| Interest | - | 380,331 | - | - | 380,331 |
| 50th Anniversary Expense | - | - | - | 288,099 | 288,099 |
| Other Fundraising Project Expenses | - | - | - | 64,513 | 64,513 |
| Marketing and Advertising | 10,211 | 117,722 | - | - | 127,933 |
| Technology | - | 16,478 | - | - | 16,478 |
| Office Expense | - | 12,654 | - | - | 12,654 |
| Miscellaneous | - | 14,106 | - | - | 14,106 |
| Rent | - | 6,701 | - | - | 6,701 |
| Depreciation | 903,458 | 63,773 | - | - | 967,231 |
| Amortization | - | 50,690 | - | - | 50,690 |
| Security | - | 56,636 | - | - | 56,636 |
| Taxes and Licenses | - | 9,088 | - | - | 9,088 |
| Insurance | - | 32,356 | - | - | 32,356 |
| Asset Management Fee | - | 240,000 | - | - | 240,000 |
| Museum Support | 32,253 | - | - | - | 32,253 |
| | \$ 1,620,219 | \$ 1,653,021 | \$ 362,612 | \$ - | \$ 3,625,852 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | |
|---|---------------------|
| Cash Flows From Operating Activities: | |
| Change in Net Assets | \$ (1,404,772) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used) in Operating Activities: | |
| Depreciation Amortization | 967,232 50,690 |
| Changes in Assets and Liabilities | |
| Unconditional Promises to Give (Net) Receivables | 997,606 (22,575) |
| Prepaid Expense and Other Assets | 7,597 |
| Accrued Expenses | 88,217 |
| Other Liabilities | 60,102 |
| | <u>744,097</u> |
| Cash Flows From Investing Activities: | |
| Payments for Improvements, Property and Equipment | (1,288,910) |
| Payments for Intangible Assets | (1,082,468) |
| Net Cash (Used in) Provided by Investing Activities | <u>(2,371,378)</u> |
| Cash Flows from Financing Activities: | |
| Payments on Debt | (1,050,000) |
| Syndication Fees Paid | (86,667) |
| Distributions Paid | (136,000) |
| Net Cash Provided by (Used in) Financing Activities | <u>(1,271,667)</u> |
| Net Change in Cash and Cash Equivalents | (2,898,948) |
| Cash and Cash Equivalents, Beginning of Year | 3,207,839 |
| Cash and Cash Equivalents, End of Year | \$ <u>308,891</u> |
| Supplemental Cash Flow Information | |
| Cash Paid for Interest | \$ 380,331 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: ORGANIZATION:

The primary purpose of Sit-In Movement, Incorporated (the "Movement") is to rehabilitate and restore a Historic landmark and to create and support an International Civil Rights Center and Museum. Also, to provide on a non-profit basis office and /or retail space for prospective tenants.

In order to facilitate the development of the Museum the Movement formed several entities to accomplish the objective. The entities formed were: Civil Rights Museum, LLC, ICRCM, LLC, Museum Tenant, LLC, and Museum Landlord, LLC.

The combined financial statements include financial information of Civil Rights Museum, LLC (Museum), ICRCM, LLC (ICRCM) Museum Tenant, LLC (Tenant), and Museum Landlord, LLC (Landlord), collectively referred to herein as "the Project". The Project was formed under the laws of the State of North Carolina on June 2, 2009 to rehabilitate and operate a museum and commercial office space located in downtown Greensboro, North Carolina. The Project is generating federal and state historic tax credits and new markets tax credits pursuant to Sections 45D, 47 and 50 of the Internal Revenue Code ("the IRC"). The Project's property was partially placed in service on December 29, 2009 and the remainder was placed in service in February 2010.

Pursuant to the Amended and Restated Landlord and Tenant Operating Agreements (the "Agreements"), the ownership percentages of the Project as of December 31, 2010 were as follows:

Landlord

| | |
|--|---------|
| Managing Member - ICRCM, LLC | 80.00% |
| Master Tenant - Museum Tenant, LLC | 10.00% |
| CDE Investor Member - Stonehenge Community Development XII, LLC | 10.00% |
| | ----- |
| | 100.00% |
| | ===== |

Tenant

| | |
|--|---------|
| Managing Member - ICRCM, LLC | 0.01% |
| Investor Member - Community Historic Credit Fund VII, LLC | 99.99% |
| | ----- |
| | 100.00% |
| | ===== |

Landlord remains in effect perpetually and Tenant remains in effect until August 18, 2044.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: ORGANIZATION (CONCLUDED):

Purpose of Museum

The Museum operates the Civil Rights Museum which provides tours of the Museum and operates a gift shop.

Purpose of ICRCM

ICRCM is the managing member of the LLC entities.

Purpose of Tenant and Landlord Structure

Landlord owns the property and the improvements and is the borrower on the debt. Beginning in 2010, Landlord leases the property to Tenant under a Master Lease Agreement ("the Lease"), as further described in Note 12. Tenant in turn rents the property to a sub-tenant. The Tenant is responsible for making monthly payments to landlord under the terms of the Lease as well as all operating expenses incurred in connection with operating the property. Tenant does not own the property or the rental improvements nor is it responsible for any payments under the loan agreements. The purpose of the Lease structure is to permit the allocation of historic tax credits to the owners of Tenant under the provisions of Section 50(d) of the IRC as described more fully in Note 16.

Purpose of Combined Financial Statements

The financial statements of the Project have been combined in order to provide a complete presentation of the operations of the Project. All inter-company transactions have been eliminated. Because the Lease payments were structured in order to provide funds necessary to cover the Landlord's debt obligations, combined financial statements are considered necessary due to the nature of the relationship between the entities.

The Sit-In Movement, Incorporated, has received tax exemption from the Federal Government under Section 501 (c)(3) of the Internal Revenue Code by exemption letter dated June 1, 1994.

