

Note regarding the new accounting pronouncement ASU 2018-13:
If the Partnership's investments are all at NAV, there is no need to include the *Recently Adopted Accounting Pronouncement* paragraph from p.8 as the impact on the Partnership is minimal.

SAMPLE FUND OF FUNDS, L.P.

FINANCIAL STATEMENTS
DECEMBER 31, 20XX

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SAMPLE FUND OF FUNDS, L.P.

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ANCHIN[®]
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Independent Auditors' Report

To **Sample Fund of Funds, L.P.:**

We have audited the accompanying financial statements of **Sample Fund of Funds, L.P.** (the "Partnership"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, of as of December 31, 20XX and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sample Fund of Funds, L.P.** as of December 31, 20XX, and the results of its operations, changes in its partners' capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SIGNATURE OF AUDITOR

New York, N.Y.
_____, 20XX

SAMPLE FUND OF FUNDS, L.P.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 20XX

ASSETS

Investment in funds, at fair value (cost \$)	\$
Cash [and cash equivalents]	
Redemptions receivable from investment funds	
Prepaid investments in funds	
Other assets	
	<hr/>
TOTAL ASSETS	\$ -

LIABILITIES

Accrued expenses	\$
Payable for capital withdrawals	
Contributions received in advance	
Line of credit	
	<hr/>
TOTAL LIABILITIES	-

PARTNERS' CAPITAL

General Partner	
Limited Partners	
	<hr/>
TOTAL PARTNERS' CAPITAL	-
	<hr/>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ -

See Notes to Financial Statements

SAMPLE FUND OF FUNDS, L.P.

STATEMENT OF OPERATIONS
For the Year Ended December 31, 20XX

INVESTMENT INCOME (LOSS)

Interest	\$
Dividends (net of \$_____ foreign taxes withheld)	<u> </u>
Total Income	<u> -</u>

EXPENSES

Interest	
Management fees	
Administration fees	
Professional fees	
Other	
Total Expenses	<u> -</u>
Net Investment Income [Loss]	<u> -</u>

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Realized gain [loss] on investments in funds, net	
Unrealized gain [loss] on investments in funds, net change	
Realized gain [loss] on other investments, net	
Unrealized gain [loss] on other investments, net change	<u> </u>
Total Realized and Unrealized Gain [Loss] on Investments	<u> -</u>

NET INCOME [LOSS]	<u> \$ -</u>
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See Notes to Financial Statements

SAMPLE FUND OF FUNDS, L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

For the Year Ended December 31, 20XX

	LIMITED PARTNERS	GENERAL PARTNER	TOTAL
PARTNERS' CAPITAL - Beginning	\$	\$	\$ -
CHANGES IN CAPITAL FROM			
Net income [loss]			-
Performance reallocation			-
Net Increase [(Decrease)] From Net Income [(Loss)]	-	-	-
Partners' Transactions			
Capital contributions			-
Capital withdrawals			-
Capital transfers			-
Net Increase [(Decrease)] From Partners' Capital Transactions	-	-	-
Total Increase [(Decrease)] in Partners' Capital	-	-	-
PARTNERS' CAPITAL - Ending	\$ -	\$ -	\$ -

See Notes to Financial Statements

SAMPLE FUND OF FUNDS, L. P.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 20XX

CASH FLOWS FROM OPERATING ACTIVITIES

Net income [loss]		\$
Adjustments to reconcile net income [loss] to net cash provided by [used in] operating activities:		
Purchases of investments in funds	\$	
Proceeds from disposition of investments in funds		
Realized gain [loss] on other investments in funds		
Unrealized gain [loss] on investments in funds, net change		
Purchase of other investments		
Proceeds from disposition of other investments		
Realized gain [loss] on other investments		
Unrealized gain [loss] on other investments, net change		
(Increase) decrease in operating assets:		
Redemption receivable from investment funds		
Prepaid investments in funds		
Other assets		
Increase (decrease) in operating liabilities:		
Accrued expenses		
Total adjustments		-
Net Cash Provided by [Used in] Operating Activities		-

CASH FLOWS FROM FINANCING ACTIVITIES

Partners' capital contributions		
Partners' capital withdrawals		
Contributions received in advance		
Line of credit		
Net Cash Provided by [Used in] Financing Activities		-

NET INCREASE [DECREASE] IN CASH [AND CASH EQUIVALENTS]

CASH [AND CASH EQUIVALENTS]

Beginning of year		
End of year		\$ -

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for Interest	\$	-
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SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVIT(IES)

Contributions received in advance in prior year	\$	-
Payable to withdrawing partners	\$	-

See Notes to Financial Statements

SAMPLE FUND OF FUNDS, L.P.

