SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013
WITH REPORT OF INDEPENDENT AUDITOR

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

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FOR THE YEAR ENDED DECEMBER 31, 2013

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REPORT OF INDEPENDENT AUDITOR

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

Report on the Combined Financial Statements:

I have audited the accompanying combined balance sheet as of December 31, 2013 of the organizations described in Note 1 (collectively the Project), and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements:

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

My responsibility is to express an opinion on these combined financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Project's preparation and fair presentation of the combined financial statements 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 Project's internal control. Accordingly, I 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 evaluating the overall presentation of the combined financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion:

In my opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position of the Organization described in Note 1 as of December 31, 2013, and the combined changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters:

Other Information:

My audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of city/federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* and the combining balance sheet, combining statement of activities and combining statement of expenses by natural classification, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards,* we have also issued our report dated June 15, 2014, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

Oliver W. Bowie, CPA, PA

Oliver W. Bowie, CPA, PA
Greensboro, North Carolina

June 15, 2014

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED BALANCE SHEET
DECEMBER 31, 2013

ASSETS

Cash and Cash Equivalents (Operating)	$ 36,793
Cash and Cash Equivalents (Restricted)	1,400,351
Unconditional Promises to Give (Net)	87,951
Receivables	33,887
Prepaid Expense and Other Assets	45,231
Fixed Assets (Net)	19,470,508
Intangible Assets (Net)	1,066,220
Total Assets	$ 22,140,941

LIABILITIES AND NET ASSETS

Accrued Expenses:	
Accounts Payable and Other Accrued Expenses	$ 291,387
Total Accounts Payable and Other Accrued Expenses	291,387
Other Liabilities	84,961
Debt	25,869,658
Total Liabilities	26,246,006
Net Assets:	
Unrestricted	
Available for Program and Supporting Activities	584,812
Net Investment in Fixed Assets	(4,451,143)
Total Unrestricted	(3,866,331)
Temporarily Restricted	(243,734)
Permanently Restricted	5,000
Total Net Assets	(4,105,065)
Total Liabilities and Net Assets	$ 22,140,941

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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Support From the Public:				
Contributions	$ 93,943	$ –	$ –	$ 93,943
Special Events	143,877	–	–	143,877
Grant	–	35,130	–	35,130
Total Support From Public	237,820	35,130	–	272,950
Investment Income:				
Interest	234,505	–	–	234,505
Total Investment Income	234,505	–	–	234,505
Rental Income	20,425	–	–	20,425
Special Programming	10,761	–	–	10,761
Retail Sales	122,553	–	–	122,553
Museum Tours	378,510	–	–	378,510
Priority Return	135,000	–	–	135,000
Other Income	80,242	–	–	80,242
Total Revenue, Gains and Other Support	1,219,816	35,130		1,254,946
Net Asset Restriction Transfers				
Satisfaction of Activity Restrictions	35,130	(35,130)	–	–
Total Net Asset Restriction Transfers	35,130	(35,130)	–	–
Expenses:				
Program Services:				
Museum Content Programing	647,448	–	–	647,448
Total Program Services	647,448	–	–	647,448

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Supporting Services:				
Administration	2,756,444	-	-	2,756,444
Fundraising	158,419	-	-	158,419
Total Supporting Services	2,914,863	-	-	2,914,863
Total Program and Supporting Services Expenses	3,562,311	-	-	3,562,311
Change in Net Assets	(2,307,365)	-	-	(2,307,365)
Transfers	748,948	-	-	748,948
Net Assets, Beginning of Year	(2,307,914)	(243,734)	5,000	(2,546,648)
Net Assets, End of Year	$ (3,866,331)	$ (243,734)	$ 5,000	$ (4,105,065)