The other entities are for-Profit and are subject to federal and state income taxation.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Project's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

New Accounting Pronouncement

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification 105, *The Hierarchy of Generally Accepted Accounting Principles ("ASC 105")*, formerly known as FASB Statement 168. ASC 105 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The Project has adopted the provisions of ASC 105 for the year ended December 31, 2010.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") 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.

Investment in Real Estate

Land, building, improvements, furnishings, artifacts and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over the estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Estimated service lives are as follows:

| <u>Assets</u> | <u>Method</u> | <u>Useful Lives</u> |
|-------------------------|---------------|---------------------|
| Building & Improvements | Straight-Line | 40 Years |
| Land Improvements | Straight-Line | 20 Years |
| Furnishings | Straight-Line | 10 Years |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Impairment

The Project 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 flows expected to be generated by the rental property including the tax credits and any estimated proceeds from the eventual disposition of 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. No impairment losses were recognized during the year ended December 31, 2010.

Cash and Cash Equivalents

The Project considers all highly liquid investments with an original maturity of three (3) months or less, when purchased, to be cash equivalents.

The Project maintains its cash balance in several banks. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor by each bank. The Project has not experienced any losses in connection with its cash deposits and management believes the risk of loss is negligible.

Tenant Receivables and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. 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. There were no write offs during the year ended December 31, 2010.

Intangible Assets

Intangible assets consist of legal fees and closing costs, which are being amortized over fifteen (15) years, and permanent loan fees which are being amortized over thirty-five (35) years, using the straight-line method.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Method of Accounting for Leasing Activities

Rental income is recognized as rent is receivable or rent becomes due. The Lease transactions are eliminated in combination. The Sublease is classified as an operating lease.

Provision for Income Taxes

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

Subsequent Events

Management has evaluated the need for disclosures and /or adjustments resulting from subsequent events through September 30, 2013, the date combined financial statements were available to be issued.

Subsequent to December 31, 2010 Sit-In Movement, Incorporated defaulted on its loan with Carolina Bank. See Note 11, Loan #1. Sit-In Movement, Incorporated is working on a Loan modification agreement.

Promises to Give

Promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Promises to give recorded in fiscal year 2010 have been discounted using a rate of 1.00%, which is commensurate with the risks involved with the ultimate collection of the promises to give. The discount is amortized using an effective yield over the expected life of promises to give and is reflected as contribution revenue.

The rate approximates the rate of return on United States government securities at the origination of the promise.

Fair Value of Financial Instruments

The Project's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses, and debt.

Receivables are recorded at their net realizable value, which approximates fair value. All other financial instruments are stated at cost, which approximates fair value.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED):

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Project's program and supporting services. The value of this contributed time is not reflected in the combined financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation. These services are recognized as revenue and expense.

Accounting for Contributions

Contributions are recognized when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Unconditional promises to give without a stipulated due date and for which the Project has met all conditions precedent to receipt of the contribution prior to the Project's fiscal year-end are classified as unrestricted net assets.

A donor restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statement of activities as net assets released from restrictions. Temporarily restricted contributions received in the same year in which the restrictions are met are recorded as an increase to temporarily restricted support at the time of receipt and as net assets released from restrictions.

The principal and any donor restricted income from permanently restricted gifts are classified as permanently restricted net assets. Income on those assets, not permanently restricted by the donor, is classified as temporarily restricted (if restricted by the donor or by relevant law) or unrestricted revenue.

Contributed merchandise and other in-kind contributions, including merchandise remaining in inventory at year-end, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been made. The Project does not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted revenue that increases temporarily restricted net assets; those restrictions expire when the long-lived assets are placed in service.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3: FAIR VALUE MEASUREMENT:

FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures, ("ASC 820") provides the framework for measuring and reporting fair value. The fair value framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three (3) levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Project has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in inactive markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies from December 31, 2009.

Securities listed on national and international exchanges are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3: FAIR VALUE MEASUREMENT (CONCLUDED):

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Project believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Project values its financial instruments as Level 1 inputs.

NOTE 4: RESERVES AND RESTRICTED BALANCES:

Operating Reserve

The Landlord is required to establish an operating reserve account. The operating reserve account is to be funded in the amount of \$1,000,000 from the CDE Investor Member's capital contribution on or before one (1) month of achieving the Completion date. The operating reserve funds are to be used to fund the Managing Member Priority Distribution (see Note 8). As of December 31, 2010, the Project has not funded the operating reserve.

Insurance Reserve

In connection with the SCD Loan (see Note 11), the Landlord is required to establish an insurance premium reserve account in the amount of \$42,000 to pay the premiums due on the umbrella liability policy. Withdrawals from the insurance reserve are limited to a maximum of \$6,000 per annum. As of December 31, 2010, the Project has funded the insurance reserve, though the amount is not held in a segregated account as of such date.

Working Capital Reserve

The Project is required to establish a working capital reserve. As of December 31, 2010, the Project has not funded the working capital reserve.

Preferred Return Reserve

A preferred return reserve in the amount of \$619,669 is required to be established to fund the priority return to the Investor Member (see Note 8). Of this amount, the Tenant is required to establish the first \$100,000 of the reserve and Sit-In Movement, Incorporated ("the Developer") is required to establish the remainder of the reserve. As of December 31, 2010, the Tenant has funded the priority return reserve in the amount of \$101,055.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4: RESERVES AND RESTRICTED BALANCES (CONCLUDED):

Contingency Reserve

The Project is required to establish a reserve for contingency. As of December 31, 2010, the Project has not funded the contingency reserve.