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 20XX

<u>INVESTMENT IN FUNDS</u>	<u>% OF PARTNERS' CAPITAL</u>	<u>FAIR VALUE</u>	<u>LIQUIDITY PROVISIONS</u>
United States			
Equity Long/Short			
Sample Partners, L. P.		\$	1-year lockup; 45 day notice; monthly redemptions
Other	_____	_____	
	-	-	
Event Driven			
Sample Partners, L.P. II			2-year lockup; 90 day notice; annual redemptions
Other	_____	_____	
	-	-	
Global Opportunities			
	_____	_____	
	-	-	
Multi-Strategy			
Sample Partners, L.P. III			3 year lockup; 180 day notice, annual redemptions
Other	_____	_____	
	-	-	
Real Estate			
	_____	_____	
	-	-	
Private Equity - International			
	_____	_____	
	-	-	
TOTAL INVESTMENTS IN FUNDS			
(COST \$ _____)	_____	\$ _____	
	-	-	

[Disclose underlying fund investment information if greater than 5%]

Note: Unfunded commitments are required to be disclosed and should be presented in the footnotes.

Note: If preferable, liquidity provisions can be disclosed in footnote at bottom of this schedule

See Notes to Financial Statements

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

ORGANIZATION

Sample Fund of Funds, L.P. (the “Partnership”) was organized in the State of _____ to invest in a variety of investment Funds that may have differing investment strategies and techniques. The Partnership will continue until December 31, _____ unless sooner terminated or extended as provided for in the Partnership Agreement.

The Partnership’s investment objective is to achieve capital appreciation (net of fees) while attempting to reduce risk and volatility. The Partnership seeks to accomplish this objective by allocating its assets primarily among a selected group of private investments Funds (the “Funds”) that are managed by portfolio managers (the “Portfolio Managers”) that invest in a variety of financial markets.

The Partnership’s investing activity is the responsibility of (name of GP) (the “General Partner”) who is a registered investment adviser.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Partnership is considered an investment company under U.S. GAAP and follows accounting and reporting guidance in the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 946, “Financial Services – Investment Companies”.

Use of Estimates

The preparation of financial statements in conformity with GAAP may require 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.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS

December 31, 20XX

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

Cash equivalents include short-term highly liquid investments, such as [money market funds, certificate of deposits, other (describe)] that are readily convertible to known amounts of cash and have original maturities of three months or less.

Investment Transactions and Related Income

Purchases and sales of securities [and private investment companies] are recorded on a trade date basis. Realized gains and losses are determined using costs calculated on a [first-in, first-out or the specific identification method.] Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis. [Withholding taxes on foreign dividends have been provided for in accordance with the Partnership's understanding of the applicable countries' tax rules and rates.] Premiums and discounts on fixed income securities are amortized over the lives of the related securities.

Income Taxes

The Partnership is not subject to income taxes. The partners report their distributive share of realized income or loss on their own tax returns. Certain U.S. dividend income and interest may be subject to a maximum 30% withholding for those limited partners that are foreign entities or foreign individuals. (Optional) The Partnership determined that there are no uncertain tax positions which would require adjustments or disclosures on the financial statements.

Recently Adopted Accounting Pronouncement

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements, modifying ASC Topic 820, Fair Value Measurements. The new guidance removes certain disclosure requirements including the amount of and reason for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In addition, in lieu of a rollforward for Level 3 fair value measurements, an entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Partnership has elected to early adopt ASU 2018-13.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

FUND VALUATIONS AND FAIR VALUE MEASUREMENTS

The Partnership utilizes the authoritative guidance under GAAP for estimating the fair value of investments in the Funds that have calculated net asset value (“NAV”) per share in accordance with the specialized accounting guidance for investment companies. Accordingly, the Partnership estimates the fair value of an investment in a Fund using the NAV of the investment (or its equivalent) without further adjustment unless the General Partner determines that the NAV is deemed to be not reflective of fair value. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods. Investments in Funds are classified within the level of the lowest significant input considered in determining fair value. The three levels of input are:

Level 1 Unadjusted quoted prices available in active markets that the Partnership has the ability to access for identical assets or liabilities.

Level 2 Quoted prices which are not considered to be active, or inputs that are observable (either directly or indirectly) for substantially the full term of the asset or liability.

Level 3 Prices, inputs or modeling techniques which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(a) If after adopting in 2017 and retroactively applying ASU 2015-07, there are no other investments then delete the paragraphs highlighted in blue in the *Fund Valuations and Fair Vale Measurements* footnote and *Investments in Funds* footnote and add:

Investments in Funds with a fair value of \$xxx,xxx,xxx are excluded from the fair value hierarchy as of December 31, 2018.