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, 2013

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
	Museum Content Programing	Administration	Fundraising	
Salaries	$ 276,449	$ 116,246	$ 49,316	$ 442,011
Payroll Taxes	22,520	17,647	4,386	44,553
Employee Benefits	8,086	2,158	2,611	12,855
Professional Fees	31,953	44,460	-	76,413
Supplies	-	15,823	-	15,823
Telephone	-	17,084	-	17,084
Postage and Shipping	637	124	-	761
Cost of Goods Sold	62,030	-	-	62,030
Occupancy	197,014	14,947	-	211,961
Printing and Publications	1,430	349	-	1,779
Travel	1,600	1,078	-	2,678
Program Expense	6,890	894	-	7,784
Interest	-	307,958	-	307,958
Fundraising Project Expenses	-	-	102,106	102,106
Marketing and Advertising	26,600	2,629	-	29,229
Technology	-	30,476	-	30,476
Office Expense	-	15,818	-	15,818
Miscellaneous	-	32,511	-	32,511
Rent	-	2,268	-	2,268
Depreciation	2,232	782,836	-	785,068
Amortization	-	57,798	-	57,798
Security	10,007	36,762	-	46,769
Taxes and Licenses	-	30,998	-	30,998
Insurance	-	34,119	-	34,119
Asset Management Fee	-	235,000	-	235,000
Museum Support	-	22,565	-	22,565
Loss From Investment In II	-	933,896	-	933,896
	$ 647,448	$ 2,756,444	$ 158,419	$ 3,562,311

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, 2013

Cash Flows From Operating Activities:	
Change in Net Assets	$ (2,307,365)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used) in Operating Activities:	
Depreciation	785,068
Amortization	57,798
Changes in Assets and Liabilities:	
Unconditional Promises to Give (Net)	51,783
Receivables	34,012
Prepaid Expense and Other Assets	4,303
Accrued Expenses (Net)	(127,216)
Other Liabilities	40,696
	(1,460,921)
Cash Flows From Investing Activities:	
Loss on Investment	735,194
Payments for Improvements, Property and Equipment	(84,000)
Payments for Intangible Assets	-
Net Cash (Used in) Provided by Investing Activities	651,194
Cash Flows from Financing Activities:	
Payments on Debt	(239,500)
Loan Proceeds	1,111,500
Net Cash Provided by (Used in) Financing Activities	872,000
Net Change in Cash and Cash Equivalents	62,273
Cash and Cash Equivalents, Beginning of Year	1,374,871
Cash and Cash Equivalents, End of Year	$ 1,437,144

Supplemental Cash Flow Information

Cash Paid for Interest	$307,958

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, 2013

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, 2013 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, unless sooner terminated as provided for in the Agreements.

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. In 2010, Landlord began leasing the property to Tenant under a Master Lease Agreement ("the Lease"), as further described in Note 12. Tenant in turn leases the property to a sub-tenant. The Tenant is responsible for making monthly payments to landlord under the terms of the Lease. The sub-tenant is responsible for most operating expenses incurred in connection with operating the property. Tenant and sub-tenant do not own the property or the rental improvements nor are they 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 the 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.

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 Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *Fair Value Measurements and* Disclosures ("Topic 820")- Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1, Level 2, and Level 3 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for the year ended December 31, 2013, except for the disclosures about purchases, sales, issuances and settlements in the

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

New Accounting Pronouncements (Concluded):

roll forward of activity in Level 3 fair value measurements, which is effective for the year ended December 31, 2013. The Movement has adopted ASU 2010-06 for the year ended December 31, 2013.

In May 2011, FASB issued ASU 2011-04, *Fair Value Measurement* ("Topic 820"): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements* in United States GAAP and IFRS's. This ASU changes the wording used to describe many of the requirements in United States GAAP for measuring fair value and for disclosing information about fair value measurements. FASB does not intend for this ASU to change the application of the requirements in Topic 820. ASU 2011-04 is effective for the year ended December 31, 2013. The Movement is currently evaluating the effect that the adoption of ASU 2011-04 will have on its combined financial statements.

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:

Assets	Method	Useful Lives
Building & Improvements	Straight-Line	40 Years
Land Improvements	Straight-Line	20 Years
Furnishings	Straight-Line	10 Years

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

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 balances 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.

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.

Rental Income

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

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.

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

Income Taxes (Concluded)

The Project is required to evaluate the income tax positions taken to determine whether the position is more likely than not of being sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Accounting rules for uncertain tax positions also provide guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements. There were no interest and penalties recognized in the financial statements of the Project as of and for the year ended December 31, 2013. The Project's federal and state tax returns for the year 2010 and later remain subject to examination by taxing authorities.

Unconditional 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 2013 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.

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

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

Contributed Services (Concluded)

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. 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.

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, 2012.

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.

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

Pursuant to the Landlord agreement, 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 as defined. The operating reserve is to be used to fund the Managing Member Priority Distribution (see Note 8) and other Landlord expenses with prior consent of the CDE Investor Member.

As of December 31, 2013, the operating reserve balance was $275,954.

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. The insurance reserve has been funded and maintained by Sit-In Movement, Incorporated ("the Developer").