NOTE 5: UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at December 31, 2010 are as follows:

| | |
|---|--------------|
| Receivable in Less Than one (1) Year | \$ 1,007,750 |
| Receivable in one (1) to Five (5) Years | 971,436 |
| | ----- |
| Total Unconditional Promises to Give | 1,979,186 |
| Less Discounts to Net Present Value | 40,483 |
| Less Allowance for Uncollectible Promises | - |
| | ----- |
| Net Unconditional Promises to Give December 31, 2010 | \$ 1,938,703 |
| | ===== |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6: FIXED ASSETS:

Fixed assets as of December 31, 2010 are as follows:

| | |
|---|---------------|
| Land | \$ 790,000 |
| Building and Improvements | 24,073,871 |
| Furniture, Fixtures, Equipment, and Other Capitalized Assets | 7,330,796 |
| Less: Accumulated Depreciation | (1,194,625) |
| | ----- |
| Net Fixed Assets | \$ 31,000,042 |
| | ===== |

Depreciation expense for the year ended December 31, 2010 was approximately \$ 967,231.

NOTE 7: INTANGIBLE ASSETS:

As of December 31, 2010, intangible assets consisted of the following:

| | |
|--------------------------|--------------|
| Permanent Loan Fees | \$ 760,000 |
| Legal Fees | 481,967 |
| Closing Costs | 21,797 |
| Copyrights | 20,000 |
| Accumulated Amortization | (51,648) |
| | ----- |
| | \$ 1,232,116 |
| | ===== |

Amortization expense for the year ended December 31, 2010 was approximately \$51,648.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: RELATED ENTITY TRANSACTIONS:

The Landlord has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|-----------------------|-----------------------|---|
| Development Fee | Developer | Pursuant to the Development Services Agreement, the Project is to pay a Development fee in the amount of \$4,500,000. The entire amount has been capitalized as part of the building. As of December 31, 2010, \$4,450,000 of the total fee has been paid in full. The remaining \$50,000 deferred liability was assumed by the Managing Member and treated as a capital contribution in the statement of changes in capital as of December 31, 2010. |
| The Lease | Tenant | See Note 12. |
| Due to Tenant | Tenant | As of December 31, 2010, the Landlord owes \$851 to the Tenant for advances the Tenant made on its behalf. This transaction is eliminated in combination. |
| Shortfall Loan | Managing Member | The Managing Member may be required to fund any operating deficits of the Project in the form of a non-interest bearing Shortfall Loan. Any Shortfall Loan balances shall be repaid in accordance with cash flow priority as outlined in Note 13. As of December 31, 2010 there were no outstanding Shortfall Loans from the Managing Member. |
| Loan Guarantee Fee | Developer | The Project has paid the Developer a loan guarantee fee in the amount of \$1,160,000 as compensation for the contingent liabilities assumed by the Developer with respect to the repayment of the loans. \$760,000 of the amount is included in the financial statements in intangible assets as of December 31, 2010. The remaining \$400,000 was capitalized as building. |
| Priority Distribution | Managing Member | Beginning in 2010, the Landlord owes the Managing Member an annual priority distribution in the amount of \$135,000 throughout the New Markets Tax Credits Compliance Period as defined in the Landlord Agreement. The amount is payable from the operating reserve (see Note 4), and out of available cash flow (see Note 13). The Project paid \$135,000 of distributions to the Managing Member during 2010. |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

The Tenant has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|---|--------------------------|--|
| Master Lease Agreement | Landlord | See Note 12. |
| Sublease Agreement | Civil Rights Museum, LLC | See Note 12. |
| Due from Landlord | Landlord | As of December 31, 2010, the Landlord owes \$851 to the Tenant for advances the Tenant made on its behalf. This inter-company balance is eliminated in combination. |
| Loan Receivable | Developer | The Tenant has a loan receivable from the Developer. The proceeds of the loan are to be used to fund the priority return reserve and expense reserves (see Note 4). The loan can be drawn to a maximum of \$2,276,751, accrues interest at a rate of 1%, and matures in February 2042. As of December 31, 2010, the outstanding loan receivable balance was \$571,651. As of December 31, 2010, the Tenant has an interest receivable balance in the amount of \$5,710 due from the Developer in connection with the loan outstanding as of December 31, 2010. This amount is included in Due from related entity in the financial statements. |
| Asset Management Fee | Investor Member | The Tenant is required to pay to the Investor Member an annual asset management fee equal to \$5,000 for asset management services. The fee is cumulative, pro-rated for any partial years and accrues if unpaid. As of December 31, 2010, the accrued asset management fee was \$5,000. |
| Operating Deficit and Managing Member Loans | Managing Member | The Managing Member may be required to fund any operating deficits of the Tenant in the form of an Operating Deficit Loan or in the form of a Managing Member Loan. Such loans are interest bearing at Prime plus 200 basis points and payable out of available cash flow. As of December 31, 2010, there were no Operating Deficit Loans or Managing Member Loans outstanding. |

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

The Tenant has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|-----------------------------|-----------------------|---|
| Investor Member Loan | Investor Member | If the Managing Member fails to make a loan of the necessary funds in the form of an Operating Deficit Loan or a Managing Member Loan, the Investor Member may at its sole discretion make an Investor Member Loan. Such loans are interest bearing at Prime plus 200 basis points and payable out of available cash flow. As of December 31, 2010 there were no Investor Member Loans outstanding. |
| Preferred Return | Investor Member | The Tenant owes the Investor Member a preferred return in the amount of 2.5% of its paid capital contribution related to the Historic tax credits. The amount accrues and is payable out of available cash flow. The accrued Preferred Return owed to the Investor as of December 31, 2010 was \$113,551. |
| Tax Liability Reimbursement | Investor Member | The Tenant is required to pay the Investor Member a tax liability reimbursement in the event the entity generates taxable income. The amount is calculated as 35% of the Investor Member's allocated net income. As of December 31, 2010 no tax liability reimbursement is owed to the Investor Member. |