(b) If after adopting in 2017 and retroactively applying ASU 2015-07, there are other investments that do not fall under ASU 2015-07 then disclose the remaining paragraphs in the *Fund Valuations and Fair Vale Measurements* footnote, as applicable, and include the items highlighted in blue. In addition, a description of the valuation techniques for these other investments should be disclosed. See Sample Partners for examples.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS
December 31, 20XX

FUND VALUATIONS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the inputs used to value the Partnership's assets and liabilities measured at fair value as of December 31, 20XX, excluding investments in Funds for which ASU 2015-07 is applicable:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in Funds:				
Equity Long/Short	\$ -	\$ -	\$ xx,xxx,xxx	\$ xx,xxx,xxx
Event Driven	-	-	xx,xxx,xxx	xx,xxx,xxx
Other Investments in Funds measured at net asset value (1)				xx,xxx,xxx
Total Investments in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ xx,xxx,xxx</u>	<u>\$ xx,xxx,xxx</u>
Investments in Securities:				
Equity	<u>\$ xx,xxx,xxx</u>	<u>\$ xx,xxx,xxx</u>	<u>\$ xx,xxx,xxx</u>	<u>\$ xx,xxx,xxx</u>

(1) – In accordance with Subtopic 820-10, certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of assets and liabilities.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS

December 31, 20XX

FUND VALUATIONS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table reflects certain activity of investments categorized within Level 3 of the fair value hierarchy during the year (Rows should reflect class of security as shown on the condensed schedule):

	<u>Purchases</u>	<u>Transfers Into Level 3</u>	<u>Transfers Out of Level 3</u>
Investment in Funds			
Equity Long/Short	\$ x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Event Driven	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Total	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

Disclose reasons for each transfer into and out of Level 3. (Generally due to change in observability of inputs. Give reasons for the changes. Transfers with similar reasons can be grouped.)

The following table is required under 820-10-50-2-bbb which states:

“For fair value measurements categorized within Level 3 of the fair value hierarch, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment).” However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS
December 31, 20XX

FUND VALUATIONS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the valuation techniques and significant unobservable inputs used within Level 3 of the fair value hierarchy as of December 31, 20XX: (EXAMPLES BELOW)

Quantitative Information About Level 3 Fair Value Measurements

	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Assets				
Investment in Funds				
Equity Long/Short	\$x,xxx,xxx	Discounted cash flows	Discount for lack of marketability	5%-7% (6%)
Event Driven	\$x,xxx,xxx	Discounted cash flows	Discount for lack of marketability	5%-7% (6%)

The Partnership's other Level 3 investments have been valued using the unadjusted net asset value of the investments in private investment companies (or if applicable unadjusted third-party transactions and quotations or unadjusted historical third-party information). No unobservable inputs internally developed by the Partnership have been applied to those investments and thus have been excluded from the above table.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

INVESTMENTS IN FUNDS

As of December 31, 20XX the Partnership invested in other Funds, none of which were related parties [revise as necessary]. The investment objectives of the Funds primarily relate to the maximization of appreciation through the investments in equity, debt, derivatives and other financial instruments.

Cost is determined based on capital contributions to, and withdrawals from the Funds.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective Portfolio Managers and are generally classified as Level 3 investments as defined by GAAP. At December 31, 20XX, the Partnership's pro rata share of Level 3 investments from the Funds was approximately \$ _____. A change in the estimated value may occur in the near term.

Income from Funds is recognized based upon the Partnership's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

Amounts shown as expenses in the statement of operations and financial highlights include only those expenses charged directly to the Partnership and do not reflect management fees, advisory fees, brokerage commissions and other fees and expenses incurred by the Funds in which the Partnership is invested. These amounts are included in the realized gain (loss) on investments in funds, net and unrealized gain (loss) on investment in funds, net change, in the statement of operations.

Substantially all of the Funds in which the Partnership invests are charged management fees at varying rates, principally between 1% to 2% annually of periodic net asset values.

Substantially all of the Funds in which the Partnership invests provide for a specific allocation or fee to their respective Portfolio Manager or affiliate, which is calculated at various rates, primarily 20% of appreciation, as defined in their respective Fund agreements.