Working Capital and Contingency Reserves

Pursuant to the Landlord Agreement, the Landlord shall establish, fund, and maintain working capital and contingency reserves at the Managing Member's discretion with prior consent of the CDE Investor Member. As of December 31, 2013 the Project has not funded the working capital or contingency reserves.

Preferred Return Reserve

Pursuant to the Tenant Agreement, 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 the Developer is required to establish and maintain the remainder of the reserve. As of December 31, 2013, the remaining priority return reserve was maintained and held by the Developer.

NOTE 5: UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at December 31, 2013 are as follows:

Receivable in Less Than one (1) Year	$	82,646
Receivable in one (1) to Five (5) Years		5,500
Total Unconditional Promises to Give		88,146
Less Discounts to Net Present Value		195
Less Allowance for Uncollectible Promises		-
Net Unconditional Promises to Give December 31, 2013	$	87,951

NOTE 6: FIXED ASSETS:

Fixed assets as of December 31, 2013 are as follows:

Land	$	790,000
Building and Improvements		15,321,253
Furniture, Fixtures, Equipment, and Other Capitalized Assets		7,442,743
Less: Accumulated Depreciation		(4,083,488)
Net Fixed Assets	$	19,470,508

Depreciation expense for the year ended December 31, 2013 was approximately $785,068.

NOTE 7: INTANGIBLE ASSETS:

As of December 31, 2013, intangible assets consisted of the following:

Permanent Loan Fees	$	760,000
Legal Fees		481,967
Closing Costs		21,797
Copyrights		20,000
Tax Credit Fees		7,500
Accumulated Amortization		(225,044)
	$	1,066,220

Amortization expense for the year ended December 31, 2013 was approximately $57,798.

NOTE 8: RELATED ENTITY TRANSACTIONS:

The Landlord has the following transactions with related entities:

DESCRIPTION	RELATED ENTITY	AMOUNT
The Lease	Tenant	See Note 12.
Due to Tenant	Tenant	As of December 31, 2013 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 not bear interest and be repaid in accordance with cash flow priority as outlined in Note 13. As of December 31, 2013 outstanding Shortfall Loans from the Managing Member were $50,000.
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. As shown in Note 7 as permanent loan fees, $760,000 of the guaranty is included in the financial statements in intangible assets as of December 31, 2013. The remaining $400,000 guaranteed the completion of construction and was capitalized as part of 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). For the year ended December 31, 2013 priority distribution of $135,000 was paid. As of December 31, 2013 the unpaid priority distribution was $85,000. Priority return payments are not recorded until paid.
Due To/From Related Parties	Affiliates	As of December 31, 2013, the Landlord owes funds to the Developer of $40,504. As of December 31, 2013, the Landlord is owed funds from Civil Rights Museum, LLC of $128,125.

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

The Tenant has the following transactions with related entities:

DESCRIPTION	RELATED ENTITY	AMOUNT
Master Lease Agreement	Landlord	See Note 12.
Sublease Agreement	Civil Rights Museum, LLC	See Note 12.
Due from Landlord	Landlord	As of December 31, 2013, 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 preferred return reserve and expense reserves (see Note 4). The loan accrues interest at a rate of 1%, and matures in February 2042. As of December 31, 2013, the outstanding loan receivable balance was $3,149,902. As of December 31, 2013, the Tenant has an interest receivable balance in the amount of $-0- due from the Developer in connection with the loan outstanding as of December 31, 2013. This amount is eliminated in the combined 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 pro-rated for any partial years and accrues if unpaid. As of December 31, 2013, the incurred asset management fee was $5,000. As of December 31, 2013 the unpaid asset management fee was $5,000 and included in accrued expenses.
Operating Deficit Loans	Managing Member	If at any time during the Compliance Period, as defined in the Tenant Agreement, an operating deficit exists, the Managing Member shall contribute funds to the Project as Operating Deficit Loans up to the aggregated amount of the shortfall.