SIM, Incorporated, has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|--------------------|--------------------------|--|
| Development Fee | Museum Landlord, LLC | Pursuant to the Development Services Agreement, SIM, Incorporated, received \$4,500,000 as a Development fee for the development of the Historic Tax Credit Project. The amount is included in revenues in the financial statements. |
| Loan Guarantee Fee | Museum Landlord, LLC | SIM, Incorporated, received a loan guarantee fee in the amount of \$1,160,000 as compensation for the contingent liabilities that it has assumed with respect to the repayment of the loans associated with the Historic Tax Credit Project. The amount is included in revenues in the financial statements. |
| Notes Payable | Museum Tenant, LLC | See Note 11. |
| Investment in LLC | ICRCM, LLC | See Note 9. |
| Lease Agreement | Civil Rights Museum, LLC | See Note 12. |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

Civil Rights Museum has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|--------------------------------------|-------------------------------|---|
| Ownership | Sit-In Movement, Incorporated | Civil Rights Museum was formed as a wholly owned subsidiary of Sit-In Movement, Incorporated. Civil Rights Museum conducts the operations, collects earned revenues and pays expenses for the Museum. |
| The Lease | Sit-In Movement, Incorporated | Sit-In Movement, Incorporated paid \$183,333 to the Civil Rights Museum for scheduled rents during the 2010 operating year. This rent income to Civil Rights Museum will be eliminated in combination. See Note 12 for the schedule of annual rent income. |
| Sublease Agreement | Tenant | As of December 31, 2010, Civil Rights Museum LLC, had a delinquent balance of \$18,750 in Accounts Payables that was due to the Tenant for rent. Civil Rights Museum LLC incurred \$225,000 of rent Expense that was due to the Tenant as of December 31, 2010. This rent expense transaction will be eliminated on the combined financial statements. See Note 12 for the schedule of rent payments that are due each year to the Museum Tenant. |
| Due to Sit-In Movement, Incorporated | Sit-In Movement, Incorporated | As of December 31, 2010, Civil Rights Museum LLC, had a balance due to Sit-In in the amount of \$125,497. The inter-company will be eliminated in combination. |
| Due to Landlord | Landlord, LLC | As of December 31, 2010, Civil Rights Museum LLC, had a balance due to the Landlord in the amount of \$31,194. The inter-company will be eliminated in combination. |

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: RELATED ENTITY TRANSACTIONS (CONCLUDED):

ICRCM has the following transactions with related entities:

| <u>DESCRIPTION</u> | <u>RELATED ENTITY</u> | <u>AMOUNT</u> |
|--------------------|-----------------------|--|
| Investment | Landlord | As of December 31, 2010, the Landlord allocated a loss of investment for the Managing Member in the amount of \$822,209 for the year. The Managing Member also owed \$100 to the Landlord for cost allocations. These inter-companies are to be eliminated in combination. |
| Investment | Tenant | As of December 31, 2010, the Tenant allocated a loss of investment for the Managing Member in the amount of \$9 for the year. The Managing Member also owed \$100 to the Landlord for cost allocations. These inter-companies are to be eliminated in combination. |
| Loan | Sit-In | As of December 31, 2010, Sit-In Movement, Incorporated had an outstanding loan receivable from ICRCM of \$250,000. The inter-companies will be eliminated in combination. |

NOTE 9: INVESTMENT IN LLC:

Sit-In Movement, Incorporated (SIM) invested \$250,100 in a related entity, ICRCM, LLC, a North Carolina Limited Liability Company ("ICRCM"). In order to facilitate the project financing for the Civil Rights Museum, SIM has organized and been admitted as the sole member of ICRCM, LLC.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10: NOTE RECEIVABLE:

Sit-In Movement, Incorporated, (SIM) ("Fund Lender") entered into a "Fund Loan Agreement" dated August 17, 2009 with USBCDE Investment Fund XXXVIII, LLC a Delaware limited liability company ("Fund Borrower"). The purpose of the loan to the "Fund Borrower" was to facilitate the completion of the Civil Rights Museum.

Key provisions of the "Fund Loan Agreement" are as follows:

- 2.04. PREPAYEMENT FOR FUND LOAN: Fund Borrower may prepay the Note, in whole or in part, prior to the Maturity Date without Fund Lender's consent.
- 2.05. LOAN DISBURSEMENTS: Following the satisfaction of all of the conditions precedent set forth in Article 4 hereof, Fund Lender shall make one (1) or more Advances of the Fund Loan in the maximum aggregate amount of \$19,886,200 to Fund Borrower, and Fund Borrower shall accept such Advances from Fund Lender.

ARTICLE 3. PAYMENTS

- 3.01. INTEREST: Provided no Event of Default has occurred under the Fund Loan Documents, from the date of the first (1st) Advance until the Maturity Date. Interest shall accrue on the outstanding principal balance at a fixed rate per annum equal to 1.206% (the Interest Rate). From and after the date of any Event of Default hereunder and from and after the Maturity Date, interest on all principal amounts outstanding under the Note shall accrue at the Default Rate. All interest payable hereunder shall be computed on the basis of a thirty (30) calendar day month and a three hundred sixty (360) calendar day year. Fund Lender is authorized to rely on the written loan requests, including facsimile, telecopy or telegraphic loan requests, which Fund Lender believes in its good faith judgment to emanate from a properly authorized representative of Fund Borrower, whether or not that is in fact the case.
- 3.02. REPAYMENT OF FUND LOAN: Fund Borrower hereby promises to pay to Fund Lender all unpaid principal, accrued and unpaid interest and any other amounts due hereunder or under the other Fund Loan Documents in accordance with the Note and the other Fund Loan Documents.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10: NOTE RECEIVABLE (CONCLUDED):