The activities of certain Funds include the purchase and sale of a variety of derivative financial instruments such as equity options, index options, swap agreements, futures and forward contracts, and other similar instruments. These derivatives are used for trading purposes and for managing risk associated with their portfolio of securities and securities sold short. The use of derivative instruments may involve elements of market risk in excess of the amount recognized in the statement of assets and liabilities of these Funds. In many cases, these Funds limit their risk by holding offsetting security or option positions.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

INVESTMENTS IN FUNDS (CONTINUED)

The Partnership, through its investments in other Funds, is also subject to certain inherent risks arising from their investing activities of selling securities short and entering into forward contracts. The ultimate cost to acquire these securities or settle these contracts may exceed the liability reflected in their financial statements.

Set forth below is certain information with respect to the Funds for which fair value is measured using NAV per share as a practical expedient, in which the Partnership was invested as of and for the year ended December 31, 20XX:

[NOTE: THIS DISCLOSURE IS ONLY FOR THOSE INVESTMENTS THAT ARE MEASURED AT FAIR VALUE USING NET ASSET VALUE PER SHARE AS A PRACTICAL EXPEDIENT. DO NOT INCLUDE OTHER FUNDS THAT ARE INCLUDED IN THE HIERARCHY LEVEL TABLE]

<u>Investment Category (1)</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (2)</u>	<u>Redemption Notice Period (2)</u>
Equity Long/Short	\$ xx,xxx,xxx	\$ xx,xxx,xxx	Quarterly, Annually	30 – 60 days
Event Driven	xx,xxx,xxx	xx,xxx,xxx	Quarterly, Semi-annually	30 – 90 days
Global Opportunities	xx,xxx,xxx	xx,xxx,xxx	Quarterly, Annually	30 – 120 days
Multi-Strategy	xx,xxx,xxx	xx,xxx,xxx	Quarterly, Semi-annually	60 – 90 days
Real Estate	xx,xxx,xxx	xx,xxx,xxx	Quarterly, Annually	30 – 60 days
Private Equity - International	xx,xxx,xxx	xx,xxx,xxx	Quarterly, Semi-annually	30 – 60 days
Total	\$ xx,xxx,xxx	\$ xx,xxx,xxx		

(1) – See Investment in Funds footnote for additional disclosures about the investment category.

(2) – The information summarized in the table above represents the general terms of the specific investment category. Individual Funds may have terms that are more or less restrictive than those terms indicated for the asset class as a whole. In addition, most Funds have the flexibility, as provided for in their constituent documents, to modify and waive such terms.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS
December 31, 20XX

INVESTMENTS IN FUNDS (CONTINUED)

NOTE: THE BELOW DESCRIPTIONS ARE EXAMPLES ONLY. THEY NEED TO BE TAILORED TO YOUR ENTITY SPECIFICS.

Funds' Investment Strategies and Liquidity:

- Equity Long/Short:

The Funds in this class have redemption notice periods ranging from _____ months to one year and are redeemable on a quarterly, semi-annual or annual basis. Certain Funds may charge redemption penalties of [1% to 8%] of net assets during or after the lock-up period. This class includes investments in Funds that invest both long and short primarily in U.S. common stocks. Management of the Funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20XX.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

INVESTMENTS IN FUNDS (CONTINUED)

Funds' Investment Strategies and Liquidity (Continued):

- Event Driven:

The Funds in this class have redemption notice periods ranging from _____ months to one year and are redeemable on a quarterly, semi-annual or annual basis. Certain Funds may charge redemption penalties of [1% to 8%] of net assets during or after the lock-up period. This class includes investments in Funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

- Global Opportunities:

The Funds in this class have redemption notice periods ranging from _____ months to one year and are redeemable on a quarterly, semi-annual or annual basis. Certain Funds may charge redemption penalties of [1% to 8%] of net assets during or after the lock-up period. This class includes investments in Funds that hold approximately 80 percent of the Funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the Funds' investments in diversified currencies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at \$8.75 million, a gate has been imposed by the Portfolio Manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse is unknown.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

INVESTMENTS IN FUNDS (CONTINUED)

Funds' Investment Strategies and Liquidity (Continued):

- Multi-Strategy:

The Funds in this class have redemption notice periods ranging from _____ months to one year and are redeemable on a quarterly, semi-annual or annual basis. Certain Funds may charge redemption penalties of [1% to 8%] of net assets during or after the lock-up period. This class invests in Funds that pursue multiple strategies to diversify risks and reduce volatility. The Funds' composite portfolio for this class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20XX.

- Real Estate:

This class includes several Real Estate Funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years. Twenty percent of the total investment in this class is planned to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

INVESTMENTS IN FUNDS (CONTINUED)

Funds' Investment Strategies and Liquidity (Continued):

- Private Equity – International:

This class includes several Private Equity Funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. However, as of December 31, 20XX, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 20XX, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed.