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

The Tenant has the following transactions with related entities (Concluded):

DESCRIPTION	RELATED ENTITY	AMOUNT
Operating Deficit Loans (Concluded)	Managing Member	Operating Deficit Loans shall not bear interest. As of December 31, 2013, there were no Operating Deficit Loans outstanding.
Managing Member Loans	Managing Member	If the Project is unable to make any required debt service payments, rent payments or pay other material expenses, then the Managing Member shall make a loan to the Project sufficient to cover the shortfall. Such Managing Member Loans are interest bearing at Prime plus 200 basis points and payable out of available cash flow as described in Note 13. As of December 31, 2013, there were no Managing Member Loans outstanding.
Investor Member Loan	Investor Member	If the Managing Member fails to make a Managing Member Loan to the Project to cover unpaid required debt service payments or material Project expenses, 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 described in Note 13. As of December 31, 2013 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. For the year ended December 31, 2013, priority returns paid were $125,477. As of December 31, 2013, the unpaid Preferred Return owed to the Investor was $125,134. Priority return payments are recorded when paid.
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, 2013 no tax liability reimbursement is owed to the Investor Member.
Due To/From Related Party	Affiliate	As of December 31, 2013, the Tenant owes funds to the Developer of $28,444. The Tenant is owed funds from CRM of $101,372 as of December 31, 2013.

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

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

DESCRIPTION	RELATED ENTITY	AMOUNT
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.
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.

NOTE 8: RELATED ENTITY TRANSACTIONS (CONTINUED):

Civil Rights Museum has the following transactions with related entities:

DESCRIPTION	RELATED ENTITY	AMOUNT
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 $218,545 to the Civil Rights Museum, for scheduled rents during the 2013 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, 2013, Civil Rights Museum, LLC, had a delinquent balance of $59,865 in Accounts Payables that was due to the Tenant for rent. Civil Rights Museum, LLC incurred $360,000 of rent expense that was due to the Tenant as of December 31, 2013. 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, 2013, Civil Rights Museum, LLC, had a balance due to Sit-In in the amount of $790,902. The inter-company will be eliminated in combination.
Due to Landlord	Landlord, LLC	As of December 31, 2013, Civil Rights Museum, LLC, had a balance due to the Landlord in the amount of $128,125. The inter-company will be eliminated in combination.
	Sit-In Movement, Incorporated	As of December 31, 2013, Civil Rights Museum had a balance due to Sit-In Movement, Incorporated, in the amount of $239,098 for expense allocations. Eliminated in combination.
	Tenant	As of December 31, 2013, Civil Rights Museum owed the Museum Tenant, $101,372 for transfers. The balance is eliminated in combination.
	ICRCM	As of December 31, 2013, Civil Rights Museum owed ICRCM, $452,214 for funds transfers. The balance is eliminated in combination.

NOTE 8: RELATED ENTITY TRANSACTIONS (CONCLUDED):

ICRCM has the following transactions with related entities:

DESCRIPTION	RELATED ENTITY	AMOUNT
Investment	Landlord	As of December 31, 2013, the Landlord allocated a loss of investment for the Managing Member in the amount of $7,007,200 for the year. The Managing Member also had an equity interest/in a money market of $50,000. These inter-companies are to be eliminated in combination.
Investment	Tenant	As of December 31, 2013, the Tenant allocated a loss of investment for the Managing Member in the amount of $88 for the year. The inter-company will be eliminated in combination.
Equity and Payable	Civil Rights Museum	As of December 31, 2013, ICRCM had an equity-negative balance of $134,000 and a net receivable due from Civil Rights Museum of $318,214 eliminated in combination.

NOTE 9: INVESTMENT IN LLC:

Sit-In Movement, Incorporated (SIM) invested $1,796,101 in a related entity, ICRCM, LLC, a North Carolina Limited Liability Company ("ICRCM"). In order to facilitate the Project's financing for the Civil Rights Museum, SIM has organized and been admitted as the sole member of ICRCM, LLC.

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. PREPAYMENT 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.

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, 2013 is $ 19,886,200.

NOTE 11: DEBT:

Debt as of December 31, 2013 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, 2013 represents a loan of $4,000,000. The balance due at December 31, 2013 is $883,007. The short-term (due within one (1) year) portion of the loan is $883,007. 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 were forty-one (41) interest payments due monthly on the 15th day of each month; periodic principal paydowns were 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.

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.

The loan was modified on May 15, 2013 as to the maturity date of the loan. The new maturity date is July 1, 2015.

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, 2013 represents a single line of credit loan of $4,000,000. The balance due at December 31, 2013 is

NOTE 11: DEBT (CONTINUED):

Loan 2

$3,149,902 (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.

Loan 3

Sit-In Movement, Incorporated, ("Borrower") entered into a note agreement with Wells Fargo Bank ("Lender") on November 5, 2012. The note payable as of December 31, 2013 represents a $400,000 line of credit loan. The balance due at December 31, 2013 is $265,000 (due November 5, 2013). Interest is being charged at a "Floating" rate of 4.250% at December 31, 2013. Interest only is to be paid on a monthly basis until the date of note maturity.