3.03. PAYMENTS: With respect to the Fund Loan, (A) commencing on October 7, 2009 and continuing on the fifth (5th) Business Day of each January, April, July, and October thereafter until the payment due on January 8, 2019, Fund Borrower shall pay to Fund Lender consecutive quarterly installments of accrued interest only, in arrears, calculated upon the daily outstanding principal balance hereof during the preceding calendar quarter (January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31, as applicable, of each calendar year), except that the initial payment of accrued interest only shall be calculated upon the daily outstanding principal balance from and including the date hereof through and including September 30, 2009. (B) commencing on April 5, 2019 and continuing on the fifth (5th) Business Day of each July, October, January and April thereafter until the Maturity Date. Fund Borrower shall pay to Fund Lender consecutive quarterly payments consisting of (i) accrued interest on the daily outstanding principal balance hereof during the preceding calendar quarter calculated at the interest rate payable hereunder, plus (ii) principal in an amount equal to all of Fund Borrower's Income (as defined in the Fund Agreement) for such preceding calendar quarter less the amount of (1) Fund Borrower's Operating Expenses (as defined in the Fund Agreement) for such preceding calendar quarter, but excluding any Operating Expenses related to the Fund Loan (including any payments of interest and principal thereunder) and (2) the then due quarterly payments of interest of \$59,957 under the Fund Loan, and (C) Fund Borrower shall pay to Fund Lender a final payment of all outstanding principal, accrued interest and any and all unpaid fees and other charges owed pursuant to the Fund Loan Documents on the Maturity Date. Notwithstanding anything to the contrary in this Agreement, Fund Lender hereby agrees to accept an assignment of a note or notes in connection with an Approved Loan (as defined in the Fund Agreement) in an aggregate amount not less than the outstanding principal amount of the Fund Loan in full satisfaction of Fund Borrower's unpaid obligations under the Fund Loan.

The note balance at December 31, 2010 is \$19,886,200.

NOTE 11: DEBT:

Debt as of December 31, 2010 is as follows:

Loan 1

Sit-In Movement, Incorporated, entered into a note agreement with Carolina Bank on July 28, 2009. The note payable as of December 31, 2010 represents a loan of \$4,000,000. The balance due at December 31, 2010 is \$2,312,000. The short-term (due within one (1) year) portion of the loan is \$1,000,000. Interest is being charged at the announced prime lending rate of Carolina Bank (+.75%), with a floor of 5.25% on the Prime Rate.

Beginning September 15, 2009 there will be forty one (41) interest payments due monthly on the 15th day of each month; periodic principal paydowns are required so that \$1,000,000 is paid annually by February 15, 2010, February 15, 2011 and February 15, 2012; on the maturity date of February 15, 2013 one (1) payment of all outstanding principal plus accrued interest will be due and payable.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: DEBT (CONTINUED):

Loan 1 (Concluded)

The loan is secured by a first (1st) lien on the accounts receivable, notes receivable and unconditional promises to give of Sit-In Movement, Incorporated, d/b/a International Civil Rights Center and Museum.

Loan 2

Sit-In Movement, Incorporated, ("Borrower") entered into a note agreement with Museum Tenant, LLC a North Carolina Limited Liability Company ("Lender") on August 17, 2009. The note payable as of December 31, 2010 represents a single line of credit loan of \$2,276,751. The balance due at December 31, 2010 is \$571,651 (due January 2, 2030). Interest is being charged at a fixed rate of one percent (1%) per annum. Interest only is to be paid on October 1, 2009 and continuing on the first business day of each January, April, July and October thereafter until the payment due on January 2, 2030. Commencing on April 1, 2030 and continuing on the first (1st) business day of each July, October, January and April thereafter until and including the Maturity Date, Borrower shall pay Lender consecutive quarterly payments consisting of one (i) principal in the amount of \$50,394, plus (ii) accrued interest on the outstanding principal balance.

The line is secured by funds deposited to Branch Banking and Trust Company.

SUMMARY OF DEBT FOR LOANS 1 AND 2

| | 2010 ----- Current Amount ----- | 2010 ----- Long-Term Amount ----- | 2010 ----- Total ----- |
|----------|--|--|---------------------------------|
| Loan # 1 | \$ 1,000,000 | \$ 1,312,000 | \$ 2,312,000 |
| Loan # 2 | - | 571,651 | 571,651 |
| | ----- \$ 1,000,000 ===== | ----- \$ 1,883,651 ===== | ----- \$ 2,883,651 ===== |

Approximate annual payments as of December 31, 2010, excluding interest, are payable as follows:

| Fiscal Year | |
|-------------|--------------------------------|
| 2011 | \$ 1,000,000 |
| 2012 | 1,000,000 |
| 2013 | 312,000 |
| Thereafter | 571,651 |
| | ----- \$ 2,883,651 ===== |

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: DEBT (CONCLUDED):

Related Entity Debt

The Landlord's debt at December 31, 2010 consisted of the following:

\$18,971,651 loan with Stonehenge Community Development XII, LLC (the "SCD Loan"). Interest accrues daily on the unpaid balance at the fixed rate of 1% per annum. Accrued interest payments are paid quarterly. All principal and unpaid interest shall be fully due and payable on August 18, 2044. The Loan is guaranteed by the Developer. \$ 18,971,651

\$4,950,000 loan with U. S. Bank ("US Bank Loan"). All principal and unpaid interest shall be fully due and payable on August 17, 2044. The Project is also required to pay all premiums on the insurance as they come due. Accrued interest as of December 31, 2010 was \$0. The loan is guaranteed by the Developer. 4,950,000

Total Related Entity Debt \$ 23,921,651

The Project is not required to make any principal payments on either loan until 2019.

The fair value of the Debt is estimated based on the current rates offered to Sit-In Movement and Landlord for Debt of the same remaining maturities. At December 31, 2010 the fair value of the Debt approximates the amount in the financial statements.