NOTE: THE ABOVE DESCRIPTIONS ARE EXAMPLES ONLY. THEY NEED TO BE TAILORED TO YOUR ENTITY SPECIFICS.

BANK LINE OF CREDIT

The Partnership has a line of credit agreement with a bank expiring _____, 20YY. There was \$_____ of outstanding borrowings at December 31, 2018. The line of credit is collateralized by _____ (describe collateral). The amount of the line of credit is the lesser of ___% of the net assets at the end of the year or ___% of the assets of the collateral (revise to the specific of the agreement). The agreement contains various covenants including _____ (disclose more significant covenants, i.e. – maintenance of a minimum net equity, restrictions on investments, borrowings, liens on assets, capital withdrawals, etc...). Borrowings bear interest at the bank's prime rate (revise to the specific of the agreement). Interest expense was \$_____ for the year ended December 31, 2018.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

RELATED PARTY TRANSACTIONS

The Partnership Agreement provides for management fees payable to the General Partner at a rate of ___% of the Limited Partners' capital at the (beginning, end, other) of each quarter (___% per annum). The accompanying statement of assets and liabilities includes unpaid fees of \$_____ in accrued expenses.

ADMINISTRATION

The Partnership has entered into an Administration Agreement with _____ (the "Administrator"). Under this agreement, the Administrator is responsible for various administrative, registrar, and transfer agency services, including calculation of the partners' capital balances of the Partnership and the processing of contributions, withdrawals, and transfers of the Partnership's capital. (Refer to agreement for responsibilities)

ALLOCATION OF INCOME (LOSS)

The net income (loss) of the Partnership is allocated to the partners in proportion to their respective capital accounts. However, the General Partner is entitled to an additional allocation of ___% of the net income allocated to each Limited Partner to be credited at the end of each calendar year. This additional allocation reduces the Limited Partners' share of net income. As discussed in the Partnership Agreement, if there is a loss for an accounting period, the additional allocation will not apply to future periods until the loss has been recovered. [The amount of the loss carryforward at December 31, 2018 is \$_____.]

NEW ISSUES

Participation by partners in investments in "new issues" (defined, in part, as equity securities which are the subject of a public distribution) will be allocated to non-restricted partners and to the extent allowed, to restricted partners in accordance with the Conduct Rules of the Financial Industry Regulatory Authority.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

PARTNERS' CAPITAL

[Included in Limited Partners' capital at December 31, 20XX is \$ _____ of accounts under the control of the General Partner(s).]

The Agreement contains certain provisions with respect to restrictions on Limited Partner withdrawal rights. (May describe certain of these rights such as gates, lock-ups, early withdrawal fees, or suspensions. May also elaborate on the nature of these rights if desired.)

FINANCIAL HIGHLIGHTS

Ratio of Expenses To Average Limited Partners' Capital

Expenses*	xx.xx %
Performance reallocation	<u>xx.xx</u>
Total Expenses and Performance Reallocation	<u>xx.xx</u> %

Ratio of Net Investment Income [Loss] To Average Limited Partners' Capital

Net Investment Income [Loss]	<u>xx.xx</u> %
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Total Return

Total return before performance reallocation	xx.xx %
Performance reallocation	<u>xx.xx</u>
Total Return	<u>xx.xx</u> %

The expenses and performance reallocation ratios, the net investment income [loss] ratio, and the total return percentage are calculated for the Limited Partners taken as a whole. The computation of such ratios and return based on the amount of expenses charged to and performance fee reallocated from any specific Limited Partner may vary from the overall ratios presented in the financial statements as a result of such items as differing management fee and performance reallocation arrangements, loss carry forwards, eligibility for new issue income, and the timing of capital contributions and withdrawals. The ratios do not reflect the partnership's proportionate share of expenses of the Funds. The net investment income [loss] ratio does not reflect the effects of any performance reallocation.

(The following should be added only if there are expenses paid by a third party)*Operating expense ratio is after expenses paid by third parties, equal to x.xx% of average Limited Partners' capital.

SAMPLE FUND OF FUNDS, L.P.

NOTES TO FINANCIAL STATEMENTS December 31, 20XX

SUBSEQUENT EVENTS

Effective January 1, 2019, capital of approximately \$_____ was contributed to the Partnership, including \$_____ received prior to December 31, 2018, which is shown as prepaid capital contributions in the accompanying statement of assets and liabilities. For the period January 1, 2019 until (Auditors' Report Date) \$_____ was withdrawn from the Partnership. In addition, \$_____ of General Partner's capital was transferred to Limited Partners' capital.

Subsequent events have been evaluated through (Auditors' Report Date), which is the date the financial statements were available to be issued.

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