The line is secured by Museum Landlord, LLC, as grantor, pledges and grants to Wells Fargo Bank a first priority security interest in personal property, whether existing or hereafter arising, now owned or hereafter acquired, and wherever located.

The loan is in default as of December 31, 2013.

Loan 4

Sit-In Movement, Incorporated ("Borrower") entered into a note agreement with The Community Foundation of Greater Greensboro, Inc. (CFGG) ("Lender") on September 10, 2013. The note payable as of December 31, 2013 represents a loan of $50,000. The loan is non-interest bearing.

The purpose of the loan was to provide funds for the completion of audits of financial statements of the combined entities related to Sit-In Movement, Incorporated and International Civil Rights Center and Museum for fiscal years 2010 and 2011.

The maturity date of the loan is:

a) Thirty (30) days after audited financial statements are issued: or

b) Receipt of the first funding from the City of Greensboro.

Loan 5

Sit-In Movement, Incorporated ("Borrower") entered into a note agreement with the City of Greensboro ("Lender") on October 25, 2013. The note payable as of December 31, 2013 represents a loan of $1,500,000. The balance due at December 31, 2013 is $750,000.

Loan Repayment Terms: Loans are at 2% interest, and installment payments from the City are to be repaid no later than two (2) and one-half years following receipt of first payment. However, loan repayment obligation clock does not begin until January 1, 2014 (for example, FY 2013 loan installments will not have a deadline for repayment until June 30, 2016. If the FY 2014 loan installment is paid on August 1, 2014, then repayment is not due until February 1, 2017).

Loan offset: From Council's approval of the loan through July 1, 2015, any net funds raised by the ICRCM will offset the City's loan dollar for dollar, and will result in that portion of the loan being forgiven by the City and not subject to a repayment obligation. By way of illustration, if the ICRCM raises $125,000 during a fundraising campaign during 2014, $125,000 of the loan will be forgiven, and will no longer be an obligation of the ICRCM.

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 11: DEBT (CONTINUED):

In exchange for the City's loan, ICRCM agrees to do the following:

1. Until the loan is repaid in full, the ICRCM shall reserve two (2) voting seats on the Sit-In Movement, Incorporated, Board of Directors (or any successor entity that may be responsible for oversight and governance of the ICRCM) for the City Manager and the Mayor of the City. The Manager and Mayor may designate alternates to serve in their place if they are unable to attend a Board Meeting. The ICRCM shall not schedule Board Meetings to conflict with regular and work session meetings of the City Council.

2. The ICRCM Board of Directors shall establish an Audit Committee by January 1, 2014. This Audit Committee shall meet at a minimum quarterly and shall report to the Board of Directors of Sit-In Movement, Incorporated or any successor entity responsible for oversight and governance of the ICRCM.

3. The ICRCM and Sit-In Movement, Incorporated will begin a search for an executive level staff member who may serve as a development director, or the dual role of executive director and development director, but the search must at least seek out a development director. The search must begin by January 1, 2014.

4. The ICRCM and Sit-In Movement, Incorporated, shall provide a sustainability plan to the City Council by January 1, 2014. The sustainability plan shall discuss how the Museum will increase Museum attendance, how it will increase its revenue, and how it will plan for the future including the creation of reserves and an endowment to support the Museum. The plan must include specific metrics to be used to measure progress and a timeline for actions to take place.

The loan is to be secured by a lien on the property consisting of the ICRCM, located at 134 South Elm Street, Greensboro, NC 27401, and will begin in second position, but after the tax credits expire, will be in first position. The loan is forgivable based on fundraising accomplishments.

SUMMARY OF DEBT FOR LOANS 1, 2, 3, 4 AND 5

	2013 Current Amount	2013 Long-Term Amount	2013 Total
Loan #1	$ 883,007	$ -	$ 883,007
Loan #2	-	3,149,902	3,149,902
Loan #3	265,000	-	265,000
Loan #4	50,000	-	50,000
Loan #5	-	750,000	750,000
	$ 1,198,007	$ 3,899,902	$ 5,097,909

Approximate annual payments as of December 31, 2013 excluding interest, are payable as follows:

Fiscal Year	
2013	$ 1,198,007
Thereafter	3,899,902
	$ 5,097,909

NOTE 11: DEBT (CONCLUDED):

Related Entity Debt

The Landlord's debt at December 31, 2013 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
Accrued interest at December 31, 2013 is $47,429.	
$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, 2013 was $12,375. The loan is guaranteed by the Developer.	4,950,000
The Project is not required to make any principal payments on either loan until 2019.	
Total Related Entity Debt	$ 23,921,651

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, 2013 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 2011 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.