NOTE 12: LEASE AGREEMENTS AND SUBLEASE AGREEMENT:

- A. On August 17, 2009, the Civil Rights Museum, LLC and SIM, Incorporated, entered into a Lease Agreement. Under terms of the Lease, the SIM, Incorporated, pays monthly base rent payments and supplemental rent payments, as defined, commencing in 2010 through December 2017 in exchange for exclusive use of the 14,600 rentable square feet of the entire second (2nd) floor of 132-134 South Elm Street, Greensboro, North Carolina. Under the terms of the Lease, Tenant is responsible for its pro-rata share of operating expenses, real estate taxes, insurance, maintenance and repairs of the property.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12: LEASE AGREEMENTS AND SUBLEASE AGREEMENT (CONCLUDED):

Annual base rent payments under the Lease are estimated to be as follows:

For the Year Ended:

| | |
|------------|--------------|
| 2011 | \$ 206,000 |
| 2012 | 212,180 |
| 2013 | 218,545 |
| 2014 | 225,102 |
| 2015 | 231,855 |
| Thereafter | 487,785 |
| | ----- |
| | \$ 1,578,467 |
| | ===== |

- B. On August 17, 2009, the Landlord and Tenant entered into the Lease. Under the terms of the Lease, the Tenant pays monthly base rent payments and supplemental rent payments, as defined, commencing in 2010 through December 2041 in exchange for exclusive use of the property. Under the terms of the Lease, Tenant is responsible for all operating expenses, real estate taxes, insurance, maintenance and repairs of the property. The Landlord received rent payments of \$180,000 in regards to the Lease transactions during the period as of December 31, 2010.

Annual base rent and supplemental rent payments and receipts under the Lease are expected as follows:

For the Year Ended

| | |
|------------|---------------|
| 2011 | \$ 305,000 |
| 2012 | 325,000 |
| 2013 | 345,000 |
| 2014 | 355,000 |
| 2015 | 355,000 |
| Thereafter | 10,355,000 |
| | ----- |
| | \$ 12,040,000 |
| | ===== |

- C. Tenant entered into a Sublease with Civil Rights Museum, LLC ("CRM"), a related entity. The Sublease is classified as an operating lease for financial reporting purposes. The Sublease commenced in 2009 and continues through 2020. Under the terms of the Sublease, CRM pays base rent in monthly installments beginning in 2010 as set forth in the Sublease agreement. The Tenant received \$225,000 in connection with Sublease transactions of which \$18,850 is receivable as of December 31, 2010.

Estimated future minimum rental income under the Sublease is expected as follows:

For the Year Ended

| | |
|----------------|--------------|
| 2011 | \$ 360,000 |
| 2012 | 360,000 |
| 2013 | 360,000 |
| 2014 | 360,000 |
| 2015 | 360,000 |
| Thereafter | 2,117,123 |
| | ----- |
| Total Payments | \$ 3,917,123 |
| | ===== |

CRM has Sub-subleased the Property to the Developer ("the Sub-sublease"). The Sub-sublease commenced in 2009 and expires in 2017.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13: PROJECT PROFITS, LOSSES AND DISTRIBUTIONS:

Landlord

All profits and losses are allocated 10% to the Investor Member, 10% to the Master Tenant Investor and 80% to the Managing Member.

Pursuant to the Landlord Agreement, cash distributions shall be made to the owners annually in the following order of priority:

1. To the Managing Member, the Managing Member Priority Distribution (to the extent not paid from the operating reserve);
2. To the repayment of any Shortfall Loans, pro rata in accordance with the outstanding amount balance of each;
3. To the Members in accordance with their respective percentage interests.

In addition, the Agreement provides certain provisions for the application and priorities for the allocation of profit and use of cash in the event of sale or refinancing.

Tenant

All profits and losses and tax credits earned under Section 47 of the Code are allocated .01% to the Managing Member and 99.99% to the Investor Member. Pursuant to the Tenant Agreement, cash distributions shall be made to the owners in the following order of priority after the end of each year.

1. To the Investor Member as payment of any unpaid negative Credit Adjustment amount;
2. To the Investor Member as payment of the Asset Management Fee;
3. To the Investor Member as payment of the Preferred Return (to the extent not funded out of the Preferred Return Reserve held);
4. To the Investor Member until the Investor Member has received distributions equal to its Tax Liability Reimbursement, if any outstanding as of the date of the distribution;
5. To the Investor Member as repayment of any Investor Loan;
6. To the payment of the Supplemental Rent;
7. To the Managing Member as repayment of any Operating Deficit Loan and any Managing Member Loan pro rata in accordance with the balance of each loan as repayment of any Operating Deficit Loan; and
8. Thereafter, remaining operating cash flow if any, to the Members in accordance with their percentage interests.

In addition, the Tenant Agreement provides certain provisions for the application and priorities for the allocation of profit and use of cash in the event of sale or refinancing.

SIT-IN MOVEMENT, INCORPORATED
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 14: CAPITAL CONTRIBUTIONS:

Under the terms of Agreements, as of December 31, 2010, the Managing Member is not obligated to make any additional capital contributions to the Project. As of December 31, 2010, \$250,200 of contributions has been made. Under the terms of the Tenant Agreement, the Investor Member is obligated to make total capital contributions of \$6,705,000. As of December 31, 2010, \$5,000,000 of contributions has been made. The second and final installment of \$1,705,000 is due upon meeting certain benchmarks as outlined in the Agreement including completion of the Project, issuance of the final certificate of occupancy, cost certification of the tax credits, and K-1's among other requirements. The final installment is subject to adjustment based on the actual tax credits delivered.

Under the terms of the Landlord Agreement, the CDE Investor Member is obligated to make total capital contributions of \$4,028,349. As of December 31, 2010, \$4,028,349 of contributions has been made.

NOTE 15: TAX CREDITS:

The National Park Service has determined that the Project is eligible to receive Federal historic rehabilitation tax credits equal to 20% of the Project's qualified rehabilitation expenditures ("QRE") pursuant to Section 47 of the IRC. The Project's tax credits are contingent on its ability to maintain compliance with Section 47 of the Code. Failure to maintain compliance could result in recapture of previously taken tax credits plus interest.

The Project has elected, under Section 50(d) of the Code, to pass-through the historic tax credits related to the QRE incurred by Landlord to the Tenant. Tenant is subject to recapture on a gradually declining scale of 20% of the total historic credits per year if it were to sell the building within the next five (5) years. Because the Historic tax credit are being passed through to Tenant under IRC 50(d) of the Code, no reduction in depreciable basis is required for tax purposes. However, the total Historic tax credits allocated to Tenant is required to be treated as taxable income to Tenant over the depreciable life of the building.

NOTE 16: CONCENTRATION RISK:

The Project operates in Greensboro, North Carolina. Future operations could be affected by changes in the economy or other conditions in that geographic area. The Tenant receives 100% of its rental revenue from CRM, a related entity, in connection with the Sublease. If the operations of CRM were to be negatively impacted, it could have a significant effect on the overall operations of the Project.

NOTE 17: INCOME TAXES:

The Project has adopted accounting rules for uncertain tax positions. These rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. The rules also provide guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements for uncertain tax positions. The adoption of the new rules had no impact on the financial statements. The Project's federal and state tax returns for tax years 2009 and later remain subject to examination by taxing authorities.

SIT-IN MOVEMENT, INCORPORATED
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COMBINING BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2010

ASSETS

| | Sit-In Movement, Incorporated | Civil Rights Museum, LLC | ICRCM, LLC | Museum Landlord, LLC | Museum Tenant, LLC | Eliminations | Total |
|--|----------------------------------|-----------------------------|------------|-------------------------|-----------------------|-----------------|---------------|
| Cash and Cash Equivalents (Operating) | \$ 23,258 | \$ 12,898 | \$ 474 | \$ 6,593 | \$ 17,677 | \$ - | \$ 60,900 |
| Cash and Cash Equivalents (Restricted) | 5,740 | - | - | 141,196 | 101,055 | - | 247,991 |
| Unconditional Promises to Give (Net) | 1,938,703 | - | - | - | - | - | 1,938,703 |
| Receivables | 22,666 | 24,887 | - | 100 | 18,860 | (33,978) | 32,525 |
| Loan Receivable | - | - | - | - | 571,651 | (571,651) | - |
| Investment in Affiliated Entities | 20,136,300 | - | - | - | 3,837,220 | (23,973,520) | - |
| Due from Affiliated Entities | 300,459 | - | - | 31,194 | 6,561 | (338,214) | - |
| Prepaid and Other Assets | 5,199 | 54,504 | - | 30,606,406 | 271,139 | - | 59,703 |
| Fixed Assets (Net) | 219,560 | 917 | - | 1,213,074 | - | - | 31,000,042 |
| Intangible Assets (Net) | 19,042 | - | - | - | - | - | 1,232,116 |
| Total Assets | \$ 22,670,947 | \$ 93,206 | \$ 474 | \$ 31,900,563 | \$ 4,824,153 | \$ (24,917,363) | \$ 34,571,980 |