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:

2014	$ 225,102
2015	231,855
2016	238,810
2017	245,975
2018	253,354
	$ 1,195,096

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 2011 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 $345,000 in regards to the Lease transactions during the period as of December 31, 2013.

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

2014	$ 355,000
2015	355,000
2016	355,000
2017	355,000
2018	355,000
Thereafter	9,290,000
	$ 11,065,000

For the year ended December 31, 2013 the Lease payments due were $345,000. As of December 31, 2013, the Tenant owes the Landlord master lease payments of $178,922.

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 $360,000. As of December 31, 2013 the Tenant is owed $101,574 in connection with Sublease transactions.

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

For the Year Ended

2014	$ 360,000
2015	360,000
2016	360,000
2017	360,000
2018	360,000
Thereafter	1,037,123
Total Payments	$ 2,837,123

CRM has Sub-subleased the Property to the Developer ("the Sub-sublease"). The Sub-sublease commenced in 2010 and expires in 2020.

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.

NOTE 14: CAPITAL CONTRIBUTIONS:

Under the terms of Agreements, as of December 31, 2013, the Managing Member is not obligated to make any additional capital contributions to the Project. As of December 31, 2013, $250,200 of contributions have been made. Under the terms of the Tenant Agreement, the Investor Member is obligated to make total capital contributions of $6,705,000 subject to adjustment mainly due to the amount and timing of the actual federal and state historic tax credits delivered. The upward adjustment was $873,251. As of December 31, 2013, contributions of $7,578,251 have been made and no adjustments were deemed necessary.

Under the terms of the Landlord Agreement, the CDE Investor Member is obligated to make total capital contributions of $4,028,349, subject to adjustment as described in Landlord Agreement. As of December 31, 2013, contributions of $4,028,349 have been made and no adjustments were deemed necessary.

The Credit Investor is obligated to make capital contributions of $4,028,349 to the Tenant Investor Member, subject to adjustment in accordance with Tenant Agreement. As of December 31, 2013, contributions of $4,028,349 have been made and no adjustment was deemed necessary.

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 two (2) years. Because the Historic tax credits 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 2010 and later remain subject to examination by taxing authorities.

Note 18: SUBSEQUENT EVENTS:

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through June 15, 2014 the date combined financial statements were available to be issued.

Subsequent to December 31, 2013 Sit-In Movement, Incorporated entered into a loan modification agreement dated August 15, 2013 with Carolina Bank to extend the loan maturity date to July 1, 2015. See Note 11, Loan #1.

Note 19: SPECIAL FEES PAID BY SIT-IN MOVEMENT:

Asset Management Fee- Sit-In Movement is to pay to Stonehenge Community Development Sub CDE an annual asset management fee (the "SCD Asset management Fee") in twenty-nine (29) consecutive quarterly installments of $57,500 each, beginning October 7, 2009 and continuing on the fifth (5th) Business Day of each January, April, July and October thereafter until the final installment due on August 18, 2016 (the "Final Payment Date"). In no event shall the aggregate SCD Asset Management Fee exceed $1,610.000.

Loan servicing Fee- Sit-In Movement is to pay to Stonehenge Community Development Sub CDE a loan servicing fee in consecutive quarterly installments of $1,875 each, beginning October 7, 2009 and continuing on the fifth (5th) Business Day of each January, April, July and October thereafter until the final installment due on August 18, 2016 (the "Final Payment Date").

OTHER FINANCIAL INFORMATION:

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2013

ASSETS	Sit-In Movement, Incorporated	Civil Rights Museum, LLC	ICRCM, LLC	Museum Landlord, LLC	Museum Tenant, LLC	Eliminations	Total
Cash and Cash Equivalents (Operating)	$ 28,179	$ 6,341	$ 101	$ 2,057	$ 115	$ –	$ 36,793
Cash and Cash Equivalents (Restricted)	1,124,397	–	–	275,954	–	–	1,400,351
Unconditional Promises to Give (Net)	87,951	–	–	–	–		87,951
Receivables	13,706	20,181	–	165,172		(165,172)	33,887
Loan Receivable	–	–	–	–	3,149,902	(3,149,902)	–
Investment in Affiliated Entities	2,166,675	–	(8,669,593)	–	2,686,653	3,816,265	–
Due from Affiliated Entities	21,120,225	–	50,000	198,621	85,268	(21,454,114)	–
Prepaid and Other Assets	5,000	40,231	–	–	–	–	45,231
Fixed Assets (Net)	87,655	12,101	–	19,189,613	181,139	–	19,470,508
Intangible Assets (Net)	16,042	–	–	1,050,178	–	–	1,066,220
Total Assets	$ 24,649,830	$ 78,854	$(8,619,492)	$ 20,881,595	$ 6,103,077	$(20,962,923)	$ 22,140,941
LIABILITIES AND NET ASSETS							
Accrued Expenses:							
Accounts Payable and Other Accrued Expenses	$ 277,540	$ 102,326	$ –	$ 99,046	$ 63,599	$ (251,124)	$ 291,387
Total Accrued Expenses	277,540	102,326	–	99,046	63,599	(251,124)	291,387
Other Liabilities	168,320	838,322	–	2,932	46,708	(971,321)	84,961
Debt	5,097,909	–	–	23,921,651	–	(3,149,902)	25,869,658
Total Liabilities	5,543,769	940,648	–	24,023,629	110,307	(4,372,347)	26,246,006
Due to Affiliated Entities	(16,004)	907,775	(268,214)	61,851	12,340	(697,748)	–
Net Assets							
Unrestricted							
Available for Program and Supporting Services	19,257,102	(1,781,670)	(8,351,278)	1,544,195	5,799,291	(15,882,828)	584,812
Net Investment in Fixed Assets	103,697	12,101	–	(4,748,080)	181,139	–	(4,451,143)
Total Unrestricted	19,360,799	(1,769,569)	(8,351,278)	(3,203,885)	5,980,430	(15,882,828)	(3,866,331)
Temporarily Restricted	(243,734)	–	–	–	–	–	(243,734)
Permanently Restricted	5,000	–	–	–	–	–	5,000
Total Net Assets	19,122,065	(1,769,569)	(8,351,278)	(3,203,885)	5,980,430	(15,882,828)	(4,105,065)
Total Liabilities and Net Assets	$ 24,649,830	$ 78,854	$(8,619,492)	20,881,595	$ 6,103,077	$(20,952,923)	$ 22,140,941

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, 2013

	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	$ 93,943	$ -	$ -	$ -	$ -	$ -	$ 93,943
Special Events	143,877	-	-	-	-	-	143,877
Grant	35,130	-	-	-	-	-	35,130
Total Support From the Public	272,950	-	-	-	-	-	272,950
Investment Income:							
Interest	231,971	-	-	2,534	31,499	(31,499)	234,505
Total Investment Income	231,971	-	-	2,534	31,499	(31,499)	234,505
Rental Income	-	238,970	-	345,000	360,000	(923,545)	20,425
Special Programing	10,761	-	-	-	-	-	10,761
Retail Sales	-	122,553	-	-	-	-	122,553
Museum Tours	-	378,510	-	-	-	-	378,510
Priority Return	135,000	-	-	-	-	-	135,000
Other Income	59,684	20,558	-		-	-	80,242
Total Revenue, Gains and Other Support	710,366	760,591	-	347,534	391,499	(955,044)	1,254,946
Net Asset Restriction Transfers:							
Unrestricted Satisfaction of Activity Restrictions	-	-	-	-	-	-	-
Unrestricted Net Asset Restriction Tranfer	-	-	-	-	-	-	-
Temporarily Restricted							
Satisfaction of Activity Restrictions	-	-	-	-	-	-	-
Temporarily Restricted Net Asset Restriction Transfer	-	-	-	-	-	-	-
Expenses:							
Program Services:							
Museum Content Programming	20,695	464,603	-	-	162,150	-	647,448
Total Program Services	20,695	464,603	-	-	162,150	-	647,448
Supporting Services:							
Administration	900,312	565,201	860,563	1,091,666	293,520	(954,818)	2,756,444
Fundraising	158,419	-	-	-	-	-	158,419
Total Supporting Services	1,058,731	565,201	860,563	1,091,666	293,520	(954,818)	2,914,863
Total Program and Supporting Services	1,079,426	1,029,804	860,563	1,091,666	455,670	(954,818)	3,562,311
Change in Net Assets:	(369,060)	(269,213)	(860,563)	(744,132)	(64,171)	(226)	(2,307,365)
Transfers	2,507	(8,944)	(7,620,359)	(135,001)	(125,386)	8,636,130	748,948
Net Assets, Beginning of Year	19,488,618	(1,491,412)	129,644	(2,324,753)	6,169,987	(24,518,732)	(2,546,648)
Net Assets, End of Year	$ 19,122,065	$ (1,769,569)	$(8,351,278)	$ (3,203,885)	$ 5,980,430	$(15,882,828)	$ (4,105,065)