LIABILITIES AND NET ASSETS

| | | | | | | | |
|---|---------------|-----------|----------|---------------|--------------|-----------------|---------------|
| Accrued Expenses: | | | | | | | |
| Accounts Payable and Other Accrued Expenses | \$ 149,796 | \$ 95,248 | \$ 5,200 | \$ 878,663 | \$ 5,279 | \$ (40,322) | \$ 1,093,864 |
| Total Accrued Expenses | 149,796 | 95,248 | 5,200 | 878,663 | 5,279 | (40,322) | 1,093,864 |
| Other Liabilities | - | 14,781 | 50,000 | - | - | - | 64,781 |
| Debt | 2,883,651 | - | - | 23,921,661 | - | (571,661) | 26,233,651 |
| Total Liabilities | 3,033,447 | 110,029 | 55,200 | 24,800,314 | 5,279 | (611,973) | 27,392,296 |
| Due to Affiliated Entities | - | 290,692 | - | - | - | (290,692) | - |
| Net Assets | | | | | | | |
| Unrestricted | 17,712,560 | (307,515) | (54,726) | 612,577 | 4,547,735 | (24,014,698) | (1,604,067) |
| Available for Program and Supporting Services | 219,580 | - | - | 6,587,872 | 271,139 | - | 7,078,591 |
| Net Investment in Fixed Assets | | | | | | | |
| Total Unrestricted | 17,932,140 | (307,515) | (54,726) | 7,100,249 | 4,818,874 | (24,014,698) | 5,474,324 |
| Temporarily Restricted | 1,700,360 | - | - | - | - | - | 1,700,360 |
| Permanently Restricted | 5,000 | - | - | - | - | - | 5,000 |
| Total Net Assets | 19,637,500 | (307,515) | (54,726) | 7,100,249 | 4,818,874 | (24,014,698) | 7,179,684 |
| Total Liabilities and Net Assets | \$ 22,670,947 | \$ 93,206 | \$ 474 | \$ 31,900,563 | \$ 4,824,153 | \$ (24,014,698) | \$ 34,571,980 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Sit-In Movement, Incorporated | Civil Rights Museum, LLC | ICRCM, LLC | Museum Landlord, LLC | Museum Tenant, LLC | Eliminations | Total |
|---|----------------------------------|-----------------------------|------------|-------------------------|-----------------------|-----------------|--------------|
| Revenue, gains and Other Support Support from the Public | | | | | | | |
| Contributions | \$ 709,481 | - | - | - | - | \$ - | \$ 709,481 |
| Special Events | 586,373 | - | - | - | - | - | 586,373 |
| Grant | 84,000 | - | - | - | - | - | 84,000 |
| Total Support From the Public | 1,379,854 | - | - | - | - | - | 1,379,854 |
| Investment Income | | | | | | | |
| Interest | 173,607 | - | - | - | 6,422 | - | 180,029 |
| Total Investment Income | 173,607 | - | - | - | 6,422 | - | 180,029 |
| Rental Income | 216,146 | - | - | 180,000 | 226,000 | (588,333) | 32,813 |
| Special Programming | - | 5,169 | - | - | - | - | 5,169 |
| Retail Sales | - | 208,349 | - | - | - | - | 208,349 |
| Museum Tours | - | 386,361 | - | - | - | - | 386,361 |
| Gain on Sale | 13,601 | - | - | - | - | - | 13,601 |
| Other Income | 14,904 | - | - | - | - | - | 14,904 |
| Total Revenue, Gains and Other Support | 1,798,112 | 699,879 | - | 180,000 | 231,422 | (588,333) | 2,221,080 |
| Net Asset Restriction Transfers | | | | | | | |
| Unrestricted | | | | | | | |
| Satisfaction of Activity Restrictions | 1,620,219 | - | - | - | - | - | 1,620,219 |
| Unrestricted Net Asset Restriction Transfer | 1,620,219 | - | - | - | - | - | 1,620,219 |
| Temporarily Restricted | | | | | | | |
| Satisfaction of Activity Restrictions | (1,620,219) | - | - | - | - | - | (1,620,219) |
| Temporarily Restricted Net Asset Restriction Transfer | (1,620,219) | - | - | - | - | - | (1,620,219) |
| Expenses | | | | | | | |
| Program Services | | | | | | | |
| Museum Content Programming | 48,329 | 668,432 | - | 903,458 | - | - | 1,620,219 |
| Total Program Services | 48,329 | 668,432 | - | 903,458 | - | - | 1,620,219 |
| Supporting Services | | | | | | | |
| Administration | 1,246,411 | 470,015 | 5,626 | 304,302 | 221,424 | (594,757) | 1,653,021 |
| Fundraising | 352,612 | - | - | - | - | - | 352,612 |
| Total Supporting Services | 1,599,023 | 470,015 | 5,626 | 304,302 | 221,424 | (594,757) | 2,006,653 |
| Total Program and Supporting Services | 1,647,352 | 1,138,447 | 5,626 | 1,207,760 | 221,424 | (594,757) | 3,625,652 |
| Change in Net Assets | 1,770,979 | (538,568) | (5,626) | (1,027,760) | 9,998 | (1,613,796) | (1,404,772) |
| Net Assets, Beginning of Year | 19,567,722 | - | - | 8,886,974 | 971,666 | (20,041,696) | 8,584,466 |
| Net Assets, End of Year | \$ 21,338,701 | \$ (538,568) | \$ (5,626) | \$ 7,089,214 | \$ 981,664 | \$ (21,655,691) | \$ 7,179,684 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINING STATEMENTS OF EXPENSES BY NATURAL CLASSIFICATION

FOR THE YEAR ENDED DECEMBER 31, 2010

| | Sit-In Movement, Incorporated | Civil Rights Museum, LLC | ICRCM, LLC | Museum Landlord, LLC | Museum Tenant, LLC | Eliminations | Total |
|---|----------------------------------|-----------------------------|-----------------|-------------------------|-----------------------|---------------------|---------------------|
| Salaries | \$ 319,557 | \$ 393,047 | - | - | - | - | \$ 712,604 |
| Payroll Taxes | 28,608 | 34,266 | - | - | - | - | 62,874 |
| Employee Benefits | 23,931 | 36,824 | - | - | - | - | 60,755 |
| Professional Fees | 14,276 | 1,185 | - | 14,350 | 609 | - | 30,420 |
| Supplies | 9,062 | 28,713 | - | - | - | - | 37,775 |
| Telephone | 4,367 | 12,316 | - | - | - | - | 16,683 |
| Postage and Shipping | 2,126 | 10,515 | - | - | - | - | 12,641 |
| Occupancy | 80,392 | 183,435 | - | - | - | - | 263,827 |
| Printing and Publications | 6,405 | 4,760 | - | - | - | - | 11,165 |
| Travel | 3,381 | 6,506 | - | - | - | - | 9,887 |
| Program Expenses | 16,076 | 6,733 | - | - | - | - | 22,809 |
| Interest | 147,537 | - | - | 239,217 | - | (6,423) | 380,331 |
| Fundraising | 352,612 | - | - | - | - | - | 352,612 |
| Marketing and Advertising | 117,721 | 10,212 | - | - | - | - | 127,933 |
| Technology | 7,017 | 9,461 | - | - | - | - | 16,478 |
| Office Expense | 6,414 | 6,160 | - | 45 | 35 | - | 12,654 |
| Miscellaneous | 2,961 | 11,143 | - | - | - | - | 14,104 |
| Rent | 186,386 | 228,649 | - | - | 180,000 | (588,334) | 6,701 |
| Depreciation | 35,593 | - | - | 903,458 | 28,181 | - | 967,232 |
| Amortization | - | - | - | 50,690 | - | - | 50,690 |
| Security | 14,148 | 42,488 | - | - | - | - | 56,636 |
| Taxes and Licenses | 544 | 319 | 626 | - | 7,599 | - | 9,088 |
| Insurance | 5,985 | 26,372 | - | - | - | - | 32,357 |
| Asset Management Fee | 230,000 | - | 5,000 | - | 5,000 | - | 240,000 |
| Museum Support | 32,253 | - | - | - | - | - | 32,253 |
| Cost of Goods Sold | - | 85,343 | - | - | - | - | 85,343 |
| Total Program and Supporting Services Expenses | \$ 1,647,352 | \$ 1,138,447 | \$ 5,626 | \$ 1,207,760 | \$ 221,424 | \$ (594,757) | \$ 3,625,852 |

The Accompanying Notes are an Integral Part of the Combined Financial Statements.