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

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

COMBINING STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED DECEMBER 31, 2013

	Sit-In Movement, Incorporated	Civil Rights Museum, LLC	ICRCM, LLC	Museum Landlord, LLC	Museum Tenant, LLC	Eliminations	Total
Salaries	$ 197,509	$ 244,502	$ -	$ -	$ -	$ -	$ 442,011
Payroll Taxes	17,547	27,006	-	-	-	-	44,553
Employee Benefits	5,647	7,208	-	-	-	-	12,855
Professional Fees	31,535	29,878	750	14,250		-	76,413
Supplies	4,201	11,622	-	-	-	-	15,823
Telephone	4,934	12,150	-	-	-	-	17,084
Postage and Shipping	21	616	-	124	-	-	761
Occupancy	54,821	157,140	-	-	-	-	211,961
Printing and Publications	1,330	449	-	-	-	-	1,779
Travel	1,600	1,078	-	-	-	-	2,678
Program Expenses	6,082	1,702	-	-	-	-	7,784
Interest	98,947	1,293	-	239,217	-	(31,499)	307,958
Fundraising	102,106	-	-	-	-	-	102,106
Marketing and Advertising	28,246	983	-	-	-	-	29,229
Technology	19,712	10,764	-	-	-	-	30,476
Office Expense	5,081	9,682	-	-	1,055	-	15,818
Miscellaneous	8,643	23,800	68	-	-	-	32,511
Rent	219,669	360,918	-	-	345,000	(923,319)	2,268
Depreciation	11,162	4,133	-	739,773	30,000	-	785,068
Amortization	1,000	-	-	56,798	-	-	57,798
Security	10,007	36,762	-	-	-	-	46,769
Taxes and Licenses	209	886	262	29,439	202	-	30,998
Insurance	1,917	25,202	-	7,000	-	-	34,119
Asset Management Fee	230,000	-	-	-	5,000	-	235,000
Museum Support	17,500	-	-	5,065	-	-	22,565
Cost of Goods Sold	-	62,030	-	-	-	-	62,030
Loss From Investment	-	-	859,483	-	74,413	-	933,896
Total Program and Supporting Services Expenses	$ 1,079,426	$ 1,029,804	$ 860,563	$ 1,091,666	$ 455,670	$ (954,818)	$ 3,562,311

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

The Board of Directors
Sit-In Movement, Incorporated and Affiliated Entities
Greensboro, North Carolina 27401

Report on Compliance for Each Major City/Federal Program:

I have audited the Project's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Project's major city/federal program for the year ended December 31, 2013. The Project's major city/federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility:

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its city/federal programs.

Auditor's Responsibility:

My responsibility is to express an opinion on compliance for the Project's major city/federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major city/federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major city/federal program. However, my audit does not provide a legal determination of the Project's compliance.

Opinion on Each Major City/Federal Program:

In my opinion, the Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major city/federal program for the year ended December 31, 2013.

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

Report on Internal Control Over Compliance:

Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on the major city/federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major city/federal program and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Project's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of city/federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of city/federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance with a type of compliance requirement of city/federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Oliver W. Bowie, CPA, PA

Oliver W. Bowie, CPA, PA
Greensboro, North Carolina

June 15, 2014

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Sit-In Movement, Incorporated.

2. No material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Sit-In Movement, Incorporated were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major city/federal award program.

5. The auditor's report on compliance for the major city/federal award program for Sit-In Movement, Incorporated expresses an unqualified opinion.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The program tested as a major program was the City of Greensboro Direct Loan Program.

8. The threshold for distinguishing Type A and B programs was $300,000.

9. Sit-In Movement, Incorporated did not qualify as a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS-MAJOR CITY/FEDERAL AWARD PROGRAM AUDIT

NONE

SIT-IN MOVEMENT, INCORPORATED
AND AFFILIATED ENTITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule of Expenditures of City/Federal Award

City/Federal Grantor Program Title-	2013 Expenditure
City of Greensboro Loan	$ 750,000

Note To Schedule Of Expenditures of City/Federal Award

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of city/federal award includes the City of Greensboro, loan activity of the Project, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary Schedule Of Prior Audit Findings

NONE